

## **NZ High-Cost Consumer Credit Contracts**

### INSTALLATION AND PROCESSING GUIDE

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## DISCLAIMER

finPOWER Connect includes limited functionality to cater for High-Cost Consumer Contracts from version 3.03.00 onwards.

As per your Software License Agreement, it is your responsibility to make sure finPOWER Connect is fit for your purposes and you should seek independent professional advice from sources such as Lawyers, Accountants and Government Agencies.

This is a guideline only. It is not intended to be definitive and should not be used in place of legal advice. You are responsible for staying up to date with legislative changes.

This document is correct as at time of writing, but subsequent legislative changes may affect the relevance of the contents.

## OVERVIEW

This document covers finPOWER Connect changes to cater for lending products that fall under the new legislative category of a “High-Cost Consumer Credit Contracts”.

High-cost lending to consumers is subject to specific restrictions that do not apply to other forms of lending.

The key restrictions on high-cost lending are:

- interest and fees charged on a high-cost loan are capped at 100% of the amount first advanced
- the rate of charge (excluding default fees) on a high-cost loan is capped at 0.8% per day
- lenders are restricted from making high-cost loans to repeat borrowers
- lenders have extra disclosure obligations.

The specific rules are set out in the Credit Contracts Legislation Amendment Act 2019 and amend the Credit Contracts and Consumer Finance Act 2003 and the Credit Consumer and Consumer Finance Regulations 2004. These rules are complex, and lenders are encouraged to take legal advice to ensure that they operate within the restrictions.

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## ESSENTIAL READING

### From the Commerce Commission:

To assist you to understand and comply with the rules the Commission has prepared guidance on the new high cost lending laws. You can [read this guidance here](#).

These new rules will apply to lenders providing consumer credit contracts where:

- the annual interest rate is 50% or higher
- the weighted annual interest rate applied to the unpaid balance is, or is likely to be, 50% or greater on any day during the term of the loan
- the sum of all interest charges that are payable at one time on the loan is greater than 50%.

We strongly recommend that you review the guidance and new requirements carefully and consider whether you should seek legal advice.

There are many complex changes to the law and there can be significant financial consequences for failing to comply. Updates to processes and systems will need to be carried out with care to ensure compliance.

[https://comcom.govt.nz/\\_data/assets/pdf\\_file/0017/215027/High-cost-credit-guidelines-April-2020.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0017/215027/High-cost-credit-guidelines-April-2020.pdf)

### Legislation: Full Amendment

<http://www.legislation.govt.nz/act/public/2019/0081/latest/LMS184169.html>

### Section 45

<http://www.legislation.govt.nz/act/public/2019/0081/latest/LMS250721.html>

## SUMMARY OF FINPOWER CONNECT CHANGES

### MAXIMUM TOTAL INTEREST RATE

A High-Cost Consumer Loan is defined as a loan where the **Maximum Total Interest Rate** that may be charged on any day is greater than or equal to 50%. The Total Interest rate is the Loan Interest Rate plus the Default Interest Rate.

This applies to Consumer Lending but excludes lending for Commercial purposes.

### LIMIT ON COST OF BORROWING

Any amount debited to an account, that is not an opening advance, is included in the **Cost of Borrowing**. This includes Interest, Establishment Fees, Insurance, Search fees (PPSR/Credit Enquiry), and any fee charged once the account is open, Default Interest, Default fees, Collection fees, Letter fees, SMS fees – basically everything ever charged except the amount that is disbursed to the borrower is a Cost of Borrowing.

The total Cost of Borrowing is capped at 100% of the first advance amount.

No transaction should be processed that causes the maximum to be exceeded. This also applies to accepting payments from the Debtor that would result in them paying more than the maximum amount (all advances plus the maximum Cost of Borrowing).

When a transaction is processed for an account that was setup with the NZ High-Cost Consumer Credit Contract regulation type, finPOWER Connect will check to determine if the transaction will exceed the Maximum and will reduce the value of the transaction if necessary.

### REPEAT LENDING

Lenders are restricted from making high-cost loans to repeat borrowers.

A Creditor cannot enter into a High-Cost Consumer Credit Contract with a Debtor if:

- The Debtor has, or has had within the last 15 days, another High-Cost Consumer Credit Contract with another Creditor.
- The Debtor has, within the preceding 90 days entered into 2 or more High-Cost Consumer Credit Contracts

The Creditor must endeavour to determine if the borrower has other High-Cost Loans elsewhere, and must be able to demonstrate that they made such enquiries.

When adding a new loan, finPOWER Connect will review other loans in the database for the client and provide warnings if repeat lending is detected.

### RATE OF CHARGE/RATE CAP

A High-Cost loan is prohibited if the Rate of Charge is calculated as above 0.8% per day. finPOWER Connect uses the Comparison Rate "NZ Rate of Charge" for this. This effectively gives a "Maximum Rate" based on the Interest Rate, any Costs of Borrowing and the Term.

finPOWER Connect will calculate the Rate of Charge on the Opening Schedule and provide a warning if the rate is exceeded.

