

## ***POLICY***

### **DEBTORS**

### **(03.018)**

#### **POLICY**

This policy provides for the management, administration and recovery of revenue and other moneys owing to the Northland Polytechnic Ltd, trading as NorthTec, as set out in the policy subsections below.

The provisions of the Credit Contracts and Consumer Finance Act 2003 apply to this Policy which shall be administered in compliance with the Act.

#### **PURPOSE**

The purposes of this policy are:

- To ensure the creditworthiness of debtors and to minimise Northland Polytechnic Ltd's exposure to overdue payments and bad debts, whether owing by students, staff, trade or other third parties;
- To ensure the receipt of capital sums owing on the sale of property, plant or equipment;
- To ensure the recovery of debt from students once an approved debt has been established;
- To describe the circumstances when penalty charges or penalty interest becomes payable on overdue accounts;
- To establish the circumstances when formal debt recovery proceedings shall be undertaken.

#### **APPLICATION AND SCOPE**

This policy applies to all sums owing to Northland Polytechnic Ltd, whether trade or professional receivables or student fees, as represented in revenue brought to account and includes capital sums owing on the sale of property plant and equipment.

#### **DEFINITIONS**

- *Credit*  
The value of fees, books, materials and other items not paid for in cash on delivery.
- *Credit Contract*  
Any advance of credit, which is encompassed by the wide terms of the Credit Contracts and Consumer Finance Act 2003
- *Debt*  
Any sum of money owing to Northland Polytechnic Ltd
- *Overdue Account*  
Where an account has been rendered and not paid within one month of the date of invoice

- *Unauthorised*  
Where a debtor does not have prior approval for extended credit for debts owing to Northland Polytechnic Ltd outside its normal terms of trade or agreements made with students and other parties
- *Undue hardship*  
Arises where students who would otherwise incur penalty interest costs on fees outstanding for payment would have difficulty meeting their costs of living and transport to Northland Polytechnic Ltd campuses

#### **COMPLIANCE OBLIGATIONS**

- *Consumers Guarantees Act 1993*
- *Credit Contracts and Consumer Finance Act 2003*
- *Credit Contracts and Consumer Finance Amendment Act 2014*
- *Fair Trading Act 1986*

<b>Responsibility</b>	Executive manager with responsibility for finance
<b>Approval dates</b>	November 2019
<b>Next Review</b>	August 2022

#### **OTHER RELATED DOCUMENTS**

Policy: *Student Fees (03.017)*

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## PROCEDURES AND GUIDELINES

**1.0 DEBTORS AND CREDITWORTHINESS**

- 1.1 All applications for credit shall be made on the appropriate form and be approved by the manager responsible for finance or his/her authorised delegate.
- 1.2 Payment terms for credit transactions shall be 20th of the month following the date of invoice except where extended credit arrangements have been approved.
- 1.3 Interest may be charged on all overdue accounts in accordance with this Policy. Interest may be charged in accordance with the provisions of the Credit Contracts and Consumer Finance Act 2003 and full disclosure shall be made on debtors' invoices and monthly statements.
- 1.4 Debtors shall be classified as Trade, Student, Staff or Other.
- 1.5 Applications for trade credit shall be approved by the manager responsible for finance prior to the goods or materials being uplifted, or the services being performed.
- 1.6 **Credit advances to staff** (except telephone charges) may be in one of three categories:
- Expenses advances as recommended by the staff member's supervisor and approved by the manager responsible for finance.
  - Payroll advances are available only in exceptional circumstances and are limited to the sum accrued at the time. Each application is to be accompanied by the staff member's signed authority to deduct repayments from the salary or wages of the applicant. All advances are to be approved by the manager responsible for finance or the Manager of People Operations.
  - Credit shall be granted only in exceptional circumstances and limited to a sum not greater than that provided by an accompanying authority to deduct repayments. All credit advances are to be approved by the manager responsible for finance.
- 1.7 **Credit advances to students** shall fall in one of two categories for repayment:
- Payment of fees by instalment may be approved where a programme does not meet the criteria for a loan under the Student Loan Scheme and the price of the course warrants assistance. All applications for credit are to be approved by the manager responsible for finance.
  - Payment of fees by instalment shall only be allowed under exceptional circumstances for International Students, agreed to by Director International or in consultation with manager responsible for finance.
  - Emergency advances:
    - Advances may be made when a student is entitled to student allowances and payment of the allowance has been delayed. The credit limit shall be the student's entitlement at the time.
    - Where special circumstances prevail and the advance shall be recovered from a Student Loan Scheme entitlement. The amount of credit advanced shall be at the Student Loan Officer's discretion but be limited to the sum of the approved Student Loan.

