



Debt collection and repossession in Aotearoa

by **Ronji Tanielu**

Introduction

The activity in the credit contracts and consumer finance space has been hectic over the last few years. Recently, on September 3, 2019 Minister of Commerce and Consumer Affairs Kris Faafoi made a significant announcement that, among other measures, there would be a 0.8 per cent per day cap on interest rates for high cost loans.¹ This major change came after months of strong lobbying from various Iwi and community groups for more changes. Additionally, this came after initial amendments to the Credit Contracts and Consumer Finance Act (CCCFA) 2003 were announced in Māngere in South Auckland by Minister Faafoi alongside Prime Minister Jacinda Ardern in October 2018.² Minister Faafoi stated at the October announcements that *the 2015 amendments to the CCCFA did not go far enough in protecting our most vulnerable consumers from loan sharks.*³

The Salvation Army Te Ope Whakaora is one of many in the community and social services sector to welcome these policy measures and the energy from government in this sector. But with all this action, other critical issues in this sector might not garner the same attention as the interest rate cap or the increased spotlight on mobile traders. One of these vital areas is debt collection and repossession, which is the focus of this paper.

When Minister Faafoi introduced the Credit Contracts Legislation Amendment Bill (CCLAB 2019—this Bill will reform the CCCFA) into Parliament for its First Reading on 30 April 2019, he made a specific point to discuss the importance of debt collection. The Minister stated:

*Debt collection has also been identified as a problem, and there have been too many accounts of false and misleading claims being made by debt collection agencies. These include pursuing people for non-existent debts, misleading claims about the size of debt or the debt collectors' powers and using unnecessarily aggressive tactics. The bill addresses the lack of transparency and access to redress during debt collection. It requires key information to be shared with borrowers at the start of debt collection activity. The details of the information required will be contained in regulations but may include information about the original debt, the fees added by the debt collector, and contact details for the services that can help.*⁴

This Te Ope Whakaora Discussion Paper is a short commentary on the policies and practices of debt collection and repossession in Aotearoa. This will not be an exhaustive commentary. But we sincerely hope this paper can contribute to the government's deliberations around debt collection and repossession in our nation. There has been so much debate and discourse around an interest rate cap mechanism in the CCLAB 2019. Our strong position is that a proverbial 'light needs to continue to be shone' on other important credit contracts issues such as debt collection and repossession so that they are not ignored or forgotten in these public policy discussions and developments.

The CCLAB 2019 is due to pass in late 2019 and come into effect beginning in early 2020. In our view, as the Minister's statements identify above, debt collection is most definitely a problem for many of those presenting to our services with financial and other issues. Therefore, this Paper tries to capture these realities ideally to inform the new and coming debt collection and repossession amendments in the CCLAB 2019.

Finally, this paper is aimed at a broad audience, ranging from policy officials and bureaucrats, through to everyday New Zealand citizens who might not know much about debt collection and repossession, but who are likely to be shocked at some of the inconsistencies and injustices that happen to people through them.

In terms of structure, this paper is divided as follows:

- **Introduction**
- **Theological Reflection**
- **Part 1: Survey of Problem Debt and Financial Hardship in Aotearoa**
- **Part 2: Snap shot of Debt Collection and Repossession in Aotearoa**
- **Part 3: What are the Key Issues and Recommendations Moving Forward?**

The Table below summarises the primary issues and resulting recommendations that emerge from this Paper. These issues and recommendations are developed throughout this document;

Issue(s)	Recommendation(s)
Regulation of debt collection and repossession in Aotearoa	(1) A new law that regulates debt collection and repossession into one legislative framework (2) Inclusion of other debt collection options from 2018 MBIE Review Discussion Paper.
Insolvency available to lower income debtors in financial hardship	Review of insolvency options for poorer debtors.
Attachment orders made against beneficiaries	Implement a judgement proof debtor policy in New Zealand.
Innovative ways to deal with debt that cannot be paid back	Consider circumstances where debt forgiveness or waivers are suitable for vulnerable debtors for debts to government and private lenders.
Information sharing between the community and social services sector with government departments and entities	(1) Investment by government departments into 'community' consultants, experts and voices (2) Co-ordination by central government departments about key consumer or client focussed issues they are seeking feedback about.

Theological Relevance

Why is The Salvation Army interested in problem-debt related issues? There are numerous pragmatic answers to this question. For example, we are an organisation that provides services based on supporting and advising people about financial matters. Additionally, problem-debt issues are often inter-connected with other social issues that affect many of those using our services. But the core reason we are involved with these problem-debt related issues and advocacy is because as a Christian church, there is a theological and Biblical relevance connection between our Christian worldview and these practical challenges in our society.

The Rt Revd Nick Baines, in his Preface to the 2014 report *Who Bears the Burden? Christian theology and the impact of debt on children*⁵ states that *thinking theologically—reflecting on practice and priorities in the light of how we understand God to be—raises important questions about how we order our society, who we prioritise over whom, and why we think we matter in the first place.*⁶ For The Salvation Army, how these real problem-debt related issues like debt collection, repossession, interest rate caps, predatory lending and community finance (microfinance) loans relate and interact to our theological thinking and understanding of the Bible and of the societies we function in is critical.

The Salvation Army utilises a Christian theological and Biblical framework to help us try and understand these complicated issues. But this framework also helps us determine and shape how we deliver our various services and reflect on what innovative and disruptive initiatives we can develop within this theological framework to hopefully alleviate and mitigate the damage people and whānau face in our financial system. An example of this innovation is the collaborative Good Shop project currently operating in South Auckland and Porirua (Wellington). This project is directly birthed from within our Christian theological understanding, but also based on other similar risky, faith-based justice-centred ventures like The Salvation Army Matchstick Factory in England⁷ that populate and brighten up our Salvation Army history.

This Paper is not the place to launch into a major discussion on Christian theology and debt. But it is a good place to clarify some of the key points of interaction between theology and debt. For example, the Bible has numerous references in both the Old and New Testaments about financial matters. In Proverbs 28:8 and Matthew 25:27, a fair interest rate is expected to be charged on loans. Then in Leviticus 25:35–38, ancient Jewish law prohibited charging interest on one category of loans—those made to the poor. In Matthew 18:23–35, Jesus Himself in a parable uses the approaches of two creditors or lenders to illustrate what was central when understanding and practicing forgiveness. In fact, the core of the Christian message is frequently described using financial terms, particularly that humankind's debt of sin was paid for by the sacrifice of Jesus Christ on the cross at Calvary (Romans 6:23, Galatians 3:13–15, 1 Corinthians 6:19, 20).

Secondly, some have argued that Christendom itself has played a significant role in developing economic theologies that have contributed to capitalism and neo-liberalism. For instance, theorist Daniel Krier argues that the place of debt and the credit system in modern society are hugely influenced by the economic theologies of four ideal-typical variants of capitalism: Catholicism-Anglicanism, Calvinism-Puritanism, Pietism-Quakerism, and Free-Grace Evangelism.⁸ Krier references Max Weber's work where *the pure spirit of capitalism was supported by an essentially deist imaginary, in which the world is disenchanted of good and evil spirits, and therefore calculable and capable of unconstrained, profitable exploitation.*⁹

The Salvation Army wrestles with these types of claims. The Rt Revd Nick Baines considers claims like this and concludes a system of lending and borrowing is not inherently wrong. *Economic systems draw us into*

*relationship and responsibility, compelling negotiation over values, priorities and behaviour. But a Biblical approach cannot stop there. How that system works, and how it is abused, is something that Christians cannot step back from without asking for whom such a system exists. Systems that essentially dehumanise those who participate in them can never meet the tests of justice or generosity that lie at the heart of the Christian gospel.*¹⁰ Revd Baine's reflections capture the tension of the neoliberal capitalist system we live and function in, and the intersection of this system with our Christian theological framework.

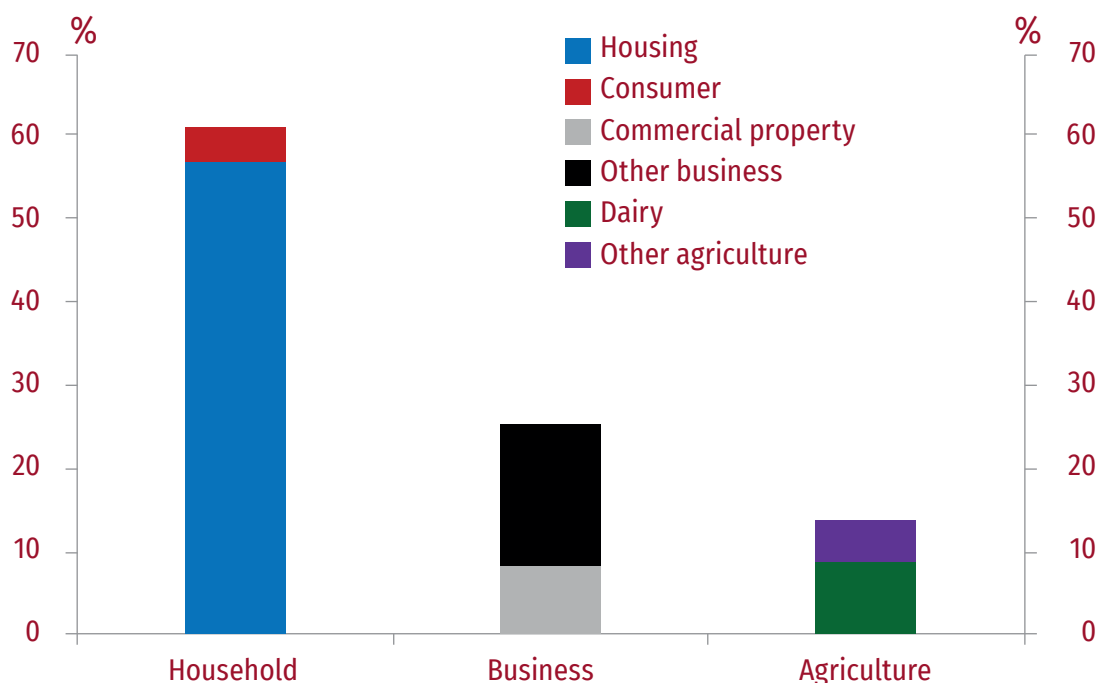
Finally, in this section, another key point of interaction between theology and debt that we want to highlight is the practical response that emerge for Christians considering the damaging effects of problem debt. This is even more important for Te Ope Whakaora who has always enjoyed starting and championing practical responses to social issues as an outworking of our Christian mission. This is clearly seen in our mission statement of *caring for people, transforming lives and reforming society by God's power*. For us, theology in practice is vital. This is seen in the various social and Christian spiritual services we offer at Te Ope Whakaora. In the *Who Bears the Burden* report, the authors devote a whole section to the practical responses Christians have to debt issues. The list is long and inspirational and includes information and case studies such as campaigning on specific issues, offering debt advice services, local churches lobbying against exploitative lending in their community, churches working alongside credit unions, national campaigning on legislation, and setting up community alliances against problem-debt.¹¹