Interest cannot be compounded and the Rate of Charge cannot be calculated if the Account Type has the Interest charged on Interest setting checked.

## DEFAULT FEES CAP

There is a “rebuttable cap” on default fees.

The total default fees that may be charged is limited to the prescribed amount of \$30 and any charge above that is presumed to be unreasonable.

The presumption of unreasonableness can be rebutted by the lender if they can prove that a cost was necessarily incurred.

In finPOWER Connect the system Default Fee cap value of \$30 cannot be amended, only optionally ignored (as defined on the Account Type). If a Default Fee transaction (as defined on the Element) is added to an Account, and would exceed the \$30 cap it will be adjusted automatically.

## LIMITATIONS

In order to avoid inadvertently breaching the legislation, High-Cost Consumer Credit Loans have some limitations:

- Only Fixed Term Loan are supported
- Account cannot be reopened (except for Closed – Pending)
- No ability to Refinance
- The Restructure functionality has been disabled
- Refunds cannot be processed
  - Alternatively you will need to process a negative / reversed payment transaction
- No Withdrawals are permitted following the initial advance
- No Transfers
- No Parent/Child Account relationships are permitted

finPOWER Connect does not support the “carry-over” of remaining maximum cost of borrowing from an earlier loan in a related series. Various warning are provided where we detect that there is an active series of related accounts and it is recommended that lending is only allowed where there has been a gap of at least 15 days between accounts.

## COMMENCEMENT DATES

The High-Cost Consumer Credit Contracts regime commences in two parts. At the time of writing the commencement dates have not yet been confirmed but are expected to be as follows:

The General features, caps on interest and fees, the prohibition against charging compound interest and the assumption relating to default fees come into effect on 1 May 2020.

The Rate of Charge, 0.8% per day rate cap and other regulations commence on 1 June 2020.

To cater for the split implementation dates, you may define them under Tools, Global Settings, Accounts section.

On the General page you are able to change the Commencement dates.

### Commencement dates for NZ High-Cost Consumer Credit Contracts.

General: 01/05/2020

Rate of Charge: 01/06/2020

Note: You can setup your Account Types to use the Rate of Charge before the implementation, you will see warnings messages if you exceed the rate but this will not stop you from proceeding with the loan.

## INITIAL SET UP

### NEW ACCOUNT TYPE(S)

New Account Types are required for High-Cost Consumer Credit Accounts. You cannot use the existing Account Types because there are a number of characteristics that are not compatible or transferrable.

You should also ensure that all of your account types are reviewed and defined appropriately as either Consumer or Commercial, this is set as the Credit Type on the General page of the Account Type form.

The new Account Types will be set with a Regulation Type of NZ High-Cost Consumer Credit Contract (on the General page of the Account Type Form).

All accounts opened in a High-Cost Account Type will be considered High-Cost loans, whether or not their Interest Rate is  $\geq 50\%$  or not. Loans with a lower Total Interest rate should be added into a different account type.

It is important to note, that if an account type is changed on an open account, the characteristics of that account will not change. So moving an HC Loan from one Account Type to another will not change how the account behaves like wise changing a 'normal' account to a High-Cost Loan – the loan will process its calculations/charges etc as per the initial setting.

### To Create the High-Cost Consumer Credit Contract Account Type:

From the Admin menu, Account Type form, add a new Account Type.

Alternatively you may wish to duplicate any relevant existing Account Type(s) to transfer the majority of the settings

#### General Page

- Give it a new Account Type Code
- Set the Credit Type to **Consumer**
- Set the Regulation **NZ High-Cost Consumer Credit Contract**
- Click Save

Click the Reset button (beside the Regulation field). This will set the initial characteristics.

The following screenshots highlight the specific characteristics that should be set for a High-Cost Consumer Loan.

## Interest Options Page

- Charge Interest on Interest (uncheck for Principal Only)?
  - This is **unchecked** as compounded interest is prohibited
- Comparison Rate options
  - Type = New Zealand Rate of Charge
  - Max Rate = 0.8%
  - Next Max Rate – this is blank and will be used if the regulations change the rate in the future

## Overdue & Defaults Page

- Ignore maximum Default Fee limit?
  - The regulations set the maximum default fee for the life on the account at \$30 unless the Finance Company can prove that the fee is not unreasonable.
  - This checkbox allows the Default fee limit to be ignored.

## Close Options Page

- Allow Closed Accounts to be Reopened
  - You cannot re-open a closed account, so there is no point in checking that checkbox
  - Closed Pending can be re-opened

## Other Page

- Some functionality is **not applicable to High-Cost loans** so there is no point in checking the following checkboxes
  - Allow Withdrawals (including Transfers)?
  - Allow Restructure
  - Allow Refinance Into

**Account Types**  
**HC: High-Cost Consumer Credit Contract**

**Statement Options.**

☒ Use Statements?