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- Approval of each transaction is subject to receiving a signed authority to recover the credit advanced from student allowance payments, student loans or automatic payments. Transactions shall be approved by the Student Loans Officer or the manager responsible for finance.

## **2.0 INTEREST CHARGES ON OUTSTANDING DEBTORS' ACCOUNTS**

- 2.1 The following interest may be charged on accounts that are outstanding for payment when overdue by one month or greater and have not been authorised for extended credit terms:
- Trade debts 10% p.a. (2% per month)
  - Staff debts 8% p.a. (1.5% per month)
  - Student debts 7% p.a. (1.5% per month)
- 2.2 Debts may be authorised for payment by instalment in accordance with this Policy.
- 2.3 The manager responsible for finance holds delegated authority to waive interest charges where mitigating circumstances apply to the late/non-payment, or when exceptional hardship to students would ensue.

## **3.0 STUDENT DEBT RECOVERY**

- 3.1 All students who enrol in a course or programme must be provided with an official invoice as soon as practicable, after the enrolment process is complete.
- 3.2 Students who incur any other debts at the Library or for books or class materials must be invoiced as soon as possible after the debt is established.
- 3.3 Two follow-up requests for payment must be made, the first being at the end of the month following the course commencement date or actual date debt is invoiced, and the second a month later.
- 3.4 Personal contact by telephone shall be made with debtors in the over two months' category who have failed to respond to the second debt letter (as soon as practical after the 10 day final payment period).
- 3.5 If, after this period, arrangements have not been made for payment, the student is to be excluded from the course and access to all Northland Polytechnic Ltd services refused.
- 3.6 No results are to be given to excluded students, and further enrolments are to be declined until arrangements have been made to clear the debt.
- 3.7 Any deviations from this policy must be authorised by the manager responsible for finance.
- 3.8 Northland Polytechnic Ltd may employ a debt recovery agency to recover outstanding student debt.

## **4.0 OTHER DEBT RECOVERY**

- 4.1 Normal terms of trade are payment by 20<sup>th</sup> of month following invoice as provided in Clause 1.3 herein.
- 4.2 In the absence of agreed payment terms that vary from Clause 4.1, formal legal recovery proceedings shall be taken when debts reach greater than three months' overdue, subject to clause 4.3.
- 4.3 Overdue accounts shall be handed over to a debt recovery agency for formal legal recovery.

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- 4.4 The costs of debt recovery proceedings may be charged to and be recoverable from the debtor.
- 4.5 The provisions of the Credit Contracts and Consumer Finance Act 2003 apply to credit advances and extended credit terms made available to trade debtors.

## 5.0 GENERAL

- 5.1 All students who have generated a debt at the Library shall have their names advised to Finance in accordance with the Library procedures.
- 5.2 Overdue account holders shall be issued with monthly reminder statements and followed up by Finance staff to ensure processes for payment are agreed and implemented as follows:
- 5.2.1 The initial letter “overdue for payment” shall be issued when debts are one month overdue and shall require payment within 21 days or arrangements to be made for payment by instalment, direct credit etc.
- 5.2.2 A second debt letter shall be issued one month after first debt letter and shall require payment within 10 days and contain a warning of impending legal recovery if not paid.
- 5.2.3 Personal contact by telephone shall be made with debtors in the two months’ overdue category who have failed to respond to the second debt letter, as soon as practicable after the second overdue letters have been issued.
- 5.3 Legal recovery action shall be taken on all overdue accounts that are more than three months’ outstanding except where a credit contract for instalment payments has been agreed and authorised. Initially, such accounts that are overdue for payment shall be put with Northland Polytechnic Ltd’s debt collection agency, subject to Policy clause 4.3.
- 5.4 Invoices for fees, educational materials and other goods or services and statements of account shall include the minimum information required by the Credit Contracts and Consumer Finance Act 2003, which shall be printed on the reverse of pre-printed financial stationery. The minimum information required is appended to this Policy and Procedure.