This of course does not mean that only professing Christians are involved in these services. That is not what is being argued here. What is being presented are some aspects of the theological framework that shapes our practical Christian responses to debt. And we submit this framework should not be discounted or dismissed by the rest of our predominantly secular society. As David Barclay states in the *Who Bears the Burden* report, these practical responses *remind us that, for Christians, words are never enough: they need to take flesh in lives and communities transformed by God's justice and his love.*¹² This quote essentially summarises the basic answer to the question posed at the start of this section—*why is The Salvation Army interested in problem-debt related issues?* Our theological framework and real-life problem-debt issues intersect and interact daily in our work. And we try to respond in practical ways without hopefully also losing or diluting our theological framework or worldview. That is why we are interested, even passionate, about this complex area of problem debt for people and whānau.

Section One: Survey of Problem Debt and Financial Hardship in Aotearoa

1.1 Debt is a normal part of New Zealand's financial system. We are a nation seemingly in love with debt. In terms of the macro picture, the Reserve Bank released its most recent Financial Stability Report in May 2019. Here, Reserve Bank Governor Adrian Orr stated that *New Zealand's financial system has two main domestic vulnerabilities: household sector indebtedness and agriculture sector indebtedness*.¹³ This report produced **Figure 1** below which shows the level of indebtedness different sectors in New Zealand society have. One striking part of **Figure 1** is that nearly 60 per cent of all the financial system lending in our nation is to households, which are mostly home loans or mortgages.¹⁴ BERL Business and Economic Research Limited states that as of October 2018, New Zealand businesses and individuals have a total debt of \$386 billion, of which \$373 billion is with registered banks (first tier lenders). The remaining \$13 billion, or three per cent of the total market, is made up of non-bank lenders (which includes finance companies, credit unions etc., also known as second and third tier lenders).¹⁵

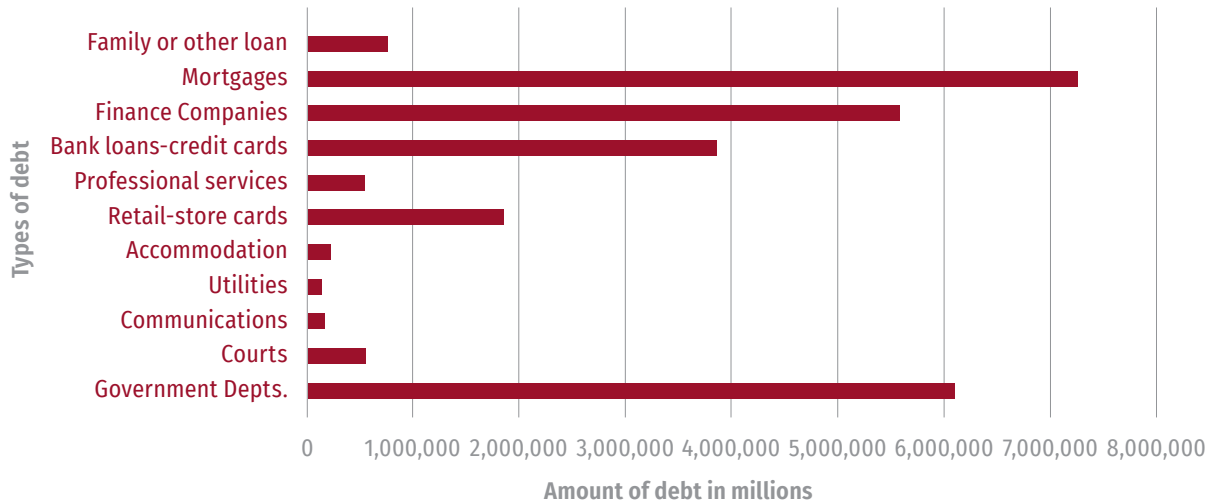
Figure 1: Total loans by sector in New Zealand as at March 2019¹⁶



1.2 To refine this paper, we will focus on debt that poorer New Zealanders owe to various lenders and the government. It is worthwhile to point out at this point that there is a lot of use in government circles of buzzwords like vulnerable consumers, financial hardship and similar terms to describe these people and whānau struggling or trapped by cycles of problem debt. We believe these terms are often thrown out in public discourse and policy development without fully understanding what this hardship or vulnerability really looks like. Still, it is commendable that there are efforts in government and the community sector to try and quantify, measure and define this financial vulnerability and hardship. As this work proceeds, the reality is that while many New Zealanders can afford to take on some form of debt and repay this within a specific time period, many of those poorer New Zealanders using services like ours cannot effectively engage in the more responsible parts of the credit and lending market for numerous reasons including bad credit ratings, insufficient income, rising living and housing costs, other interconnected social issues and so on.

- 1.3** The Children’s Commissioner’s Experts Advisory Group on Solutions to Child Poverty in 2012 defined problem debt as unmanageable debt leading to financial strain.¹⁷ This group went on to state that problem debt had three key aspects—lack of sufficient income to cover expenses, the exhaustion of existing credit options, and high debt levels with negative equity (liabilities exceed assets).¹⁸ In recent years, there has been more reference to financial hardship. For example, the New Zealand Banking Association states *financial hardship occurs when you can’t meet your existing financial obligations for a period of time. This may be caused by a number of reasons, such as illness or a change in employment.*¹⁹ These changes are also reflected in the KiwiSaver scheme where some of your KiwiSaver savings can be withdrawn if you are suffering from significant financial hardship, which includes paying for funeral costs, not being able to meet minimum living expenses and paying for important medical treatment.²⁰ These definitions are very helpful in defining the wider context that debt collection and repossession fit in with.
- 1.4** The Salvation Army’s 2019 State of the Nation Report, *Are We Well? Are We Safe?* was the first time that we included an indicator for fringe lending and exploitative debt as one of the social progress indicators in our reporting.²¹ We did this because we could see the increasing trend of clients presenting with problem-debt issues that often came from loans with payday lenders for high cost, short term loans. After much discussion, we placed debt and fringe lending in our Social Hazards section which records national statistics on alcohol and other drug addiction, and problem gambling and gambling harm. The Salvation Army did this intentionally because our contention is people facing mountain-loads of problem debt through predatory lending can lead to them being trapped in a cycle of dependence and poverty, in much the same way as alcohol, drugs and gambling might. The indicator we used to give an indication of problem debt was lending by non-bank lending institutions. Over the past five years, this type of lending has increased by almost 39 per cent and by almost \$1.5 billion in nominal terms, giving some indication of the size of this market.²²
- 1.5** It is useful now to look at some other indicators of these debt levels for our own clients to give some context to what is driving the debt collection and repossession practices that this paper concentrates on. In 2018, The Salvation Army supported more than 120,000 New Zealanders across our various Christian spiritual and social services throughout the country.²³ There are three social services we provide that engage with people and whānau primarily around problem debt and financial issues they might be facing—our financial mentors or budgeters, our Community Finance scheme, and the Good Shop vans in South Auckland and Porirua.
- 1.6** Firstly, we have a network of financial mentors or budgeters engaging with people on the frontline at our Community Ministry centres or hubs around the country. From 01/07/2018 to 30/06/2019, we specifically worked with 4,166 clients through these financial mentoring services.²⁴ The total debt owed by these clients came to \$26,968,093 and the figure below has more details about the types of debt our clients owe.²⁵ As **Figure 2** indicates, significant amounts of money are owed to finance companies, government departments, banks and on retail store cards. It is interesting that the largest amount of debt is owed in mortgages, showing that homeowners facing financial difficulties are using our budgeting services.

Figure 2: Debt levels for Salvation Army clients 01/07/18 – 30/06/19



1.7 These figures from the clients of our financial mentoring and budgeting services should also be seen within the background of the financial issues and challenges many of those using our various services face. For example, **Figure 3** below shows that for the year ending 30 August 2019, the main reason people attended our Community Ministry centres was because of a food welfare issue (i.e. lack of food, no money for food).²⁶ However, if we dig deeper we find, as **Figure 4** illustrates, nearly 49 per cent of the clients attending our Community Ministry Centres across the country had financial issues as their main underlying issue for presenting to Te Ope Whakaora.²⁷ Therefore the lack of food is clearly a major cause for people to visit our service centres. But the data shows that financial hardship is a fundamental driver of the vulnerability our clients are facing. Finally, **Figure 5** depicts the main income sources of those clients using our services. According to this figure, for the year ending 30 August 2019, nearly 78 per cent of our clients had their main income source as some sort of Government welfare benefit. This includes 6.8 per cent of clients who recorded no formal income at all.²⁸ These figures in some way show the problem-debt levels that poorer New Zealanders using our services have.