Statements: 6 Months Half Yearly

Next Date: [Date]

Parameter Set to enter User Defined details. [Icon]

Parameter Set: [Dropdown]

**Debt Ratio Threshold.**

Debt Ratio: 0.00%

**Client Statistic Data Source.**

Extra Asset: Not Applicable

Extra Liability: Not Applicable

Consolidated Liability: Not Applicable

Consolidated Expense: Not Applicable

**Other Options.**

☐ Include Account level Insurance details?

☐ Allow Withdrawals (including Transfers)?

☒ Transfers must include a common Client?

☐ Allow Restructure?

☐ Allow Refinance Into?

☐ Allow Refinance to be re-dated forward?

☐ User Flag A

☐ User Flag B

**Summary Page Options.**

☐ Show Account Id with check digit?

☐ Show History Rating information?

☐ Show Total Advances?

☒ Show Overdue?

☐ Show Contractual Overdue?

## Transactions Page

- Create adjusted to Zero Transactions?

This option allows you to include (or not) zero value transactions where the transaction value has been reduced to zero under the NZ High-Cost Consumer Credit regulations.

For example, where the Cost of Borrowing has reached the maximum or the Default Fees total has reached the maximum.

- If Checked a zero-value transaction is created (Recommended setting)
- If unchecked no transaction is created which will prevent the database holding redundant information

**Account Types**  
**HC: High-Cost Consumer Credit Contract**

**New Account Net Advance limits.**

Minimum: [Field]

Maximum: [Field]

**Transaction Options.**

☒ Create adjusted to Zero Transactions?

**Transactions (Opening and Ongoing).**

Element	Description	Frequency	Reference	Value	Notes
ADV	Loan Advance	Opening	ADV	\$0.00	Loan Advance
CDP	Cash Deposit	Opening	DEPOSIT	\$0.00	Cash Deposit

## Accounting Page

It is also important to check that the GL/Accounting page is set up correctly.

If you have duplicated an existing account type, it will bring across the existing General Ledger and Element Settings.

**It is also worthwhile checking that the new "Cancelled" Close option has an element defined and is set up appropriately.**

**Account Types**  
**HC: High-Cost Consumer Credit Contract**

**GL Accounts where Transactions are posted to.**

Control Account: [Field]

Closing Account: [Field]

**Elements where Transactions are posted to.**

Description	Element	Element Description	Value	Inclusive?	Normally Charge	Allow Upd
Category 1 (Close) (14 Items)						
Close Line	CLOS	Account Close - Loss				
Close Adjustment	CADJ	Account Close - Adjustment				
Close Bad Debt Write Off	CBDW	Account Close - Bad Debt Write Off				
Close Cancelled	CCAN	Account Close - Cancelled				
Close Reference	CRFP	Account Close - Reference				
Close Reference To	RFPN	Reference				
Close Written Off	ChOF	Account Close - Written Off				
Close Residual Value Credit	CRVC	Account Close - Residual Value Credit				
Close Fee (Cancelled)			0.00			
Close Fee (Closed)			0.00			
Close Fee (Early Settlement)	FACC	Account Fee	0.00			
Close Fee (Written Off)			0.00			
Close Fee (Bad Debt Write Off)			0.00			
Close Fee (Reference)	FACC	Account Fee	0.00			
Category 2 (Disbursement) (2 Items)						
Disbursement Payout	XnDL	Disbursement Withdrawal				
Disbursement Reverse Payout	XPRT	Disbursement Payment				
Category 3 (Fees) (10 Items)						
Default Fee	FDEF	Default Fee				
Email (Ad-Hoc) Fee			0.00			
Facility Fee						
Over Limit Fee	FOLV	Over Limit Fee				
Payment Arrangement Fee	FPVA	Payment Arrangement Fee	0.00			
Payment Reversal Fee	FDIS	Dishonour Fee	0.00			
Restructure Fee			0.00			
SMS (Ad-Hoc) Fee			0.00			
Transfer Fee			0.00			
Withdrawal Fee	FVWL	Withdrawal Fee	0.00			



## ELEMENT DEFINITIONS

The maximum amount of Default Fees allowed to be charged to a High-Cost Consumer Loan is \$30, notwithstanding the options to prove that amounts above this limit are reasonable.

To enable finPOWER Connect to determine which fees are Default Fees and which fees are relating to other activity there is a setting on each Element.

You will need to check all of your Fee Type elements and ensure those that are related to Default have the appropriate setting.

Admin menu, Elements form:

### General Page

- Checkbox for **Default Fee?** beside the Type field

The checkbox will only show for Fee Type elements.

The screenshot shows the 'Elements' form for 'FDEF: Default Fee'. The form is divided into several sections:

- Code and Description:** Code: FDEF, Description: Default Fee, Active? ☒
- Element Type and Category:** Type: Fee, Default Fee? ☒ (This checkbox is highlighted in the original image), Category: [empty]
- Other options:** Allocation: Fees, Include as income? ☒ (highlighted), Is payment due immediately? ☐ (highlighted), Direct Debit immediately? ☐ (highlighted), User Flag A ☐ (highlighted), User Flag B ☐ (highlighted).
- Comparison Rate options:** Capitalise values? ☐ (highlighted), Regions: [empty]

The left sidebar contains a tree view with categories: General, Options, Defaults, Disbursements, Credit/ Rebates, GL Accounts, Authorisation, Usage, Audit, Tools, Reports, Utilities, and Import.

