



Below ZERO

Living with unmanageable debt in Aotearoa

christians
against
poverty

CAP

Contents

Summary	3
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About CAP Clients	4
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Ethnicity	5
Income	5
Household makeup	6
How long are clients in debt?	6
What type of debt do clients have?	7
Already in hardship	7
What else is going on in clients' lives?	8
How is this picture changing in the context of COVID-19?	10

CAP Debt Help	11
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Head office – nationwide debt counselling	12
The local church – community support and care	13
How families' financial capability improves	14

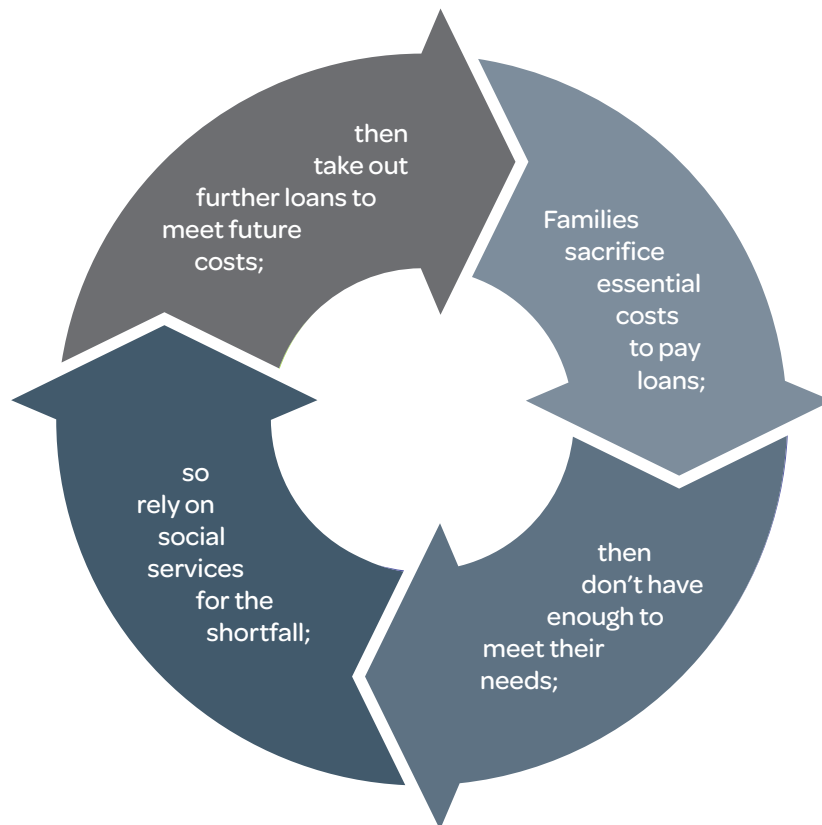
Case Studies	16
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Lana's story	17
Johanna & Michael's story	18
Vasa's story	19

Summary

Every month, CAP receives hundreds of phone calls from people who are drowning in unmanageable debt. They feel anxious, stressed out and overwhelmed. Debt consumes more than they have to give and families are forced to live on less than zero.

The impact of being in unmanageable debt crushes families, causing despair and depression. Growing debt keeps families trapped in a cycle of financial and material hardship where parents are forced to sacrifice essential living costs to pay their debts. It rolls ever larger, until it becomes an inescapable cycle.



This report looks into the circumstances of people in unmanageable debt when they first come to CAP for help. This report also looks into a client's journey out of debt and on to financial capability.

