

PPSR Compliance Guide

Personal Property Securities Act (PPSA): Compliance & Application

IMPORTANT: This article is provided for general information only and does not constitute legal advice. It is intended to offer practical suggestions on how credit processes might be tightened or improved, but it is not a substitute for legal review or for business-specific judgment. Each credit team should decide for itself what is appropriate for its own context, risk profile, customer base, and operational needs, and should obtain legal advice where required.

This guide covers the key obligations and practical steps for credit professionals operating under New Zealand's Personal Property Securities Act 1999. If you're extending credit secured against personal property, your ability to recover that debt in an insolvency depends almost entirely on getting your PPSR registration right.

What the PPSA Does

The PPSA created a single, national register for security interests in personal property. Before it existed, lenders and suppliers used a patchwork of title retention clauses, bills of sale, and chattel mortgages, each governed by different rules with different priority outcomes. The PPSA replaced that patchwork with one system and one set of priority rules.

Personal property under the PPSA is everything except land. That includes goods, accounts receivable, inventory, equipment, vehicles, intellectual property, and financial instruments. If your debtor owns it and it's not real estate, the PPSA likely applies.

A **security interest** is any interest in personal property that secures payment or performance of an obligation. That includes traditional mortgages over chattels, hire purchase agreements, consignments, and retention of title clauses. The legal form of the arrangement doesn't matter; what matters is the economic substance. If your arrangement secures payment, it's a security interest and needs to be registered.

What You Can Register and How

Registration is done on the Personal Property Securities Register (PPSR), administered by the New Zealand Companies Office. You register a **financing statement** that identifies the secured party (you), the debtor, and the collateral.

Collateral can be described in different ways depending on the nature of the goods and the commercial arrangement. You can use a specific and narrow description, a broad description such as all goods supplied by the secured party, or a hybrid approach. There is no single right or wrong method. The key is choosing a description that makes sense for the type of goods being provided and the level of coverage you want. APAAP is common for general lending, while equipment finance or specific asset lending often uses a more precise description, including serial numbers for motor vehicles, aircraft, and watercraft where required.

Before you register:

1. Confirm the debtor is the correct legal entity before registering. For companies, check the Companies Register and verify unique identifiers such as the NZBN and company number, not just the trading or debtor name. The registration itself should still use the debtor's correct legal name as recorded on the relevant register. For individuals, use their full legal name.
2. Decide on the collateral description. You can go narrow and specific, broad and general, or use a hybrid approach. There is no single right answer; it depends on the nature of the goods being supplied and the coverage you want.
3. Choose the right collateral class from the PPSR's category list.
4. Set the registration period. Seven years is standard for most commercial arrangements; match it to your credit terms and add a buffer.

Fees are modest. Errors in debtor details, on the other hand, are not. A misspelled legal name, or registration against the wrong legal entity because the name was relied on without checking identifiers such as NZBN or company number, can seriously undermine the effectiveness of the registration.

PMSI vs General Security Interest

A **Purchase Money Security Interest (PMSI)** is a specific type of security interest that attaches to goods the secured party sold, leased, or lent money to buy. Suppliers using retention of title clauses, and financiers funding specific asset purchases, typically hold PMSIs.

PMSIs have super-priority over other security interests in the same collateral, including a general security interest that was registered first. To get that super-priority, you must register before or within 10 business days of the debtor taking possession of the goods (for inventory PMSIs, registration must happen before possession).

This matters most in insolvency. If a receiver or liquidator is appointed and you've missed the PMSI window, your security interest is subordinate to a general security interest holder, even if you supplied the actual goods. The goods you sold can effectively be swept up by the bank.

If you're a supplier with retention of title clauses, treat your PPSR registration as part of the credit approval process, not an afterthought once terms are signed.

Priority Rules and Insolvency

The PPSA operates on a first-to-register priority rule for competing security interests of the same type. Register earlier and you rank higher, with the PMSI super-priority exception noted above.

When a debtor becomes insolvent, the liquidator will work through the registered security interests. A perfected security interest (one that has attached to the collateral and been registered) generally survives insolvency and allows you to recover the secured collateral or its proceeds. An unperfected interest doesn't; it vests in the liquidator, which means you become an unsecured creditor.

Perfection requires three things: a security agreement in writing signed by the debtor, attachment (value given, debtor has rights in the collateral), and registration. All three must be present. A signed agreement alone is not enough. A registered financing statement alone, without a valid underlying agreement, is also not enough.

Check your security agreements regularly. If they're outdated, vague on collateral description, or unsigned, fix them before you extend credit, not after a debtor goes under.

Common Mistakes to Avoid

Most PPSR failures come down to a small set of recurring errors.

Incorrect debtor details or wrong entity. The register is searched by name, so the legal name entered on the registration must be correct. But from a process perspective, the bigger risk is often registering against the wrong legal entity because staff relied on a familiar trading name or debtor name without checking the Companies Register, NZBN, or company number. Name matching matters, but entity verification using unique identifiers is safer.

Late PMSI registration. Missing the 10-business-day window costs you super-priority. Build the registration step into your approval and dispatch workflow.

Expired registrations. A registration that lapses during the credit relationship leaves you unprotected. Set calendar reminders well before expiry and renew proactively.

Using a generic security agreement. A one-size-fits-all agreement pulled from the internet may not adequately describe your collateral or match NZ PPSA requirements. Have your agreement & financing statement collateral reviewed by a lawyer familiar with the Act.

Forgetting serial-numbered goods. Motor vehicles, trailers, and certain watercraft must be registered by serial number to be enforceable against a buyer who doesn't know about your interest. Registration by collateral class alone is not sufficient for serial-number goods.

Quick Checklist

- Register a financing statement before or at the same time as delivering goods or advancing funds.
- For PMSIs, register before the debtor takes possession (or within 10 business days for non-inventory goods).
- Verify the debtor entity using reliable identifiers such as the NZBN or company number, then ensure the registration uses the exact legal name recorded on the relevant register.
- Choose a collateral description that fits the goods and the level of coverage needed: specific, broad, or a hybrid approach. Use serial numbers for vehicles, aircraft, and watercraft where required.
- Review registration expiry dates annually and renew before they lapse.
- Maintain a signed security agreement on file for every secured credit relationship.