Figure 3: Main presenting issue to The Salvation Army

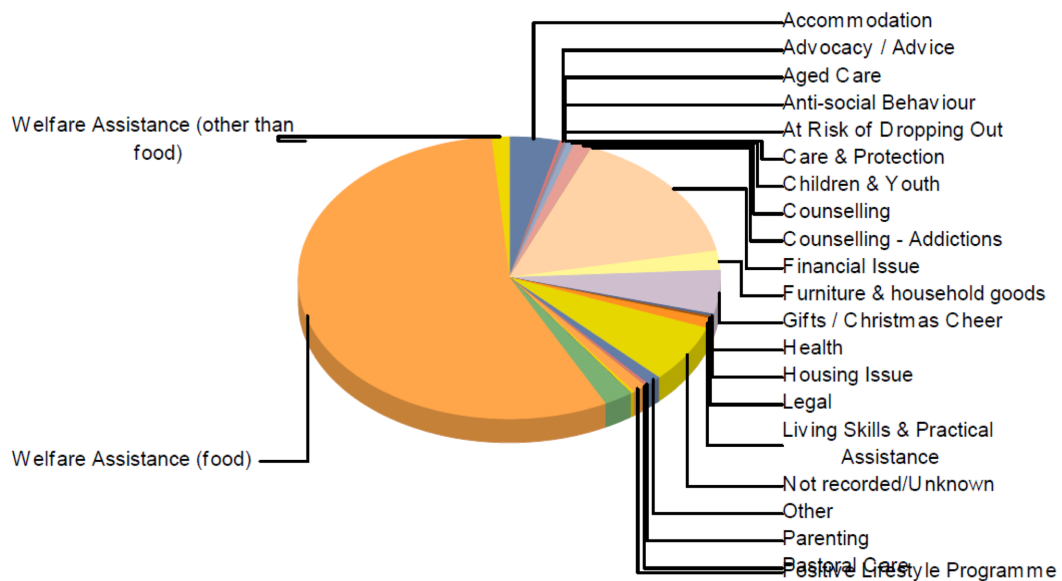


Figure 4: Main underlying issue for presenting to The Salvation Army

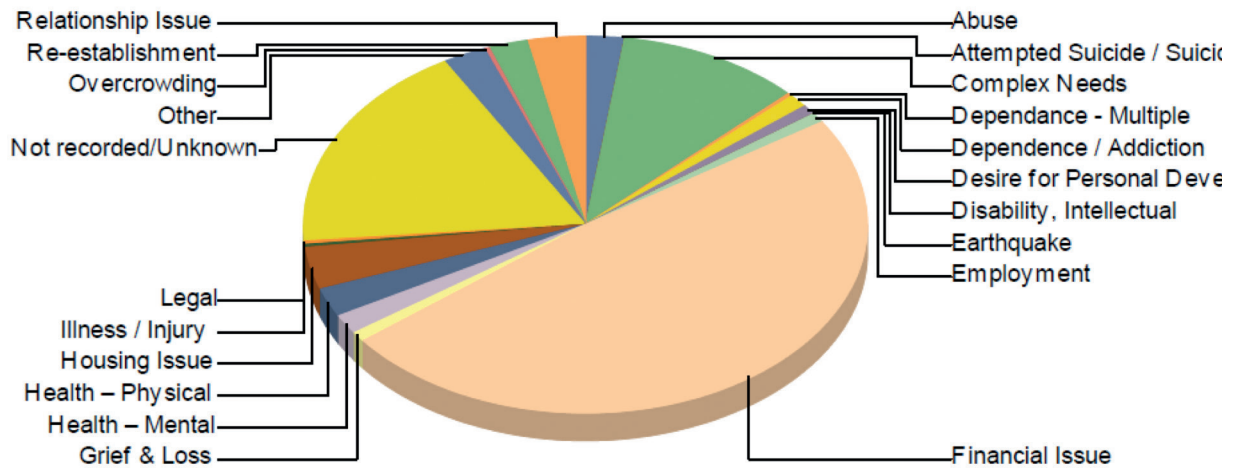
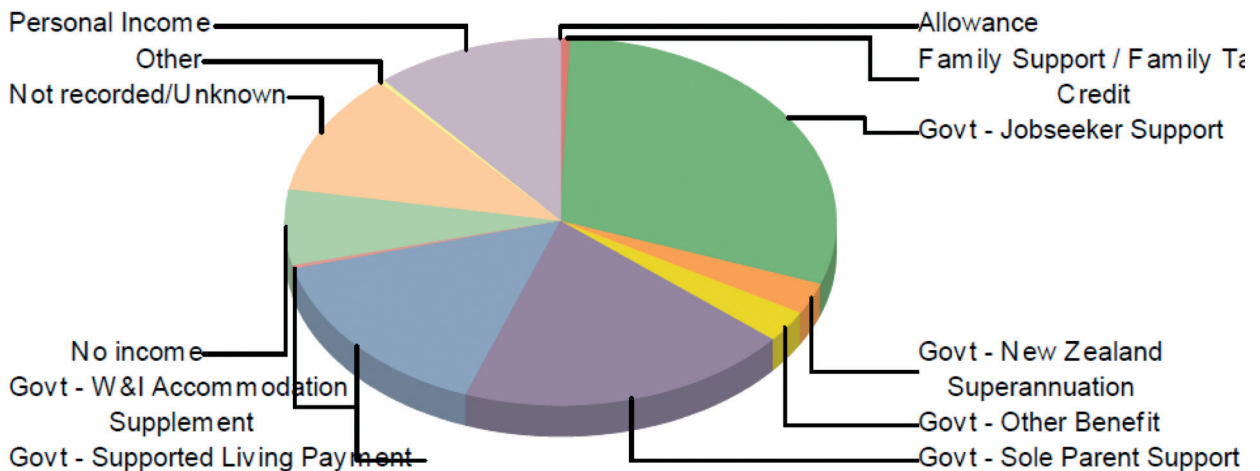


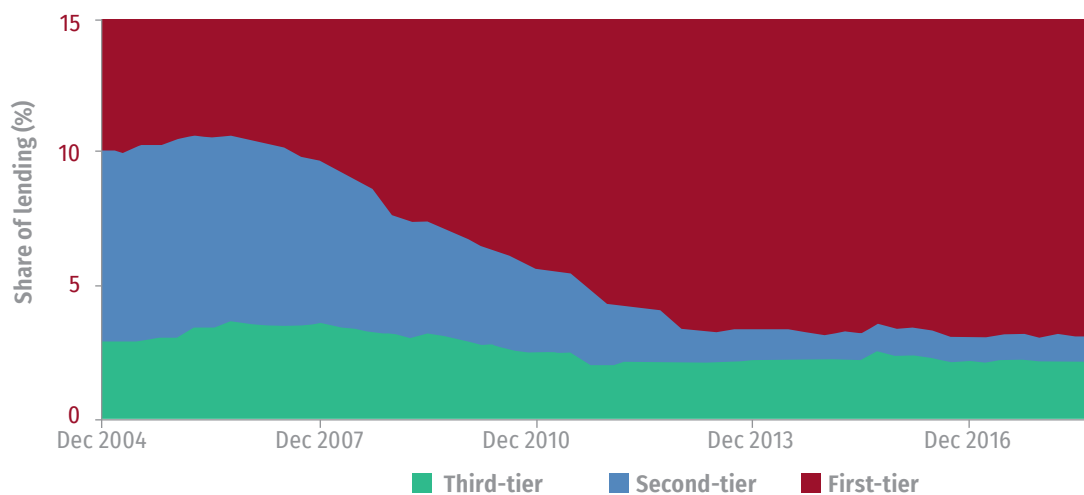
Figure 5: Income sources for clients using our Salvation Army services



Allowance	41	0.1%
Family Support / Family Tax Credit	189	0.5%
Govt - Jobseeker Support	11290	29.9%
Govt - New Zealand Superannuation	1104	2.9%
Govt - Other Benefit	1021	2.7%
Govt - Sole Parent Support	7354	19.5%
Govt - Supported Living Payment	5731	15.2%
Govt - W&I Accommodation Supplement	82	0.2%
No income	2572	6.8%
Not recorded/Unknown	4087	10.8%
Other	54	0.1%
Personal Income	4249	11.2%
Total:	37774	100.0%

1.8 The recent 2019 BERL Economics report, *The Harm from High Cost Lending*²⁹, gives a detailed broader picture of problem debt in New Zealand as it relates to people taking out high cost, short term loans with non-bank lenders (with second or third tier lenders). BERL argues that second tier lenders (i.e. credit unions, building societies, deposit-taking finance companies) are being squeezed out of the lending market through the rapid growth of tier one lenders (i.e. major banks).³⁰ BERL adds: *The reduction in the second-tier lenders and the changing structure of the non-bank lending market has resulted in an abundance of market opportunities for third-tier lenders to expand in the personal consumer lending space. While the total quantity of the personal consumer lending is not greater than pre-GFC levels, the reduction of second-tier lenders in this market has allowed third-tier organisations to pick up the lending that was previously served by the second-tier lenders. These changes have driven the visible growth in third-tier lenders, particularly in the high cost, short term lending market.*³¹ This development is demonstrated in **Figure 6** below, taken from the BERL report.³² It is this high cost, short term third-tier lending market that many of our clients with problem-debt issues are turning to for loans.