## ACCOUNT WARNINGS

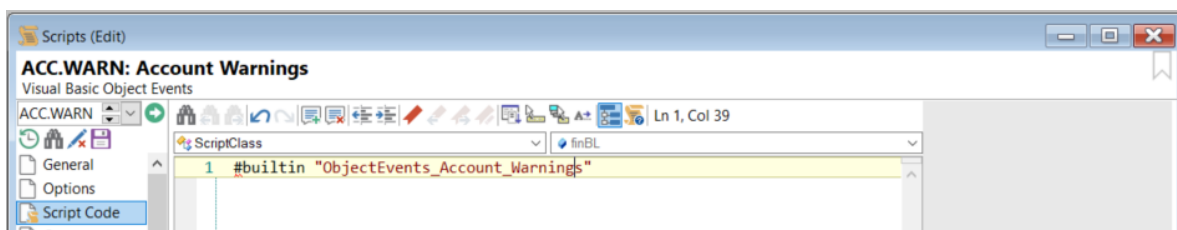
finPOWER Connect has functionality to provide warnings when a new account is added or when the Accept or Decline wizard is run. This functionality has been enhanced to include any additional High-Cost Consumer Contract warnings.

If this area is already in use, the existing script may need to be updated to ensure it includes the new messages.

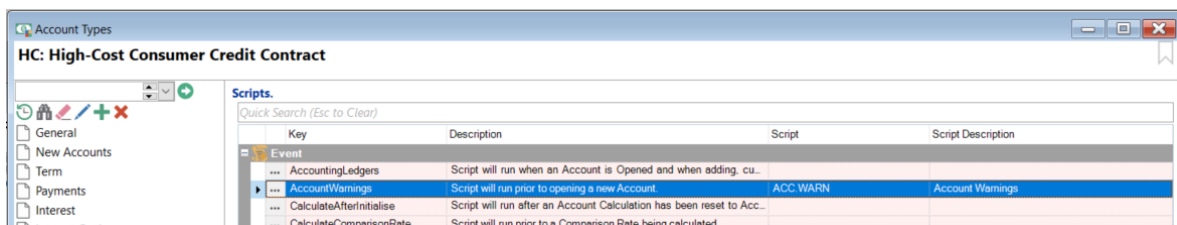
If this functionality is not currently in use then it should be considered as a method of ensuring compliance and auditing a snapshot of the accounts the client(s) have at the time the account was opened.

To implement the Account warnings

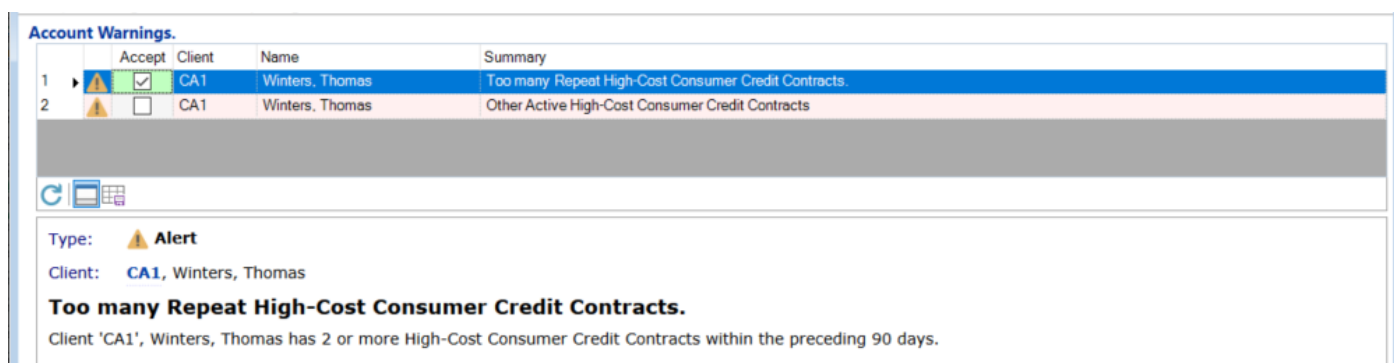
- Add a script (ACC.WARN)
  - Type = Object Events
  - Object = Account
  - In the Script page, right click and select Built In Script > Warnings



- On the required account types, Scripts page configure the Script



The Account Warnings page in the New Loan wizard or Accept or Decline wizard looks like this. The user will need to check each warning to acknowledge the item.



When an account is opened, the warnings will be saved as audit information, along with audit logs of the list of High-Cost loans in the last 90 days and the related series of account.

ONGOING PROCESSING

NEW ACCOUNTS AND QUOTES

Although finPOWER Connect cannot check for, or report on, any loans the borrower has outside the database, it will check the loans in this database – regardless of Entity.