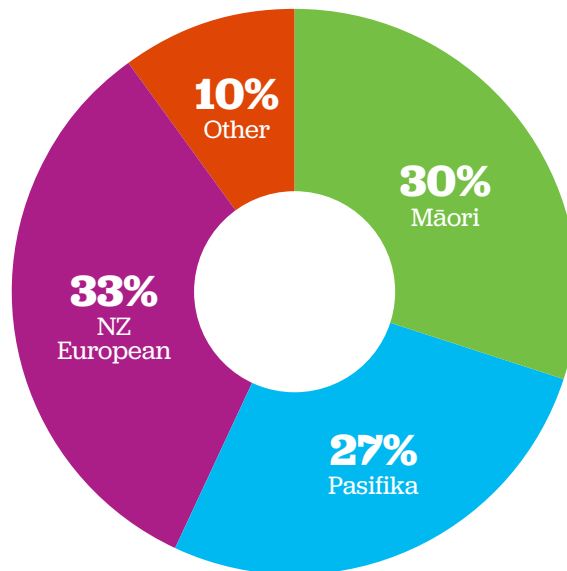
The need for financial capability, however, is only half the solution. This report explores some of the many barriers families face before they will even contemplate reaching out for help as well as the importance of non-judgmental love and acceptance, and community support to help people navigate through the many complex contributing factors in their lives.

The report concludes with three case studies from real CAP clients who have worked with CAP to become debt-free and financially capable. Each of their circumstances while living below zero is quite different – but the change from shame and fear to confidence and hope unites them.

About CAP Clients

CAP has had the privilege of helping and supporting thousands of New Zealand families and individuals over the past 12 years. This section explores the makeup of those families.

Ethnicity



Income

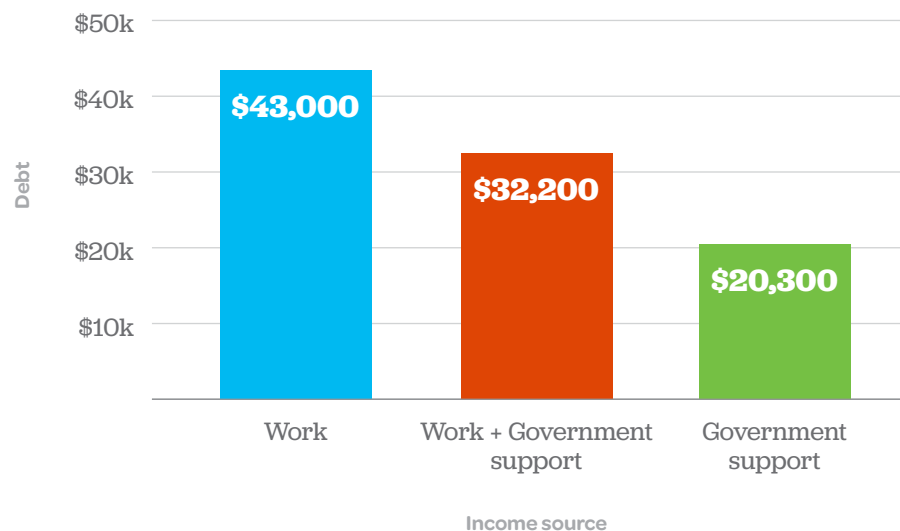
70%

of CAP clients rely on government support as their **main source** of household income.

40%

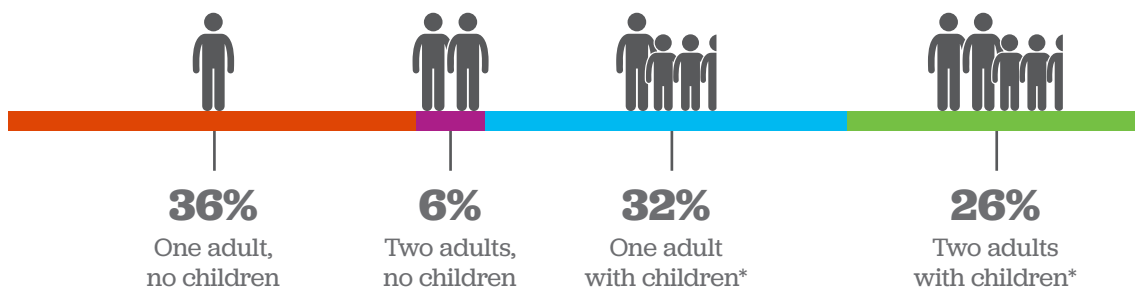
of CAP clients rely entirely on government support as their **only** source of household income.