Figure 6: Share of the lending market by Tiers



1.9 The second main service that interacts face-to-face with clients facing financial hardship is our Community Finance programme. This scheme offers affordable loans for approved people on low incomes (wage earners or beneficiaries). Loan applications are made through our Community Finance loans workers, who then work with clients throughout the life of their loan, monitoring repayments and providing support and financial education. In 2018, The Army doubled the number of low-or-no-interest loans it provides through this Community Finance Scheme—giving out 526 loans.³³ The scheme is run in partnership with Good Shepherd, BNZ Bank and the Ministry of Social Development. Where a person is ineligible for a loan, staff will meet with them to discuss their finances and provide additional financial support and advice. In our opinion, increasing access to safer and more ethical avenues to credit is one of the levers that can be used to effectively protect consumers and reduce reliance on predatory lenders already in the sector. Since 2014, our Community Finance service has fielded 48,431 enquiries for our loan products, and 6,100 initial loan interviews with consumers. Clearly there is an appetite from consumers for safer, more ethical pathways to credit. These programmes and products need to be supported more and expanded so that consumers are not using predatory forms of credit that are too commonly available in our nation.

1.10 The last Te Ope Whakaora service that works on the frontlines with people facing financial hardship is The Good Shop. We have had two vans operating in South Auckland and Porirua since February 2019. The Good Shop is a mobile shopping vehicle that is available to visit people’s homes. It has two services—a grocery shopping service for people who have trouble getting to a supermarket and a home-based shopping service to purchase household and personal items at store prices on interest-free terms. The Good Shop vans are there to act as an innovative disruptor and alternative to mobile trader and predatory lending businesses operating in these communities. Although they have only been operating for the last 7 months, the ongoing results have been very encouraging as shown below.

Figure 7: The Good Shop Vans—May to July 2019 Quarterly Results³⁴

	Grocery Services			Interest-Free Shopping				
	Sessions Booked	Sessions Held	Purchases Completed	Initial Loan Interviews Booked*	Initial Loan Interviews Held*	Loans Approved	Loans Issued	\$ Value of loans
South Auckland	4	3	1	211	109	38	38	\$41,529.47
Porirua***	4	1	1	33	24	13	13	\$9318.58
TOTAL	8	4	2	244	133	51	51	\$50,848.05

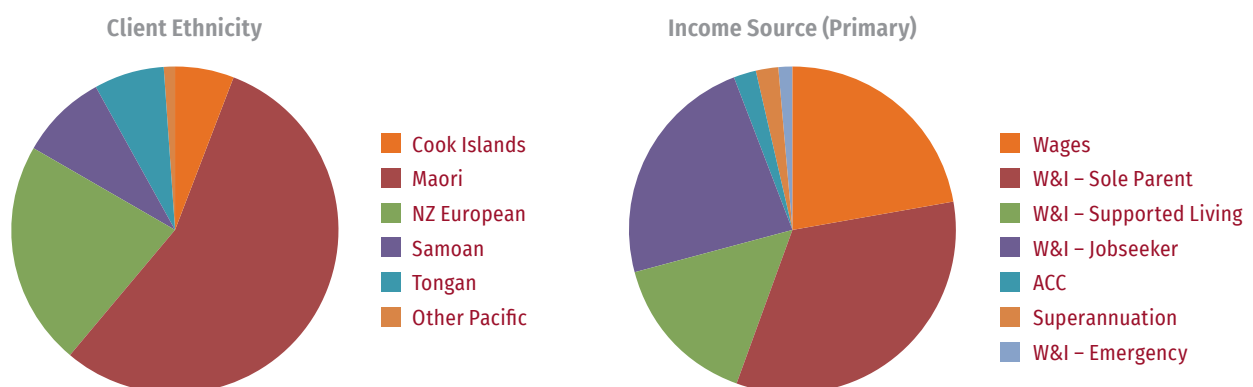
	Appointments – Daily Average**		Loans Conversion Rate – Interviews to Approvals	Referrals Made	
	Booked	Held		TSA	Other
South Auckland	3.57	1.84	35%	10	4
Porirua***	2.2	1.6	54%	6	1
				21	

*Initial Interviews limited to appointments including initial assessment of loan affordability. Subsequent appointments, including appointments to obtain more information or process drawdown of loans are not included in this total.

** Based on all available working days

***Porirua service in operation for 15 working days in this period

Figure 8: Demographic breakdown of The Good Shop clients—May to July 2019 Quarter³⁵



1.11 The aim of this section was to give a brief survey of debt, and particularly problem debt, in our country. While we cannot exhaustively look at all the data and relevant factors here, we have tried to focus this discussion on the types and levels of problem debt that we see those people we work alongside facing. This is, to borrow from government-speak, the kinds of vulnerability and financial hardship we see daily. These levels of debt, and the inability to pay them back, put into motion our country's clunky and disjointed debt collection and repossession laws which are the focus of the following sections.

Two Financial Mentors discussing mobile traders:

- Perhaps having an overall cap on the amount that can be purchased from one of these vendors would also add protection. Or an overall cap in place until the buyer can produce a letter from a budget advisor supporting each additional purchase above the cap. This would have to be kept on file and produced by the vendor if requested;
- I think the way that mobile traders operate is shocking; I often hear of clients being charged \$75 as a call out fee where they never asked for them to come around. Another client said that a truck driver knocked on her door; she said no she wasn't interested in purchasing anything today. The truck then followed her to her child's daycare centre and waited for her to come out. The mobile traders have the details of the family's birthdays and will spam them with text messages and emails with micro-targeted advertising. This overwhelms the family and pressures them to buy items they would not usually buy.

The Good Shop van (South Auckland)

One memorable case I have come across was a recent loan application for a lady wanting to buy a lawnmower for her husband, who mows lawns for a living. At the time he was using a family member's lawnmower, as his was broken down. But he did not want to continue to borrow this lawnmower for too long. Any time without a mower would mean time off work and loss of income. At the same time, it would be expensive for the couple to buy a lawnmower through a third-tier lender. The client's husband said the exact mower we are selling for \$400 was selling for \$800 through other mobile traders.

The client and her husband are both typical, hardworking New Zealanders, with average income. Earning an average of \$959 per week after tax, the client's wage is above the current median income in NZ. The sad thing that stood out to me in this case is that it demonstrated how hardworking families with average incomes fall victim to these predatory lenders. This has a long-lasting impact on people, perpetuating the debt cycle.

Even though the client was earning more than the median income in NZ now, old debt from third tier lenders/mobile traders took up a whopping 30 per cent of her income. She advised me that some of these debts were incurred years ago and at the time she felt she had no other choice but to borrow from these lenders. She commented that they were more than happy to lend without any affordability testing.

The good and rewarding part of this loan application was that because the clients were able to afford repayments to us, they were able to purchase the lawnmower from us— at half the price they may have had to spend, at another mobile lender. Her husband is now able to continue working. They are one step closer to ending the vicious debt cycle they've experience, due to irresponsible lending.

Financial Mentor (Royal Oak):

1. My client purchased a computer and printer on credit from a door-to-door salesman in October 2000 for about \$1,000., She was 19
2. The PC and printer were delivered after the first payment but were later repossessed.
3. At some point the debt was sold to JFS. JFS obtained an attachment order in Jan 2016 for \$60 per fortnight.
4. I have obtained a statement of account from JFS that begins in Nov 2009 with a debt of \$2,765. There is no information on the amount of the original debt
5. According to the statement of account my client paid \$4,020 from Feb 2016 to Aug 2018. She still owes \$1,833
6. It seems very harsh that a 37 year old should still be paying off a debt she incurred when she was 19, especially as the goods were repossessed (which means the outstanding debt should have been crystallised at that point) and that, according to the terms of the attachment order, she is expected to repay \$5,853 for a debt of \$1,000.

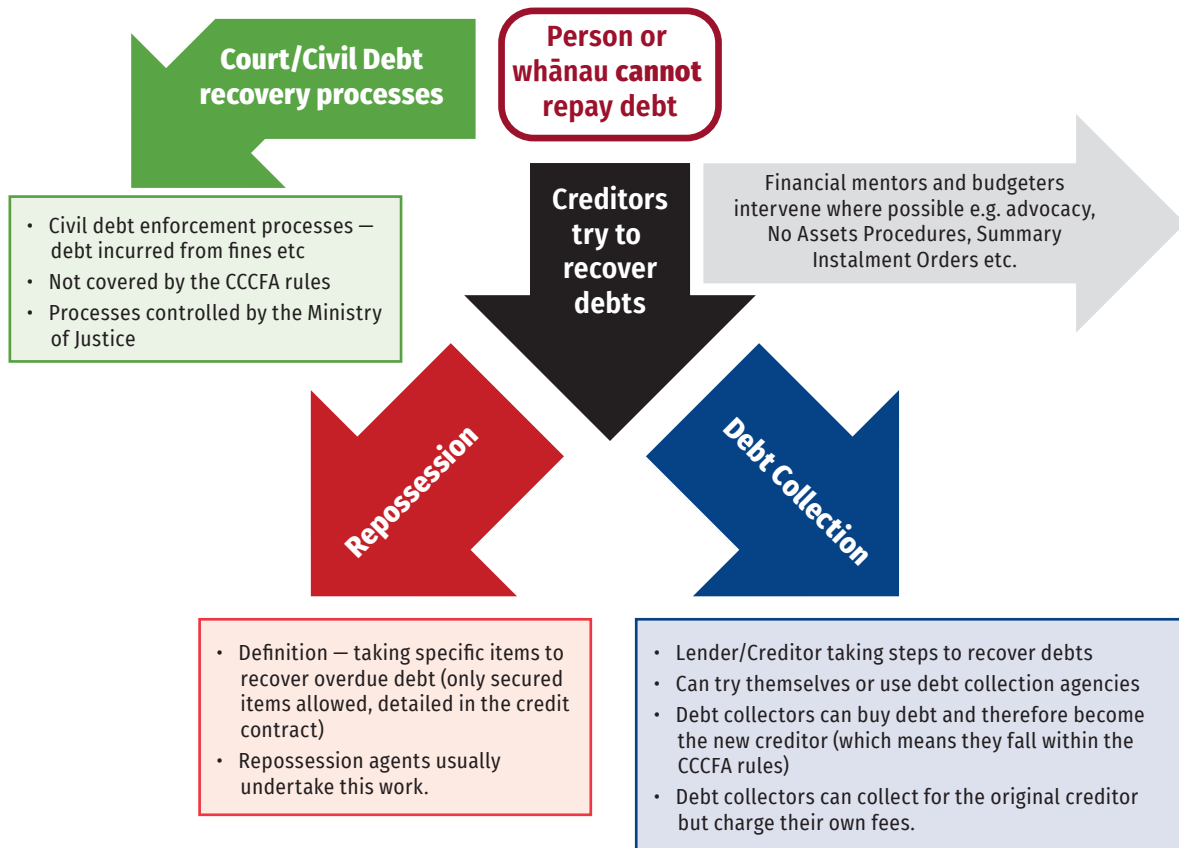
Financial mentor (Porirua) discussing Irresponsible Lending