## KEYWORDS

Credit  
Debtor  
Legal  
Student

Credit Contract  
Interest  
Staff

REVISION HISTORY			
Version	Description of Change	Author	Effective date
1	New – replaced F94/04 and F99/15 (Debtors and Creditworthiness and Debt Recovery)	QMS Team	January 2009
2	Review – management structure changes	QMS Team	January 2011
3	Re-approval	P Brimacombe	July 2015
4	Review rolled over 1 year – republished	-	December 2018
5	Review	CS Team	November 2019
5.1	Add ‘Ltd’ to Northland Polytechnic	QMS Team	May 2020

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**EXTRACTS: RELEVANT SECTIONS OF THE CREDIT CONTRACTS AND CONSUMER FINANCE ACT  
2003 THAT AFFECT NORTHLAND POLYTECHNIC LTD DEBTORS**

**S6. Meaning of credit**

- In this Act, unless the context otherwise requires, **credit** is provided under a contract if a right is granted by a person to another person to—
  - (a) defer payment of a debt; or
  - (b) incur a debt and defer its payment; or
  - (c) purchase property or services and defer payment for that purchase (in whole or in part).

**S7. Meaning of credit contract**

- (1) In this Act, unless the context otherwise requires, **credit contract** means a contract under which credit is or may be provided.
- (2) If, because of any contract or contracts (none of which by itself constitutes a credit contract) or any arrangement, there is a transaction that is in substance or effect a credit contract, the contract, contracts, or arrangement must, for the purposes of this Act, be treated as a credit contract made at the time when the contract, or the last of those contracts, or the arrangement, was made, as the case may be.

**S17. Initial disclosure**

- (1) Every creditor under a consumer credit contract must ensure that disclosure of as much of the key information set out in Schedule 1 as is applicable to the contract is made to every debtor under the contract—
  - (a) before the contract is made; or
  - (b) within 5 working days of the day on which the contract is made.
- (2) Every creditor under a consumer credit contract must ensure that a copy of all of the terms of the contract not disclosed under subsection (1) (other than terms implied by law) is given or sent to every debtor under the contract—
  - (a) before the contract is made; or
  - (b) within 5 working days of the day on which the contract is made.
- (3) For the purposes of subsection (2), the copy of the terms of the contract must be given or sent in the same manner that disclosure is made under section 35.

**S32. Disclosure standards**

- (1) Disclosure must—
  - (a) be in writing in a disclosure statement; and
  - (b) contain the information required by this Act; and
  - (c) express the required information clearly, concisely, and in a manner likely to bring the information to the attention of a reasonable person; and
  - (d) not be likely to deceive or mislead a reasonable person with regard to any particular that is material to the consumer credit contract, guarantee, consumer lease, or buy-back transaction (as the case may be).
- (2) A disclosure statement—
  - (a) may be in a single document or a series of related documents:
  - (b) may be included as part of 1 or more other documents.

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(3) If a creditor provides 2 or more credit facilities to a debtor under 1 or more consumer credit contracts, disclosure may be made in 1 or more disclosure statements.

(4) The requirement to make disclosure in writing may be met by giving the required information in electronic form, whether by means of an electronic communication or otherwise, if—

- (a) the information is readily accessible so as to be usable for subsequent reference; and
- (b) the person to whom the disclosure is required to be made consents to the disclosure being made in electronic form and by means of an electronic communication, if applicable.

(5) For the purposes of this section, a person may consent to the information being given in electronic form subject to conditions regarding the form of the information or the means by which the information is produced, sent, received, processed, stored, or displayed.

### **S35. How disclosure is made**

- (1) Disclosure must be made by—
  - (a) giving the disclosure statement to the person to whom disclosure is to be made; or
  - (b) sending the disclosure statement by post to that person's place of residence last known to the person making disclosure or to an address specified by the person for this purpose; or
  - (c) in the case of an electronic communication, sending the disclosure statement to the information system specified by the person for this purpose.
- (2) If the place of residence referred to in subsection (1)(b) is the same for 2 or more persons, the disclosure statement given or sent to any of those persons is to be treated as having been given or sent to all of those persons.