- finPOWER Connect checks for High-Cost Consumer accounts, open or closed but not quotes, declined, unwanted or closed via Cancelled. This includes:
  - Accounts with the Regulation setting as NZ High-Cost Consumer Credit Contract
  - Any other Fixed Term Consumer Loan Accounts that have a Maximum Total Interest Rate above 50%.
    - Consumer Loans are based on the Credit Type defined on the Account Type.
    - These will be accounts that pre-date the commencement of the High-Cost Consumer Credit Contracts legislation but if they are within the 90 day or 15 day periods they need to be considered
- Only clients that have an "Owner" role for the loan.

When you are adding a new High-Cost Account, and while that account's Status is Quote, you may see a number of warnings and messages on the Financial Page.

There is a new summary block on the page and details of the Rate of Charge are also shown.

New Account - Browne, William Charles

**Financial**  
Enter Financial details - Account Type HC; High-Cost Loan.

**Opening and Ongoing Transactions.**

Description	Value
Loan Advance	500.00
Establishment Fee	20.00

**Term.**  
Opening: 01/06/2020  
No. Payments: 4

**Interest.**  
Cycle: Weekly  
Interest Type: Fixed Rate  
Interest Rate: 200.0000%

**Payments.**  
Payments: Weekly  
First Period: Standard  
First Date: 08/06/2020  
Payment: 142.71

Calculate Schedule  
Reset Instalments

Summary		Term & Payments		High-Cost Consumer Credit Contract	
Loan Advance	500.00	<b>Term</b>		<b>Advance</b>	
<b>Net Advance</b>	<b>\$500.00</b>	Opening: 01/06/2020		First Advance	\$500.00
Establishment Fee	20.00	Term: 4 Weeks		<b>Cost of Borrowing</b>	
<b>Amount Financed</b>	<b>\$520.00</b>	Maturity: 29/06/2020		Maximum	\$500.00
Interest	50.81	<b>Payments</b>		<b>Default Fees</b>	
<b>Balance Payable</b>	<b>\$570.81</b>	Regular: 4 due Weekly		Maximum	\$30.00
		First Regular: \$142.71 on 08/06/2020		<b>Interest</b>	
		Final Regular: \$142.68 on 29/06/2020		Charged: Weekly	
				Rate: Fixed 200%	
				<b>Default Interest</b>	
				Rate: Premium of 0%	
				<b>Rate of Charge</b>	
				Rate: 0.7755%	
				Maximum: 0.8%	

Summary

Print Cancel < Back Next > Finish

## ACCOUNT ALERTS AND MESSAGES

There are a number of alerts, warnings and messages you may see relating to the High-Cost Accounts. These are designed to highlight any potential issues, particularly when a new loan is being added or reviewed for approval.

The messages will show in the High-Cost Consumer Credit Contract block on the Financial page and on the Account Key details page.

Many of the messages will only show while the account is a Quote. The account can still be opened if the Finance Company chooses to disregard the alerts and once the account has been opened the alerts are no longer shown.

**Accounts**  
**L10004: HCL**  
 High-Cost Consumer Credit Contract.  
 L10004

**Financial Information.**

Description	Opened	Account Type	Account Type Description
Opening	01/05/2020	HCL	High-Cost Consumer Credit Contract

**Summary**

Loan Advance	300.00
<b>Net Advance</b>	<b>\$300.00</b>
Establishment Fee	20.00
<b>Amount Financed</b>	<b>\$320.00</b>
Interest	23.34
<b>Balance Payable</b>	<b>\$343.34</b>

**Term & Payments**

**Term**

Opening: 01/05/2020  
 Term: 4 Weeks  
 Maturity: 29/05/2020

**Payments**

Regular: 4 due Weekly  
 First Regular: \$85.84 on 08/05/2020  
 Final Regular: \$85.82 on 29/05/2020

**Dates**

Created: Admin on 26/04/2020 at 8:53:03a.m.  
 Quoted: 26/04/2020

**High-Cost Consumer Credit Contract**

**Advance**

**First Advance** \$300.00

Client 'CA1', Winters, Thomas has 2 or more High-Cost Consumer Credit Contracts within the preceding 90 days.  
 A series of related Consumer Credit Contracts beginning with 'L10003', is still active.

**Cost of Borrowing**

**Maximum** \$300.00

**Default Fees**

**Maximum** \$30.00

**Interest**

**Interest**

Charged: Weekly  
 Rate: Fixed 150%

**Default Interest**

Rate: Premium of 0%

**Rate of Charge**

Rate: 0.7824%  
 Maximum: 0.8%

**Summary**

**Client 'CA1', Client name has 1 High-Cost Consumer Credit Contract within the preceding 90 days.**

The client has 1 other High-Cost loan within the last 90 days. This means that the loan is probably allowed but the Finance Company should have made appropriate enquiries with other Lenders.

**Client 'CA1', Client name has 2 or more High-Cost Consumer Credit Contracts within the preceding 90 days.**

The Client has two or more High-Cost Loans in the last 90 days so is prohibited from opening another. finPOWER Connect will check all of the "owner" Clients allocated to the account and report this for any that already have 2 or more.