- Clients — elderly couple in their mid-seventies;
- Took out a \$1,000 loan from a short-term loan provider;
- The couple only receives the pension, and both have very bad credit ratings;
- The amount of debt the couple has together is over \$40,000 and numerous defaults on their credit files (before this new loan was granted);
- The couple informed me that when they applied for the loan the only check done to see if they could afford the repayments was to look over the bank statement.

Section Two: Snap shot of Debt Collection and Repossession in Aotearoa

2.1 Turning now to briefly survey how debt collection and repossession is done in our country. In fact, this section might be quite new to many New Zealanders who have never had to deal with these practices. **Figure 9** below is a very simple diagram of this process.

Figure 9: Simplified debt collection and repossession process in Aotearoa



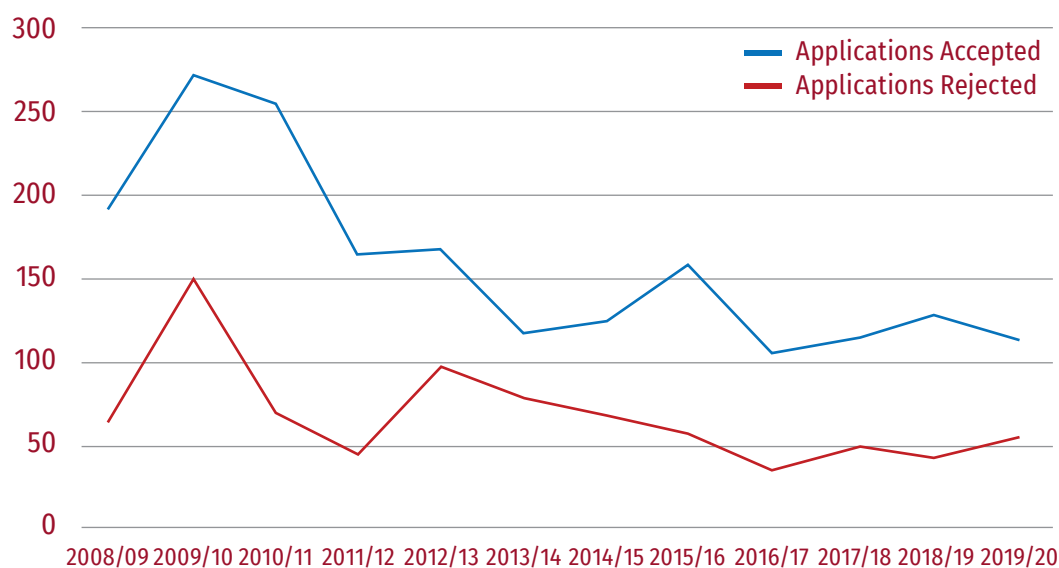
2.2 In summary, the main debt collection and repossession laws and phases can be defined further as follows:

- **People or whānau cannot afford to repay debt:** We have already alluded to some of the numerous and complex reasons that people cannot afford to repay their debts in earlier sections. The tools in the CCLAB 2019 that Minister Fafoi has already announced in October 2018 and September 2019 will, in our view, go a long way towards helping protect consumers through the legislative, regulatory and enforcement stages. For example, the future implementation of a cap on interest rates coupled with the total cap on the cost of credit are policies that the NGO and social services sector advocated consistently for over the last ten years. However, despite these protective measures, people will continue to be unable to repay their debts for multiple reasons.
- **Creditors begin debt recovery processes:** There are several avenues available to creditors to recover their debts. These are summarised below.
 - **Financial mentors and budgeters intervene where possible:** In our experience, financial mentors and budgeters intervene and support clients at various stages of this process. Our belief is the earlier the intervention and interaction with our services, the better the

outcomes are for people and whānau. But unfortunately, many of our service users seek our help at the stage when the debt recovery process has begun. Within the limits of our resources, financial mentors and budgeters employ various advocacy and legislative tools available to them to assist this person and whānau through what is often a very stressful debt recovery process. Available tools include:

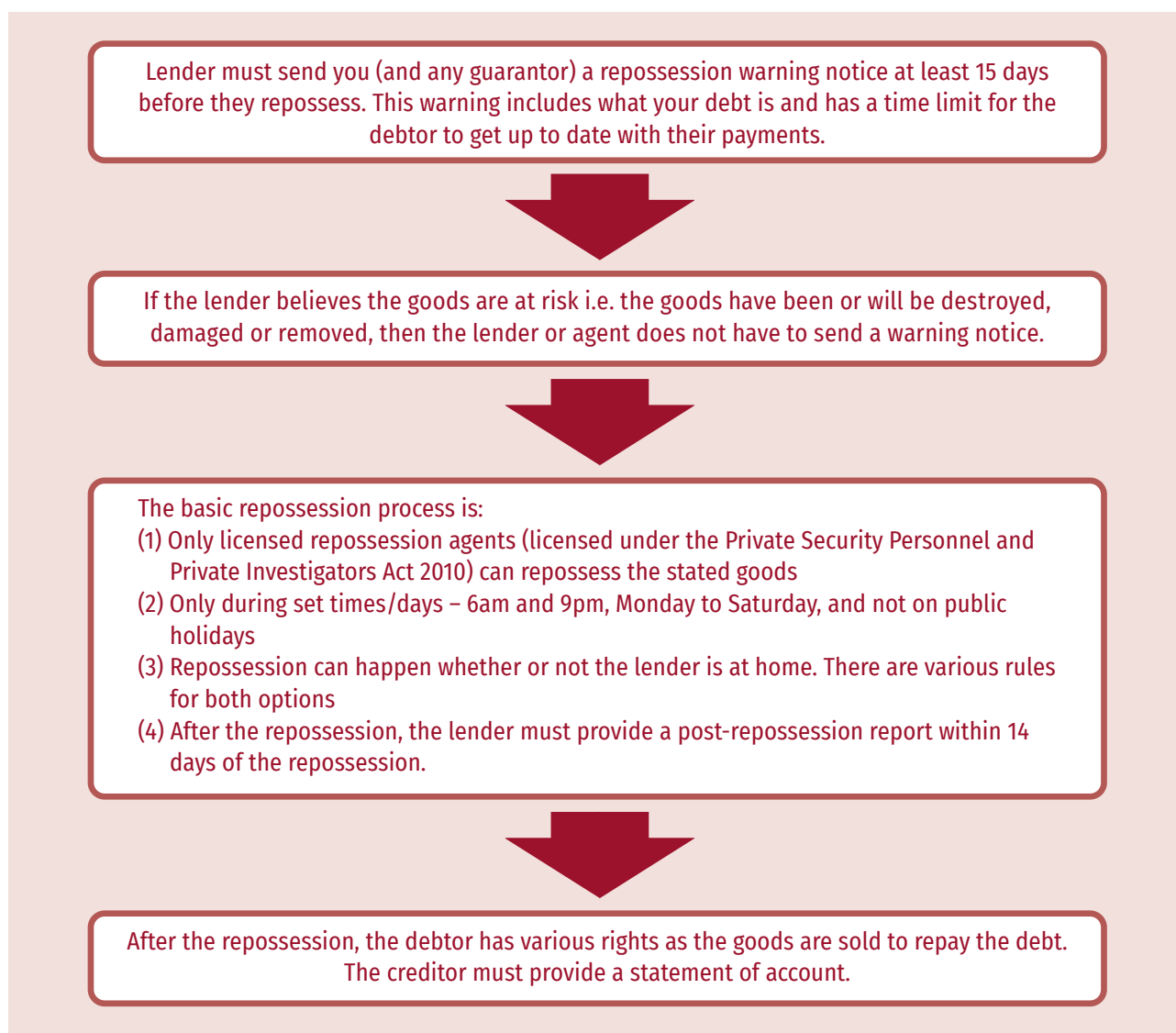
- **Advocacy:** Financial mentors and budgeters often work as advocates and navigators, working between the creditor and the client. There is a unique work of translation happening in these community settings. That is, navigators like financial mentors and budgeters, or those in Citizens Advice Bureau or Community Law Centres, help translate the complexities of these laws and processes for the clients they serve. But what Government departments and entities do not fully grasp is the scope and complexity of work these community navigators face within a severely underpaid and under-resourced community and social services sector. The advocacy in this context can be with the creditor, the repossession or debt collection agencies, banks and other groups involved with the client's challenging circumstances. Often, this advocacy is very time consuming and complex for both the debtor and the community worker supporting them.
- **Links to micro-finance:** Another option, depending on the circumstances, is connecting service users to micro-finance options. These options are currently relatively limited in New Zealand. The Salvation Army has our own Community Finance programme as outlined in Paragraph 1.9 earlier. Ngā Tāngata Microfinance has two loan offerings; Debt Relief (DRL) provides relief from high-interest debt (including debt consolidation) and Asset Building (ABL) can be used for family asset building and wellbeing.
- **Bankruptcy:** For those people and whānau who cannot pay their debts back, there are three main legal routes available to them. Firstly bankruptcy. Clearly this is a very serious option. Administered under the Insolvency Act 2006, this option has the advantage that most of your unsecured debts, including any student loan balance, are wiped. Also, any court or proceedings against you to recover those debts are halted. However, there are numerous disadvantages to this process, including limited credit options in the future, being declared bankrupt for three years, and limits on the assets you can own after being declared bankrupt by the Official Assignee.
- **No Assets Procedures (NAP):** The second option is a NAP. This procedure is an official declaration to those you owe money to that you have no means to repay them and no assets left to sell. This only applies if your debts are between \$1,000 and \$47,000. A key element of the NAP is that it is a one-off opportunity for the client to sort their financial position without entering formal bankruptcy. It usually lasts 12 months instead of the normal three-year period for bankruptcy. **Figure 10** below illustrates that since 2009/10, there is less use of this NAP mechanism. These figures support the feedback from our frontline workers that while a NAP is a useful tool, there are many financial mentors and budgeters who are hesitant to use NAPs, particularly as a client's credit rating is affected for 7 years after the NAP.