Average amount of debt owed by income source

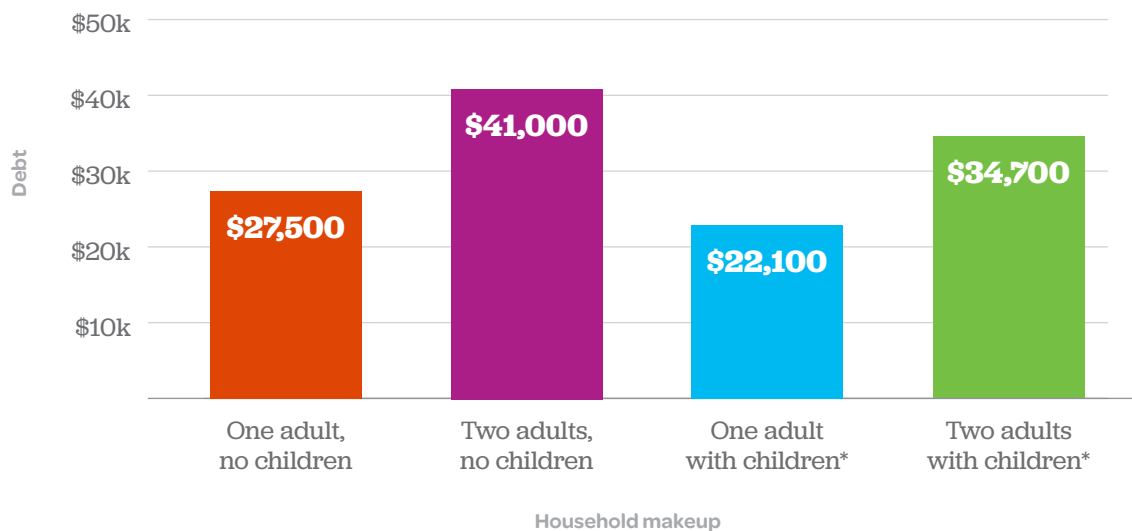


Household makeup

*There is an average of 2.45 children per household, in households with children



Average amount of debt owed by household type

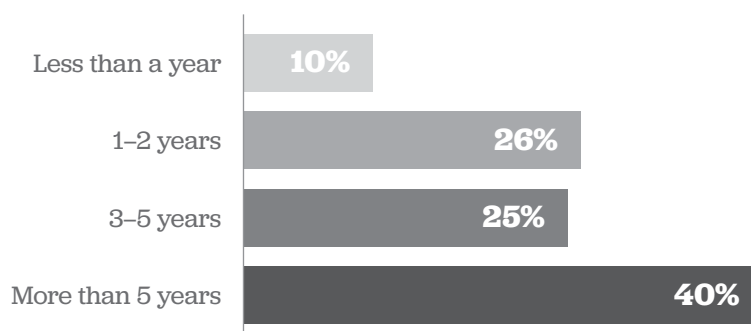


How long are clients in debt?

Sometimes a sudden event, such as illness or job loss, has meant debt is now unaffordable.

But most clients struggle for years in debt, trying to improve their situation, trying to stay afloat.

Before reaching out to CAP for help, most clients have lived with debt for more than 5 years:



I was in considerable debt, [which was] the result from years of unwise decisions with money. Getting credit cards and overdrafts, then getting a debt consolidation.

What type of debt do clients have?

There is a common narrative that high-cost loans (>50% interest p.a.) are the products causing most harm, although only 28% of CAP clients have a high-cost loan. CAP sees families living in unaffordable situations and debt **across the spectrum of loan products**.