**A series of related Consumer Credit Contracts beginning with 'L10003', is still active.**

The client has another High-Cost loan that is either still open or was closed within the last 15 days. This may also indicate that there is an ongoing series of related accounts, which may affect the maximum cost of borrowing you can charge.

You should consider not lending to the client at this time.

If the Account has more than one Client, the client will be identified.



## CLIENT MESSAGES AND INFORMATION

Lenders have a responsibility to make reasonable enquiries as to whether or not a borrower is a repeat borrower. To assist with this and providing information to other Lenders, the Client form includes the following information.

The Key Details page shows a summary of the count of High-Cost Open loans and loans in the last 90 and 15 days.

**C10004: Davis, Claire**  
Individual.

**Summary**  
Code: C10004  
External Id:  
Name: **Davis, Claire**  
Type: I, Individual  
Date of Birth: 12/12/1992 27 years old  
Gender: **Female**  
Occupation: **Nurse**  
Credit Rating:  
Status:

**Contact Details**  
Home: (08) 574 1256  
Work:  
Mobile:  
Email:

**Accounts**  
There is 1 'Open' High-Cost Consumer Credit Contract.  
There have been 1 High-Cost Consumer Credit Contracts opened in the last 90 days.

Type	Account	Role	Opened	Matures	Status	Opening	Balance	Overdue
CC	L10006	Borrower	15/10/2019	15/10/2020	Open	4,000.00	3,305.38	257.11
DFT	V10003	Investor	15/10/2019	15/10/2020	Open	25,000.00	(25,146.92)	0.00
HC	L10013	Borrower	02/05/2020	25/07/2020	Open	525.00	1,000.00	1,000.00
RC	L10012	Borrower	03/01/2020		Quote	1,500.00	0.00	0.00
						<b>\$29,525.00</b>	<b>(\$20,841.54)</b>	<b>\$1,257.11</b>

**Workflows**  
No current Workflows.

**Warnings**  
**Withholding Tax**  
Using Undeclared Rate (IRD Number not defined).

**Addresses**  
**Physical & Postal Address**  
685 Gilmore Close  
Richwood 1235

**Other Contacts**  
See Contacts page for full contact details.

**Events**

The Accounts page can show the Regulation in the grid to allow you to identify accounts that need to be considered.

**C10004: Davis, Claire**  
Individual.

**Accounts.**

Type	Account	Description	Account Role	Opened	Maturity	Status	Opening	Deposit Balance	Loan Balance	Regulation
CC	L10006	Consumer Credit Loan	Borrower	15/10/2019	15/10/2020	Open	4,000.00		3,305.38	
DFT	V10003	Fixed Term Deposit	Investor	15/10/2019	15/10/2020	Open	25,000.00	25,146.92		
HC	L10013	High-Cost Consumer...	Borrower	02/05/2020	25/07/2020	Open	525.00		1,000.00	NZ High-Cost Consumer Credit Contract
RC	L10012	Revolving Credit Loan	Borrower	03/01/2020		Quote	1,500.00			
							<b>31,025.00</b>	<b>25,146.92</b>	<b>4,305.38</b>	

☐ Show Hidden Accounts?

**Summary**  
Code: L10013  
External Id:  
Name: **Davis, Claire**  
Type: HC, High-Cost Consumer Credit Contract  
Status: **Open**

**Financial Status**  
Balance: **\$1,000.00** Next Payment \$58.55 due 19/09/2020  
Overdue: **\$0.00**  
Total Payments: **\$0.00** No payment has been made on this Account yet  
Maturity Date: **25/07/2020**  
Projected Final Date: **16/01/2021** 175 days past Maturity

**Warnings**  
**General**  
Date signed not entered.  
**High-Cost Loan**  
Maximum Cost of Borrowing reached.  
Maximum Cost of Borrowing \$500.00 has been reached.  
Maximum Default Fees reached.  
Maximum Default Fees \$30.00 have been reached.

**Monitoring**  
**Overdue**  
Not monitored.  
**Non Financial**  
Not monitored.



## OPEN ACCOUNTS AND GENERAL PROCESSING

When transactions are committed to a High-Cost Consumer Credit Contract loan, finPOWER Connect will check if the value will exceed the Maximum Cost of Borrowing for the account and will reduce the value to ensure that the maximum is not breached.

For a transaction to an element that is defined as being a Default Fee, the Maximum Default Fee will be checked and the transaction value reduced unless the Account Type is configured to "Ignore maximum Default Fee Limit".

There is a single exception, Interest Adjustment transactions are a special type of transaction and these will not be reduced even if the maximum would be exceeded. These transactions are rarely used and are usually restricted anyway.

If the transaction value is reduced this will happen automatically, you do not need to manually intervene. If the transaction value is reduced to zero then depending on the "Create adjusted to Zero Transaction" setting on the Account Type, there may or may not be a transaction created.

On the Account, Financial Page, you will see if transactions have been reduced. You can also see a summary of the Cost of Borrowing, Maximum, Charged to Date and Remaining and the same for Default Fees.