Figure 10: NAP Statistics July 2008/09 – July 2018/1936



- **Summary Instalment Orders (SIO):** A SIO is where debtors in financial difficulty have the option to repay all or some of their debts in instalments over a period of three years, or up to five years in special cases. Your debts cannot exceed \$40,000 and a SIO can protect your assets from repossession. One advantage of a SIO is that it helps the debtor order and manage their repayment of the debts. Additionally, the Official Assignee can assign an approved SIO Supervisor to help them your their plan.
- **Repossession:** The CCCFA governs repossession of goods for debts in New Zealand. Repossession takes place when the person or whānau cannot afford to repay their debt and the original goods or other goods listed as security in the contract can be repossessed to be resold to cover the debt. Some critical elements of the repossession rules include the requirement that when repossessing goods, the creditor or repossession agent must comply with the responsible lending principles and follow the process set out in the CCCFA. There is a very specific process for repossession as outlined in the figure below.

Figure 11: Basic repossession process in New Zealand



- **Debt Collection:** The debt collection process can be started by either the original lender, or through a debt collection agency. These agencies can either buy your debt, (making them the new creditor) or collect your debt for the original lender. These agencies can charge additional fees but only if you were told about those fees at the time that you bought the hire-purchase goods or got the loan. Many of our frontline Salvation Army financial mentors and budgeters have reported that some of the fees charged at this stage can be very oppressive for the debtor. Additionally, with the stress and anxiety that comes with a debt collection (and repossession) process, many of our service users can try to avoid engaging with these collectors. Yet our advice for our clients is to engage with this process, particularly as debt collection agencies can take their cases to a Disputes Tribunal or even the Courts to force the debtor to pay. If this happens, then there are additional costs and stresses for the debtor to bear. Still, the debtor still has rights in this process and there are avenues for support available in the community for them.
- **Court/Civil Debt recovery processes:** When considering the debt recovery processes in New Zealand, there is a lot of focus on debt collection and repossession. Many of our service users face these kinds of debt recovery. However, the debt recovery process through the Courts, particularly for debtors facing real financial and/or social hardship, can be just as stressful and harmful. If a person's debt is from fines, then the CCCFA rules and requirements do not apply. In

New Zealand, debt repayment can be enforced through the Disputes Tribunal (if debts are less than \$15,000), or the District Court (debts less than \$350,000) or the High Court (debts \$350,000 or more).

The stage that becomes extremely challenging for many of our clients is when a creditor has obtained a court judgement against the debtor. This judgement can be enforced by an order. The various methods of enforcement at this stage are:

(a) Financial assessment hearing: a court registrar assesses the ability of the person to repay the debt.

(b) Attachment orders: this is where an amount is deducted from your income to repay the debt. However, many people do not know that an attachment order can be made against a beneficiary who has a very limited income. For our Te Ope Whakaora clients, especially as nearly 80 per cent are on some form of government welfare payment, these attachment orders can seriously add to the hardship this person and their whānau face.

In an April 2019 article, Joseph Numweek delved deeper into the use of attachment orders on beneficiaries including how these orders lock them into increased cycles and spirals of problem debt.³⁷ Numweek argued that there has been a marked increase in the use of attachment orders in the last 5 years, particularly since 2014 when the process of obtaining an attachment order was simplified. These changes meant a creditor could apply for an attachment order without first having to get a separate assessment of the debtor's financial means. In 2015, the Commerce Commission reported that in the year since the new attachment order process was implemented, more than 1,000 orders were made per month, compared with around 200 orders per month in the previous year, before the changes.³⁸ Numweek reported that Ministry of Justice figures supplied to him showed that in 2018, 4,479 attachment orders for a civil debt were issued against beneficiaries. This is compared with 5,527 orders made against employed people who are more likely to be able to repay their debt.³⁹ The enforcement of debt recovery through this process, particularly in relation to beneficiaries who are already in precarious positions, is an area that we contend must change soon to ensure those in financial hardship and who have orders against them do not fall into further problem-debt spirals.

(c) Other Court options: These include warrants to seize property, and community work to repay the debt.

2.3 Debt collection and repossession stories: This section summarises some of the experiences of our service users with debt collection and repossession as seen through the eyes and reports of our financial mentors and budgeters. Even though these debt recovery processes fall within New Zealand's legal framework, that does not mean that there are no negative impacts and outcomes for people and whānau as they go through them. Furthermore, as we outlined in Part 1 of this Paper, the wider context of problem debt that many of our clients have often means that facing complex and drawn-out debt collection and repossession (and civil debt recovery as well) procedures adds even greater stress and hardship to these people and whānau. Repaying debt is a core part of our financial system. But for the people and whānau that we serve and represent, there are often severe costs or impacts from this process on the person's or whānau's wellbeing.

Frontline experiences of debt collection and repossession

The crystallisation of debt on “recoveries status”. This means that when a debt is 180 days old and not able to be rehabilitated, it should be “locked” in line with the repossession rules in the Credit Contracts and Consumer Finance Act. “If the lender sells the goods within 15 days after repossession, the borrower’s liability is limited to the original advance made under the credit contract. The lender cannot add any costs of borrowing (interest or fees). If the borrower has paid more than the original advance, the lender must refund the balance to the borrower.

—*Salvation Army financial mentor*

A previous client of mine who was undergoing huge medical issues had people turn up to his home to repossess the goods. Luckily neighbours were home and intervened. They left, yet they continued to harass the borrower while they were still in hospital. The borrower had defaulted because of their major health concerns and issues. But the repossession agents seemed to not consider or care about this. The borrower has since filed a complaint with the Financial Disputes Resolution.

—*Salvation Army financial mentor*

A community worker told a story of a client who had difficulty meeting a repayment plan: After our session I sent through a payment proposal which was declined, I was told they had been in communication with my client since February this year. The company said the borrower had to have an appointment on site and at this appointment they look at the client’s budget. I had asked if they had considered the budgets that we had put together and they said they did not consider this external budget. I then rang again this week and asked about their 14 processes. From our last conversation I was told that a Financial Hardship Application had to be sent in before any proposals could be considered. When asked for these forms, I was asked to pass the phone onto the borrower. After 3 minutes of talking, the borrower hung up. The borrower then told me that the lender said if payment is not made, he would repossess his household items. Now we are trying to work through the process again with this client. English is not the borrower's first language. From my perspective, this lender was using bullying tactics because after the borrower and I informed them that there is absolutely no way the borrower can make the repayments, they immediately threatened repossession. The borrower was led to believe that paying the amount was the only option or else the goods will be repossessed.

—*Salvation Army financial mentor*

We have recently had a case in point, where a client had already told the trading company that she could not afford the agreed repayments and was going to be seeing a Financial Mentor. The Financial Mentor also contacted the company and asked them for a week to come back with a proposal. They agreed, but a debt collector from the company still turned up at the client’s home after 7pm, unannounced, and harassed the client, refusing to leave until she had signed an agreement to pay (more than she could afford).

The Financial Mentor phoned the company the next day to cancel this agreement and get some clarification and was stonewalled. The person she spoke to didn’t know which Financial Services Disputes Organisation they were registered with (didn’t know what the Financial Mentor was talking about), and finally suggested that the Financial Mentor was at fault and their collectors would never act in that way.

—*Financial mentor*

(from *FinCap submission to CCLAB 2019 2019*)

One community worker stated that repossession agents should ensure the actual borrower is at home before they turn up. Furthermore, we submit that any actual repossession should be done in a manner that minimises any detrimental harm to the children present at this house.

- They should be professional and courteous in their work, not threatening.
- More regulation and staff training for bailiffs and repossession agents should be explored.

—*Salvation Army financial mentors*

Our workers were again unanimous in saying there needs to be clearer guidelines into what is repossessed. Items that don't carry much economic value but have huge personal, cultural, religious or social value are vital to many of the clients we see daily. Repossessing these to repay a debt is often unconscionable.

—*Salvation Army financial mentors*

Some debt collectors use tactics that the borrowers consider to be threatening, such as daily phone calls and emails, visits to the home and even calls to the employer.

—*Community Law Centres
submission to CCLAB 2019*

About a year ago I had a client who was being intimidated by a debt collector from Intercol. Intercol is the most aggressive collection agency I have come across. However, there is very little regulation of the debt collection industry in New Zealand. There is no industry body to complain to and no dispute resolution scheme. My client went to the police but there wasn't much they could do. I talked to the manager of Intercol, but he was dismissive of my client's concerns.

In the end we complained to the Commerce Commission. They opened an investigation, but I hadn't heard anything for more than six months so assumed it had come to nothing. A couple of weeks ago I was contacted by the Commerce Commission and told that they had completed their investigation and that Intercol had been sent a warning letter, which was published on the Commerce Commission's website. The letter is [here](#). The Commerce Commission also put out a press release. As part of the investigation the Commerce Commission interviewed Intercol staff and listened to recordings of conversations between Intercol staff and my client.

At least judging by its [website](#) Intercol seems to have undergone a remarkable transformation. Its homepage used to have a black background and bragged about Intercol's collection staff being the toughest in the business. Now their homepage says that "Intercol Limited is dedicated to leading the NZ debt collection industry in socially responsible debt recovery using values that each Manager, Associate and Agent commits to." They have even developed a Code of Practice. It will be interesting to see if their practices in the future match the promises made on their updated website!

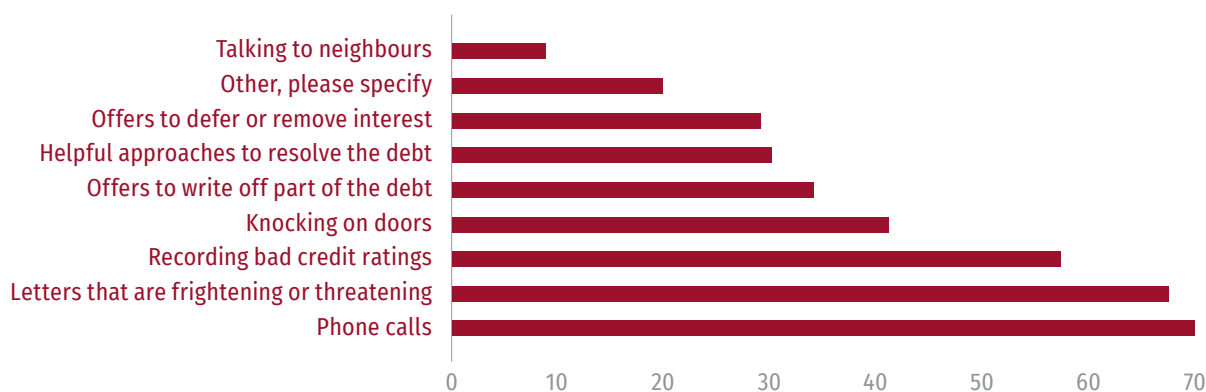
—*Salvation Army financial mentor*

2.4 Other stories: In the 2017/18 Consumer Issues Report, the Commerce Commission noted that in their Consumer Credit space, the most complained about conduct was debt collection.⁴⁰ Complaints about debt collection practices technically fall under the Fair Trading Act. The Commerce Commission added: *financial mentors continue to report allegations of inappropriate collection practices, such as placing pressure on a debtor’s relatives or collecting without the required paperwork. Financial mentors have also told us that they believe some debt collection situations escalate in seriousness as a result of the low financial literacy of vulnerable debtors, who do not understand their rights and obligations under the law.*⁴¹ The Commerce Commission included a note that in May 2018, finance company Budget Loans was fined \$720,000 on 125 charges under the Fair Trading Act. Over six years from 2009 until 2014 the company misrepresented its right to repossess goods and recover interest and costs from borrowers.⁴² We find it extremely encouraging when the regulator takes action in these kinds of exploitative cases because this assists us massively in our work with more vulnerable people and whānau facing serious financial hardship.

In its 2016/17 Consumer Issues Report, the Commerce Commission reported that debt collection generated more complaints under the Fair Trading Act (84 complaints) than the CCCFA (14 complaints).⁴³ This is similar to the numbers of complaints received in the 2015 Consumer Issues Report. This indicates that there may need to be some realigning of debt collection and repossession policy under one specific piece of legislation to provide greater clarity and protection for consumers.

In the 2019 *Survey of financial mentoring and budgeting services in Aotearoa on high cost loans, debt collection and other consumer credit issues* report, budgeting services reported back on the types of behaviours that many debt collectors employed.⁴⁴ This report shows that punitive and aggressive behaviours are used by these debt collection agencies. This is detrimental to the wellbeing of the debtor (and their family), but also the debtor’s neighbours. We understand that these companies are ‘trying to make a living’. But these kinds of behaviours would not be tolerated generally in other aspects of society and life.

Figure 12: Behaviours from debt collectors as reported by budgeting agencies



2.5 Government reform options and the community sector’s views – There has been an extraordinary amount of government papers, conferences, workshops, discussion documents and Cabinet papers in the last 2 years as this reform of the CCCFA has progressed. In 2018, MBIE released its Discussion Paper on the Credit Regulation Review.⁴⁵ This paper had a particular focus on irresponsible debt collection processes and outlined four key problems in this area; false and misleading claims; unfair repayment schedules; excessive fees and interest for debt collection; and harassment of debtors.⁴⁶ For the remainder of its debt collection section, MBIE outlined five options for reform in the CCLAB 2019 that submitters could comment on. These were;

- (a) require key loan information to be shared with the debtor at commencement of debt collection
- (b) require debt collectors to offer an affordable repayment plan
- (c) specify appropriate limits regarding contact between the debt collector, borrower and other persons
- (d) make third-party debt collection agencies directly subject to the CCCFA
- (e) make external debt collection fees cost-based.⁴⁷

The responses to these options from the community and social services sector was unanimous. In Te Ope Whakaora’s submission to the MBIE Review, we strongly supported the implementation of all five options outlined above. However, in the actual CCLAB 2019, MBIE had limited their amendments to focus on disclosure before debt collection (clause 42 of the CCLAB). This may indicate the disjointed legislative framework that debt collection and repossession sit under in our nation.

The FinCap Trust in its submission to the CCLAB 2019 added that *New Zealand does not have the comprehensive regime regarding debt collection in New Zealand which exists in comparable jurisdictions. Accordingly, debt collection practices vary significantly. The few laws which regulate the practices of debt collectors are split across several pieces of consumer legislation which makes it difficult for debtors to know or enforce their limited rights and gives leeway to companies.*⁴⁸ In the Appendix to their submission, FinCap included a very simple yet useful comparison of debt collection regimes across various countries. This is presented below:

Figure 13: International comparison of debt collection regulation⁴⁹

	<i>Australia</i>	<i>United Kingdom</i>	<i>United States</i>	<i>New Zealand current</i>	<i>New Zealand proposed</i>
Debt collectors required to provide information to debtors	Yes	Yes	Yes	No	Yes
Debt collectors prohibited from pressuring debtors to agree to unreasonable repayment plans	Yes	Yes	No (but general duty of fairness)	No	No
Debt collectors’ contact with debtors regulated	Yes	Yes	Yes	No	No

In their submission to the CCLAB 2019, Christians Against Poverty (CAP) had similar feedback, stating that *we note that New Zealand is significantly behind comparable countries in this area. Stronger law to control debt collection practices is required to protect vulnerable New Zealanders.*⁵⁰ Numerous other community groups made similar points in their own submissions to the CCLAB 2019. In the end, the advocacy of these groups, at least in the debt collection area, is consistent.

Section Three – Key Issues and Recommendations around debt collection and repossession in Aotearoa

- 3.1** Throughout this Paper, various issues in the debt collection and repossession space have been signalled. This section summarises the key issues we have identified in this debate that we contend need to be addressed by government legislation and reform. Additionally, this section offers some recommendations that we believe will greatly improve debt collection and repossession processes in Aotearoa, particularly regarding those people and whānau already facing debt-related issues and significant financial hardship. Again, this Paper is not a complete review of these matters, but instead intended to contribute to Te Ope Whakaora’s advocacy for our clients, our people, our whānau.
- 3.2 Issue: Regulation of debt collection and repossession in Aotearoa:** In the previous section, there was a clear argument from many in the social services sector for more effective regulation of debt collection and repossession practices. We acknowledge that there have been some good developments in this area since the 2015 reforms. But like many aspects of credit regulation, the 2015 reforms did not go far enough in relation to debt collection and repossession. Our concern is that these 2018/19 reforms (since the MBIE Discussion Paper in 2018 and the CCLAB 2019) will also not go far enough in truly protecting vulnerable, poorer Kiwi consumers.

Recommendations:

(1) A new law that regulates debt collection and repossession into one legislative framework:

We join the call from many community groups and consumer advocates for stronger and more consistent regulation of debt collection and repossession in our country. As illustrated throughout this Paper, the legislative framework here is confusing and sits in multiple Acts of Parliament. We submit there is a case for a new piece of legislation to be developed by Parliament that can comprehensively regulate debt collection and repossession. In the 2015 review into their debt collection industry, the Australian Competition and Consumer Commission found that increased regulatory oversight led to better and more ethical debt collection behaviour.⁵¹ The Australian experience has seen greater coordination between numerous partners; Australian Consumer Law (ACL), the Australian Credit Licence, external dispute resolution (EDR) schemes and the ACCC/ASIC Debt Collection Guideline for Collectors and Creditors have resulted in improved behaviours within the sector.⁵² But the Australian situation is similar to New Zealand in that there are multiple relevant laws within their federal and state system. Therefore, a new single debt collection and repossession law for a country as small as ours is a tangible and effective measure that would bring greater clarity for both creditors/debt collectors and debtors (and their advocates).

