Chapter 11

Responsible lending, and responsible financing of home purchase plans

11.5 Purpose

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(1) This chapter requires a *firm* to treat *customers* fairly by assessing, before deciding to:

(a) enter into a regulated mortgage contract or *home purchase plan*; or

(b) vary a *regulated mortgage contract* or *home purchase plan*;

whether the *customer* will be able to repay the sums borrowed and interest (in the case of a *regulated mortgage contract*) or pay the sums due (in the case of a *home purchase plan*).

(2) This chapter aims to ensure that *customers* are not exploited by *firms* that provide finance in circumstances where the *customers* are self-evidently unable to repay (or pay) through income and have no alternative means of repayment (or payment).

(3) This chapter sets out some limited exceptions to the requirement to assess the *customer's* ability to repay (or pay), including transitional arrangements in relation to *customers* with existing *regulated mortgage contracts* or *home purchase plans* which satisfy certain conditions.

(4) This chapter also applies in relation to extending the term of a *bridging loan*.