**Accounts**  
**L10013: Davis, Claire**  
High-Cost Consumer Credit Contract.

**Financial Information.**

Description	Opened	Account Type	Account Type Description
Opening	02/05/2020	HC	High-Cost Consumer Credit Contract
Current		HC	High-Cost Consumer Credit Contract

**Summary (Current)**

Loan Advance	500.00
<b>Net Advance</b>	<b>\$500.00</b>
Establishment Fee	25.00
<b>Amount Financed</b>	<b>\$525.00</b>
Interest to 11/09/2020	445.00
Default Fee	30.00
<b>Current Balance</b>	<b>\$1,000.00</b>
Accrued Interest to 26/04/2020	0.00
<b>Net Balance</b>	<b>\$1,000.00</b>

**Balance Allocations**

Principal (Interest Bearing)	525.00
Interest	445.00
Fees (Interest Bearing)	30.00
<b>Current Balance</b>	<b>\$1,000.00</b>

**Term & Payments**

**Term**  
Opened: 02/05/2020  
Term: 12 Weeks  
Maturity: 25/07/2020

**Original Payments**  
Regular: 12 due Weekly  
First Regular: \$58.55 on 09/05/2020  
Final Regular: \$58.51 on 25/07/2020

**Remaining Payments**  
Payments: 18 Payments in total remaining (All payments dated after Maturity)  
Frequency: Weekly  
Next Payment: \$58.55 due 19/09/2020  
Projected Final: 16/01/2021 175 days past Maturity  
Final Payment is scheduled after Maturity Date.

**High-Cost Consumer Credit Contract**

**Advance**  
First Advance: \$500.00  
Maximum Cost of Borrowing \$500.00 has been reached.  
Maximum Default Fees \$30.00 have been reached.

**Cost of Borrowing**  
Maximum: \$500.00  
Charged to Date: \$500.00  
Remaining: \$0.00

**Default Fees**  
Maximum: \$30.00  
Charged to date: \$30.00  
Remaining: \$0.00

**Interest**  
Charged: Weekly  
Last Date: 11/09/2020  
Rate: Fixed 250%  
Default Interest Rate: Premium of 0%  
Future Default Interest changes exist.

On the Account, Transaction Page you can see details of the reduced transactions and can include the High-Cost Loan Original value if you wish.

**Accounts**  
**L10013: Davis, Claire**  
High-Cost Consumer Credit Contract.

L10013

**Account Transactions.**

Date	Reference	Element	Debit	Credit	Balance	High-Cost Loan Original	Notes
26/06/2020	Interest	INT	25.17		741.36		Interest from 20/06/2020 to 26/06/2020 (7 days) at 250%
30/06/2020	Default	FDEF	15.00		756.36		
03/07/2020	Interest	INT	25.17		781.53		Interest from 27/06/2020 to 03/07/2020 (7 days) at 250%
10/07/2020	Interest	INT	25.17		806.70		Interest from 04/07/2020 to 10/07/2020 (7 days) at 250%
17/07/2020	Interest	INT	25.17		831.87		Interest from 11/07/2020 to 17/07/2020 (7 days) at 250%
24/07/2020	Interest	INT	25.17		857.04		Interest from 18/07/2020 to 24/07/2020 (7 days) at 250%
31/07/2020	Default	FDEF			857.04	15.00	
31/07/2020	Interest	INT	25.17		882.21		Interest from 25/07/2020 to 31/07/2020 (7 days) at 250%
07/08/2020	Interest	INT	25.17		907.38		Interest from 01/08/2020 to 07/08/2020 (7 days) at 250%
14/08/2020	Interest	INT	25.17		932.55		Interest from 08/08/2020 to 14/08/2020 (7 days) at 250%
21/08/2020	Interest	INT	25.17		957.72		Interest from 15/08/2020 to 21/08/2020 (7 days) at 250%
28/08/2020	Interest	INT	25.17		982.89		Interest from 22/08/2020 to 28/08/2020 (7 days) at 250%
31/08/2020	Default	FDEF			982.89	15.00	
04/09/2020	Interest	INT	17.11	1,000.00	26.61		Interest from 29/08/2020 to 04/09/2020 (7 days) at 250%
11/09/2020	Interest	INT	0.00	1,000.00	26.61		Interest from 05/09/2020 to 11/09/2020 (7 days) at 250%

**Summary**

**Id:** 481  
**Type:** Interest  
**Source:** Account Processes (Interest)  
**Element:** INT, Interest  
**Reference:** Interest  
**Notes:** Interest from 29/08/2020 to 04/09/2020 (7 days) at 250%  
**Created:** ADMIN on 27/04/2020 at 10:16:25a.m.

**Allocations (System)**

	Transaction	Balance
<b>Principal</b> (Interest Bearing)	0.00	525.00
<b>Interest</b>	17.11	445.00
<b>Fees</b> (Interest Bearing)	0.00	30.00
<b>Total</b>	<b>17.11</b>	<b>1,000.00</b>
<b>Overdue</b>	0.00	952.89

Value has been reduced from \$26.61 under 'NZ High-Cost Consumer Credit Contract' regulations.  
Reason was 'System (Cost of Borrowing)'.