### **S37. Creditor to ensure that contract specifies annual interest rate or rates**

- (1) This section applies if interest charges are or may be payable under a consumer credit contract.
- (2) Every creditor under a consumer credit contract must ensure that the contract specifies the interest rate or interest rates under the contract in terms of an annual interest rate or annual interest rates under the contract.
- (3) An annual interest rate may be specified by describing how the annual interest rate is determined in accordance with the contract.

### **S84. Compliance programmes**

- For the purposes of this Part, a creditor or lessor has a compliance programme if the creditor or lessor—
  - (a) requires its employees and agents to follow procedures, or has implemented automated procedures, that are designed to ensure compliance with this Act and the regulations; and
  - (b) ensures that there are in place methods for systematically identifying deficiencies in the effectiveness of the programme; and
  - (c) promptly remedies any deficiencies discovered.

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## CREDIT CONTRACTS AND CONSUMER FINANCE ACT 2003

## Schedule 1

## Key information concerning consumer credit contracts

The following information is the key information concerning a consumer credit contract as is applicable:

- **Full name and address of creditor**
- (a) the full name and full address of the creditor:
- **Initial unpaid balance**
- (b) the unpaid balance as at the date that is specified in the disclosure statement as the effective date of the statement, accounting for every payment made by the debtor on or before that date:
- (c) the amount and a description of each advance, charge, or payment accounted for in the unpaid balance disclosed under paragraph (b):
- **Subsequent advance**
- (d) the amount, a description, and timing of each advance to be made after the effective date of the disclosure statement, if ascertainable:
- **Total advances**
- (e) the total of all advances made or to be made in connection with the contract, if ascertainable:
- **Credit limit**
- (f) the credit limit:
- **Annual interest rate**
- (g) the annual interest rate or rates under the contract (with the rate or rates being expressed in terms of a percentage):
- (h) if there is more than 1 rate, how each rate applies:
- (i) if an annual interest rate is fixed for the term or any part of the term of the contract, the period during which the annual interest rate is fixed:
- (j) if an annual interest rate is determined by referring to a base rate, particulars that describe how the annual interest rate is determined, including—
  - (i) the name of the base rate or a description of it; and
  - (ii) the margin or margins (if any) above or below the base rate to be applied to determine the annual interest rate; and
  - (iii) where and when the base rate is published or, if it is not published, how the debtor may ascertain the rate; and
  - (iv) the current annual interest rate or rates:
- **Method of charging interest**
- (k) the method of calculating interest charges payable under the contract and the frequency with which interest charges are debited under the contract:
- **Total interest charges**
- (l) the total amount of interest charges payable under the contract, if ascertainable (but only if the contract would, on the assumptions prescribed by regulations, be paid out within 7 years of the date on which credit is first provided under the contract):

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- **Interest free period**
- (m) if the contract involves an interest free period, the following particulars:
  - (i) the length of the interest free period:
  - (ii) when interest will begin to accrue:
- **Credit fees and charges**
- (n) a description of the credit fees and charges (other than interest charges) that are, or may become, payable under the contract (unless the fee or charge is disclosed under paragraph (c)), including—
  - (i) when each fee or charge is payable, if ascertainable; and
  - (ii) the amount of each fee or charge if ascertainable, but, if not, the method of calculation of the fee or charge:
- **Payments required**
- (o) if more than 1 payment is to be made—
  - (i) the amount of the payments or the method of calculating the amount; and
  - (ii) if ascertainable, the number of the payments; and
  - (iii) if ascertainable, the total amount of the payments (but only if the contract would, on the assumptions prescribed by regulations, be paid out within 7 years of the date on which credit is first provided under the contract); and
  - (iv) when the first payment is due, if ascertainable, and the frequency of payments:
- **Full prepayment**
- (p) how the reasonable estimate of the creditor's loss on full prepayment is calculated and whether a statutory procedure prescribed in regulations is used:
- **Security interest**
- (q) a description of any security interest that is or may be taken in connection with the contract (including a description of any property that is subject to, or proposed to be subject to, any security interest) and the extent to which the debtor's obligations to the creditor are secured:
- **Default interest charges and default fees**
- (r) particulars that describe any default interest charges and default fees that may be payable under the contract including how and when default interest charges and default fees would become payable: