

Health series

Offering credit to patients



This fact sheet is designed to help health professionals who offer credit to their patients understand what they need to know about the Credit Contracts and Consumer Finance Act.

Some health professionals may not be aware that they may have obligations under the Credit Contracts and Consumer Finance Act (CCCF Act). The CCCF Act applies to companies, partnerships, or sole practitioners in the health sector who provide credit, even if it is only provided to support their main business.

If you have an agreement with patients that means they can defer payment for your services, then you have provided credit under the CCCF Act.

When you provide credit, you must ensure that your agreement with your patient is not oppressive – in other words, not extremely unfair or unreasonable. For example, charging very high interest or credit fees may be considered oppressive if you know that the patient does not have the ability to pay.

If you regularly provide credit to patients, you may be entering into consumer credit contracts. Consumer credit contracts are subject to a number of specific rules under the CCCF Act, so it is important that you know when you are providing credit under consumer credit contracts and understand your obligations.

When am I providing credit under a consumer credit contract?

You are providing credit under consumer credit contracts if you:

- provide credit to patients on a regular basis
- and
- allow your patients more than two months to pay
- and
- charge interest or a credit fee (or could do so under the agreement).

What's a credit fee?

A credit fee is an additional charge added to the amount loaned under a credit contract, such as an establishment or administration fee. It does not include default fees, such as a late payment fee.

If I require patients to pay at the time they receive treatment, or within a short grace period, but they don't pay on time, am I providing credit?

No. Unless there is an agreement in place that allows your patients to defer payment, then you are not considered to have provided credit under the CCCF Act.

However, if your patient doesn't pay promptly, and you then come to an agreement giving your patient time to pay account, you will have provided credit.

I have some patients who struggle to pay their accounts. What are my obligations if I allow such patients several months to pay off their accounts, but don't charge any credit fees or interest?

If you are not charging credit fees or interest, and haven't got an agreement with your patient that would allow you to do so, then you are providing credit, but not entering into a consumer credit contract. Your only obligation is to ensure that your agreement with your patient is not oppressive.

Do I have any obligations under the CCCF Act if I refer patients to a finance company for credit?

The obligations under the CCCF Act fall on those who actually provide the credit to your patient. If you are referring your patients to a finance company, then you do not have obligations under the CCCF Act. Your patients should understand they are entering into two distinct agreements, with two separate parties:

- an agreement with you to purchase your services
- an agreement with the finance company to repay the loan.

However, if a patient cancels your services because the services did not comply with the Consumer Guarantees Act 1993 and you arranged finance to enable the patient to pay for those services, you could be held responsible for the patient's obligations under the loan contract.

For more information, see www.consumeraffairs.govt.nz/for-business/compliance/quality-of-your-goods-or-services/goods-services-sold-on-credit

What rules apply to consumer credit contracts?

Specific rules apply if you are providing credit under a consumer credit contract. These are summarised below, including links to further information.

- Disclosure: You must give your patients key information about the terms of the contract, such as what payments are required, how any interest is calculated and any fees or charges that apply. This must be provided in writing and be accurate and understandable.
www.comcom.govt.nz/disclosure
- Interest charges: There are rules about how to do so, including how to calculate interest and when you can charge default interest.
www.comcom.govt.nz/interest-charges-under-a-consumer-credit-contract

- Repayments: You must apply repayments according to the rules set out in the CCCF Act, and must tell patients if you will accept extra part repayments. Your patients have the right to repay you in full earlier than agreed.
www.comcom.govt.nz/payments
- Fees: There are rules about the fees that you can charge. In particular, credit and default fees must be disclosed, clearly described and reasonable.
www.comcom.govt.nz/fees
- Credit-related insurance, extended warranties and repayment waivers: You can't unreasonably require your patients to buy any of these services in connection with a consumer credit contract.
www.comcom.govt.nz/credit-related-insurance
- Cancellation: Your patients have a "cooling off" period after entering into a consumer credit contract when they can change their mind about the consumer credit contract (but not about paying you for your services).
www.comcom.govt.nz/consumer-rights-under-a-consumer-credit-contract-cancellation
- Hardship: Your patients can ask you for temporary relief or relaxation in the terms of their contract if they suffer an unexpected hardship and are up-to-date with their repayments.
www.comcom.govt.nz/consumer-rights-under-a-consumer-credit-contract-hardship
- Oppression: Your patients and their guarantors are protected from oppressive contracts and from oppressive behaviour by lenders.
www.comcom.govt.nz/oppressive-contracts

Want to know more?

Our health series fact sheets cover a range of topics of particular interest to health professionals: www.comcom.govt.nz/health

We also have fact sheets for all businesses about their obligations under the Commerce, Fair Trading and Credit Contracts and Consumer Finance Acts: www.comcom.govt.nz

This fact sheet provides guidance 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.

You can subscribe for information updates at www.comcom.govt.nz/subscribe

Contact us with information about possible breaches of the laws we enforce:

Phone: 0800 943 600 Write: Contact Centre, PO Box 2351, Wellington 6140 Email: contact@comcom.govt.nz

 COMMERCE
COMMISSION
NEW ZEALAND