**Audit**

From	To	Days	Principal Balance	Interest Balance	Fees Balance	Balance	Overdue Balance	Interest Rate	Interest
29/08/2020	04/09/2020	7	525.00	427.89	30.00	982.89	952.89	250%	26.6096
									<b>26.61</b>

Payment grace period used was 0 business days.

Likewise for a Default Fee that has been reduced

**Standard Transactions**

**Transactions**

Date	Reference	Element	Debit	Credit	Balance	High-Cost Loan Original	Notes
21/08/2020	Interest	INT	25.17		957.72		Interest from 15/08/2020 to 21/08/2020 (7 days) at 250%
28/08/2020	Interest	INT	25.17		982.89		Interest from 22/08/2020 to 28/08/2020 (7 days) at 250%
31/08/2020	Default	FDEF			982.89	15.00	
04/09/2020	Interest	INT	17.11	1,000.00	26.61		Interest from 29/08/2020 to 04/09/2020 (7 days) at 250%
11/09/2020	Interest	INT	0.00	1,000.00	26.61		Interest from 05/09/2020 to 11/09/2020 (7 days) at 250%

**Summary**

**Id:** 480  
**Batch Id:** 20200427.1  
**Type:** Fee  
**Source:** Transaction Entry  
**Trans Type:** TE, Transaction Entry  
**Element:** FDEF, Default Fee  
**Reference:** Default  
**Created:** ADMIN on 27/04/2020 at 10:14:31a.m.

**Allocations (Automatic)**

	Transaction	Balance
<b>Total</b>	<b>0.00</b>	<b>982.89</b>
<b>Overdue</b>	0.00	952.89

Value has been reduced from \$15.00 under 'NZ High-Cost Consumer Credit Contract' regulations.  
Reason was 'System (Default Fees)'.



## REPORTING

A new report has been created as well as amendments made to an existing report to assist with extracting information required to keep track of High-Cost Consumer Credit Contract Loans. The changes to the existing "Account Exception List" report and the details of the new 'NZ High-Cost Consumer Credit Contract Report' are detailed below.

### ACCOUNT EXCEPTION LIST REPORT

The Account Exception List Report now has an option to include New Zealand High-Cost Consumer Credit Contract exceptions.

This option will also report on Consumer Loans where:

- Regulation is not "NZ High-Cost Consumer Credit Contract"
- Opened on or after the commencement date
- Total Interest Rate is  $\geq 50\%$

This indicates that the Loan should have been a High-Cost Consumer Credit Contract.

### NZ HIGH-COST CONSUMER CREDIT CONTRACT REPORT

A new NZ High-Cost Consumer Credit Contract Report has been added.

This shows key information regarding Consumer Contracts including warnings.

Available Columns include: Account Id, Account Name, Date Opened, Interest Rate, Rate of Charge, Advance, Cost of Borrowing, Maximum, To Date, Remaining, Default Fees, Maximum, To Date, Remaining, and Warnings

A basic example is pictured below:

Loan High-Cost Consumer Credit Contract Report									
IS Systems									Printed 15/04/2020 4:53PM
Account	Name	Type	Status Opened	Advance	Int Rate Total Rate	ROC	COB To Date Remain	Def Fees To Date Remain	Warnings
		HC	Open 01/06/2020	1,500.00	292% 292%	0.8%	1,500.00 0.00 1,500.00	30.00 0.00 30.00	
Grand Total (1)				1,500.00					
<b>Parameters</b> Order By: Code Include all Consumer Loans									

## DOCUMENTATION

## LOAN CONTRACT

The sample New Zealand Fixed Term Contract Document has been updated for High-Cost Consumer Credit Contracts. The change includes a new block under the CREDIT FEES AND CHARGES section.

The following standard Document Templates have been updated:

- NZ Loan Contract (Fixed Term)
- Loan\_Contract\_NZCCCFA.xml
- Loan\_Contract\_NZCCCFA.docx
- Version: 1.11 (28/04/2020)

Note, as per your Software Licence Agreement, before using sample Documents it is your responsibility to make sure the sample Documents are fit for the purpose and work as required and shall, as necessary, seek independent professional advice from sources such as Lawyers, Accountants and Government Agencies.

An example of the new section is pictured below:

**High-Cost Consumer Credit Contract**

This Credit Contract is a High-Cost Consumer Credit Contract.

The maximum costs of borrowing that you can be charged under this Contract is **\$1,500.00**. No other costs of borrowing may be charged or debited to your Account.

The maximum amount is calculated as follows; your first advance under this contract or a related contract less previous interest and fees charged on related contracts.

Your first advance is **\$1,500.00** under this contract. There are no previous interest and fees.

The total amount that you can be required to pay under this contract is **\$3,000.00**. This is the **\$1,500.00** advanced to you plus the **\$1,500.00** maximum amount.

The Rate of Charge for this High-Cost Consumer Credit Contract is **0.8%**.