

*Mr Gair*

## COST OF CREDIT DISCLOSURE

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### ANALYSIS

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### A BILL INTITULED

**An Act to provide for the disclosure by creditors of the full cost of credit extended to purchasers of goods**

5 BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:

**1. Short Title**—This Act may be cited as the Cost of Credit Disclosure Act 1968.

10 **2. Interpretation**—In this Act, unless the context otherwise requires—

“Credit agreement” means a hire purchase agreement or credit sale agreement:

15 “Credit sale agreement” means an agreement in writing for the sale of goods under which the total purchase price is not paid in full at, or before, the time at which the agreement is made; but does not include a hire purchase agreement:

- “Finance charge” means the sum of all charges in a credit agreement including service fees, or similar expenses and including an interest charge but excluding insurance charges, or registration, transfer, or stamping fees incurred for the completion of the credit agreement. 5
- “Hire purchase agreement” means an agreement whereby goods are let or hired with an option to purchase, and includes an agreement for the purchase of goods by instalments (whether the agreement describes the instalment as rent or hire or otherwise); but does not include any agreement under which the property in the goods comprised in the agreement passes absolutely at the time of the agreement to the person who agrees to purchase them. 10 15
- “Insurance charge” means any insurance premium charged by the creditor in accordance with an express condition for such insurance in the credit agreement.
- “Insurance credit” means any insurance premium relating to the goods the subject of the credit agreement and charged to the purchaser at the purchaser’s request. 20
- “Interest charge” means a charge added to the balance of the cost of the goods owed by the purchaser.
- “Period” means the time between the payments specified in the credit agreement for repayment of the total amount to be financed and “periodic payment” has a corresponding meaning. 25
- “Purchaser” means the hirer or purchaser under a hire purchase agreement or the purchaser under a credit sale agreement. 30
- “Revolving credit arrangement” means a continuing credit arrangement in which the purchaser agrees to make periodic payments against the amount owed at the start of each period including finance charges and is permitted to make additional credit purchases as long as the total debt does not exceed an agreed upon limit. 35
- “True annual percentage rate” means the percentage rate per annum of the finance charge.

**3. Creditor to furnish statement of full cost of goods—**

Except as provided in section 4 of this Act, any creditor selling goods to a purchaser on a credit agreement shall furnish to the purchaser, prior to the completion of the credit agreement, a statement in writing setting forth, in accordance with any regulations made pursuant to section 6 of this Act, the following information:

- (a) The cash price of the goods to be acquired:
- 10 (b) The amounts, if any, to be credited to the purchaser either as down payment or as trade in:
- (c) Any insurance charge, registration, transfer, or stamping fee, showing each item separately:
- (d) The finance charge showing each item separately:
- 15 (e) The finance charge expressed in dollars and cents:
- (f) The finance charge expressed as a true annual percentage rate.
- (g) The length and number of periods and the amount of each periodic payment required to repay the total amount due under the credit agreement.

20 **4. Statement in case of revolving credit—**(1) Where a creditor agrees to extend credit in the nature of a revolving credit arrangement he shall, before the completion of the agreement, furnish in writing to the purchaser a statement setting out—

- 25 (a) Any charges in respect of the revolving credit account not specified in the agreement itself other than a finance charge:
- (b) The finance charge expressed as a true annual percentage rate:
- 30 (c) The amount of rebate of the finance charge allowed if the account is paid before the due date of payment unless such allowance of rebate is stated in the agreement itself.

(2) Where a creditor provides a purchaser with a card or 35 booklet for the recording of entries in his account, the card or booklet shall provide for the recording of—

- (a) The outstanding balance in the account, including the latest entry, whether a debit or a credit:
- 40 (b) All finance or other charges incurred of which the purchaser has not been previously notified in writing:

(c) The number and amount of the periodic payments which have still to be met.

(3) If the card or booklet referred to in subsection (2) of this section is not presented to the creditor within fifteen weeks of the last entry therein, the creditor shall furnish to the purchaser a statement containing the information required by subsection (2) of this section to be recorded. 5

(4) Where no card or booklet is provided, the creditor shall furnish to the purchaser, within three days of each purchase or payment, a statement containing the particulars set out in subsection (2) of this section. 10

**5. Act not to apply in certain circumstances**—This Act shall not apply to any credit agreement in the following cases:

- (a) Where goods are sold other than at retail by a dealer normally engaged in the selling of goods of the class covered in the credit agreement: 15
- (b) Credit agreements where the purchaser is a limited liability company or public body:
- (c) Credit agreements for other than personal, family, household, or farming purposes: 20
- (d) Credit arrangements where total repayment is charged to the purchaser and due for full repayment by the end of the month following the month in which the purchase was made:
- (e) Where the true annual percentage rate is less than twelve per centum per annum. 25
- (f) Where the cash price of the goods under a credit agreement or the agreed upon limit or a revolving credit arrangement does not exceed fifty dollars.

**6. Regulations**—By the first day of July in the year following the passing of this Act the Governor-General shall, by Order in Council, make such regulations as may be necessary to give effect to the provisions of this Act, such regulations to include: 30

- (a) Such formulae or tables as will in his opinion most fairly, efficiently, and simply guide business firms in complying with the provisions of this Act: 35
- (b) The allowances for tolerances and approximations which shall be permitted in the calculation of the true annual percentage rate, provided that this shall not be greater than one percent above or below: 40

(c) A date upon which the regulations will take effect, such date to be not sooner than six months nor more than twelve months after the date of the making of the regulations.

5 **7. Offences**—(1) Any creditor failing to disclose any information in violation of this Act, or of regulations made pursuant thereto, shall be liable to forfeit his rights to all or any part of the finance charge paid or still owing by the purchaser, provided that a statement of a true annual percentage rate which is in fact higher than the correct rate shall  
10 not incur a penalty.

(2) Any creditor providing false or inaccurate information or failing to provide information in violation of this Act, or regulations pursuant thereto, or wilfully violating same, shall,  
15 if an individual, render himself liable to a fine of two hundred dollars, and, if a company, one thousand dollars.

(3) Except as provided in subsection (1) of this section, nothing in this Act or in any regulations made pursuant to section 6 of this Act shall affect the validity or enforceability  
20 of any contract or transaction.