(2) Inclusion of other debt collection options from 2018 MBIE Review Discussion Paper: If there is no political or government appetite for a new law as per our recommendation above, then we strongly advocate for the inclusion of the other options detailed in the 2018 MBIE paper. In our reading of the CCLAB 2019, the focus is on Option A and disclosure. We submit that the other four options, particularly around fees charged by debt collectors and the contact (and often harassment) of debtors, must be included in the final CCLAB report and process.

3.3 Issue: Insolvency available to lower-income debtors in financial hardship: In Section 2, we looked at some of the main insolvency options available to Kiwi debtors. For frontline financial mentors and budgeters, they have available to them these same insolvency options for the generally poorer clients they work with. However, what government departments might not fully appreciate is that when poorer debtors facing financial hardship take on these insolvency options, the effects on them can be far more damaging and long lasting than other debtors, purely because of the often complex, inter-connected, multiple social and financial issues clients like ours face. That is why in Section 1 we wanted to give some context on the issues that our clients face when considering financial hardship. We did this so that decision-makers can try and appreciate the realities, and precarious and hugely complex situations of people and whānau using our services.

Recommendations:

(1) Review of insolvency options for poorer debtors: We believe that a more comprehensive review is required to assess the real impacts of these insolvency options on poorer New Zealanders. This is necessary given the complex and multiple issues that many of our service users face. This should be both a quantitative and qualitative review, possibly undertaken collaboratively between a government entity and the community sector. Additionally, this new review should look at the long-term effects of taking any one of these insolvency options. For example, the connection between problem gambling and alcohol and other drug addiction, problem-debt, and any resulting debt collection and insolvency needs to be explored further.

3.4 Issue: Attachment orders made against beneficiaries: Following on from the point above, we argue that there is a specific injustice when it comes to the issue of Court-led attachment orders made against beneficiaries. Even though much of this Paper has been focussed on debt collection and repossession as they relate to the CCCFA and CCLAB 2019, we submit that civil or Court-mandated debt recovery process is an area that requires further scrutiny to ensure that beneficiaries are not placed under more unnecessary and unfair pressure under these attachment orders.

Recommendations:

(1) Implement a judgement-proof debtor policy in New Zealand: Salvation Army financial mentor Andrew Mitchell has consistently advocated that our nation explores the potential for the judgement-proof debtor concept to be implemented in Aotearoa. The wider Salvation Army supports this call to action. In Victoria, Australia, Section 12 of the Judgment Debt Recovery Act provides that, an instalment order will not (unless the debtor consents) be made if the income of the judgment debtor is derived solely from a pension benefit allowance or other regular payment under the Social Security Act 1947 or section 24 of the Children, Youth and Families Act 2005 (Vic).⁵³ The Victorian policy has some specific criteria, including that the potential judgment-proof debtor cannot own a house or have too many assets. But the fundamental part of this provision is that if a similar policy was initiated here, then if a person in significant financial hardship qualifies for judgement-proof debtor status, they cannot be forced to repay their debts using their government welfare benefit. Since nearly 80 per cent of our clients have as their main source of income a government benefit, then this policy change would greatly help us support our clients facing mountain loads of problem debt. With more than 24,000 attachment orders made against beneficiaries in 2018, this new kind of policy would aid thousands of poorer New Zealanders not to fall into deeper debt traps and spirals, and hopefully to not have to go down the debt collection and insolvency pathways too quickly. There are obviously many other issues and legal and social consequences to address here before such a policy could be implemented. But we urge the government to establish a programme to explore and implement this policy option for our nation.

3.5 Issue: Innovative ways to deal with debt that cannot be paid back: There is always a danger that when multi-faceted laws like the CCCFA are reviewed, the inter-connection between these issues and amendments are missed or misunderstood. Our view is that other amendments in the CCLAB 2019 such as the interest rate cap, cap on the total cost of credit, new affordability requirements and so on, will ideally assist greatly in preventing New Zealand consumers from falling into harmful problem-debt related traps or spirals. However, even if these preventative measures work relatively well, there will still be those clients who enter the debt recovery process outlined above. Insolvency, while effective, is not always helpful for clients. Debt consolidation loans are available but are not effective when the debt recovery processes have begun. Therefore, other more innovative methods of dealing with unpayable debt are needed.

Recommendations:

(1) Consider circumstances where debt forgiveness or waivers are suitable for vulnerable debtors for debts to government and private lenders: This must be considered in the context of debts owed to market creditors or lenders, and debts owed to government departments through overpayments, benefit advances, fines or court judgement orders. On the WINZ website, there is a clear statement that debts owed to WINZ must be repaid.⁵⁴ In Australia, there is a discretionary power given to the Finance Minister for a debt waiver. This is a special concession granted to a person or organisation that extinguishes a debt owed to the Commonwealth (government). This means that the debt is completely forgiven and can no longer be recovered.⁵⁵ Debts may be waived where the decision maker considers recovery of the debt would be inequitable or cause ongoing financial hardship, and that other debt treatment options (such as an agency writing off the debt or deferring payment) are not appropriate.⁵⁶ Debt forgiveness or remission is also possible for debtor and creditor relationships in the market.⁵⁷ Our legislative framework, as discussed earlier, has various mechanisms for financial hardship concessions or applications e.g. KiwiSaver hardship applications. We submit that there should be greater investigation into the impact and feasibility of implementing a debt forgiveness, waiver or remission policy in specific cases in relation to both debts owed to the government and to private lenders. There is some precedent for this in our country with the 1997 ruling by the Inland Revenue Department (IRD) section 91D of the Tax Administration Act 1994. Here, the IRD ruled that part or all of a debt can be legally forgiven (in the case of a will) if the debtor is a close relative, or part of discretionary or fixed family trust.⁵⁸ In a society that is focussed on wellbeing for all, considering innovative and compassionate policy tools such as debt forgiveness can be evidence of a society that cares for some of its most financially vulnerable citizens.

3.6 Issue: Information sharing between the community and social services sector with government departments and entities: We submit that the relationship between the community sector and government entities in this credit regulation space is positive. The views of the community about debt collection and repossession have, to a large extent, been reflected in the CCLAB 2019. The community came out strongly in the submissions phase of this reform around an interest rate cap and was successful in changing the Minister's position on the cap. Moving forward, we believe an even more effective and fairer relationship is needed between the community sector and the government, especially as the CCLAB 2019 amendments come into effect over the next year or so.

Recommendations

(1) Investment by government departments into community consultants, experts and voices:

We submit that with this increased focus on getting client and lived-experience perspectives to inform public policy development, there must be a monetary commitment by government departments for the securing of these views by the community and social services sector. Government departments spend millions of dollars on consultants and contractors for various information or research, with figures reported in June 2018 that over \$550 million was spent on these people and companies.⁵⁹ Yet they often expect the community sector to provide crucial information about people, whānau and communities for little or no remuneration. We contend that if these lived-experiences are sought for policy development, then the community sector can best facilitate this process. But this must be done in way that best values and honours the voices and experiences of the clients and acknowledges the frontline work of the community sector. The recent report *The Social Service System: The Funding Gap and How to Bridge It* captures well the huge funding demands and gaps in the social services sector.⁶⁰ Some of the key findings of this report included; basic operating costs are being underfunded by about \$130 million a year; wages in the sector are being underfunded by about \$300 million a year; the gap between funded and actual (absorbed) demand is nearly \$200 million a year; 83% of providers surveyed are reliant on philanthropy to meet their core costs; the community and provider workforce are underpaid and overworked, with a growing pay gap between the public and private sectors; and the competitive tendering process benefits better resourced providers, providers are incentivised to accept under-funded contracts and disincentivised from collaborating. Since we are working alongside people and whānau in these difficult situations, we submit we are best placed to facilitate how their voices, lived experiences and opinions are presented back to government departments who are desperate for this authentic information.

(2) Coordination by central government departments about key consumer or client focussed issues they are seeking feedback about: We call on government departments who are seeking this frontline, real lived-experiences to better coordinate how they engage with the community sector. Right now, it seems there is a 'shot-gun' approach by different departments who are often after the same kinds of information. When you include the corporate sector, who is also after similar information, then the demands on the already stretched community sector become even more burdensome. This can place more strain on community organisations like Te Ope Whakaora who are sought out by others to provide insights into the issues of those using our services.

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About the author

Ronji was born in Samoa and raised in the CAPITAL of the Universe, Māngere in South Auckland. He is Samoan and Tokelauan. He is an unashamed believer and follower of Jesus Christ and His perfect Word. Although he has three degrees in law and politics, Ronji would much rather be 'hood or street smart' than just book smart. He worked for the SPPU from 2011 to 2015. Then Ronji and his stunning Samoan wife Rabena traveled overseas to 30+ countries serving as self-funded Christian missionaries working primarily with persecuted Christians, smuggling Bibles into restricted nations, supporting business as mission projects in developing nations and a bunch of other stuff. They returned to NZ in 2017 and Ronji came back into the SPPU. Outside of work, Ronji is involved with some cool and disruptive ministries and community work, including sitting on the Board of Tertiary Students Christian Fellowship, FinCap Trust and Ngā Tāngata Microfinance, member of the Māngere Community Housing Regeneration Group, giving out gospel tracts in South Auckland markets and running some small businesses in NZ that fund mission projects in NZ and overseas. Viia pea le Atua i mea uma (Glory to God in all things - Samoan).

We welcome your comments on this Discussion Paper.

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