It is common, in CAP's experience, for **a client's vehicle finance to be the most significant factor contributing to their financial hardship**. The family car is often essential to get to work and school, but high loan repayments leave too little to pay for essential living costs. Families go into arrears on rent, utilities, and take out more debt. They don't have savings for maintenance or repairs. When the car breaks down, they feel they have no option but to trade in their wreck and get another car on finance.

It was the van payments that made me realise, whoa, I'm struggling, struggling struggling...it was almost a third of my income. In the end, I had to give the van back but I still owed for it and the courts got involved and made me pay for it.

Already in hardship

Families who are in financial hardship are often significantly cutting out spending on essentials **before** defaulting on loans. Before coming to CAP:

67%
skipped meals, often regularly, to make loan repayments

30%
owed money for medical or school expenses

65%
owe money for utilities and housing

Families cannot save, cannot afford enough good quality food, put up with feeling cold, postpone health visits, cannot replace damaged appliances and cannot spend money on clothing and shoes for their family.

My kids missed out on everyday activities... playground, couldn't afford petrol, snacks, to take them. Kids always ate spaghetti or sometimes a loaf of bread for the day...

My hearing loss 6-year-old was unable to attend appointments with head nose and throat or surgery for lack of petrol money or credit to confirm appointment.

What else is going on in clients' lives?

The numbers are clear – CAP clients and their families are drowning in debt and in need of urgent help. However, **the need for a financial solution is only half the answer**. There are many barriers families face before they will even contemplate reaching out for help.

Stress... shame... depression

Their growing debt and lack of capacity to fix the situation is stressful, frustrating and energy consuming. **Shame, embarrassment and fear of judgement effectively paralyse people from reaching out for help. Before coming to CAP:**

96%

said debt made them feel

stressed

55%

said debt made them

fearful

68%

said debt made them feel

ashamed

I felt lost, unsure, stress, and mostly embarrassed that I had accumulated debt and it was out of control. I did not want to talk about it or address it. The phone call to CAP was one of the hardest things I have ever had to do. I was so relieved that the CAP staff did not judge me or make me feel any lower than I was already thinking.



92%

of clients said that their **health was affected** as a result of debt. Of these, **71%** specifically mentioned that they felt **depressed or were on medication for depression**



30%

of clients admitted that before CAP they had **thought about, or attempted, suicide** as a way out

“I felt like a failure as a parent”

Financial hardship also affects the health and wellbeing of children. Of CAP clients that are parents or caregivers:

62%

said that they couldn't buy healthy food

62%

couldn't buy adequate clothes or shoes

82%

felt they couldn't be a good parent

She couldn't live with me anymore, she had to live with family who could pick her up on time so that I could focus on getting a better job and working to pay the debts off and learn how to budget. She is sad to be separated from me.

Broken relationships – disrupted families

Over 80% of clients in a relationship said that debt affected their relationship, reporting that it caused frequent arguments and, for 30% of respondents, it caused a full relationship breakdown.

The hardest thing was trying to keep our family together, our marriage together. It was just destroying both of us because we got to the stage we really didn't talk we just barked at each other.

I did think of leaving my marriage. Packing up and taking the kids, but where was I going to go? I got no money, I got nothing, I had nothing.



91% of clients say being in debt made them stay away from people; of these:

67%

stayed away from
social/sporting

66%

stayed away from
friends

62%

stayed away from
family

When we have family get togethers you got to bring a plate. We had no plate to bring. It was like, make any excuse - 'oh two of the kids are sick'...or 'we can't go, we don't have any gas.'

Multiple and complex needs

Many people in financial hardship present with multiple complex needs, and are disadvantaged in several life domains: income, housing, employment, safety and social connectedness. Each of these areas requires support from social services and can be incredibly exhausting for clients to have to manage alongside their financial hardship.

An estimated **80% of CAP clients are living with a very significant condition** that we recognise as requiring extreme care. These conditions include clinical depression, anxiety, panic attacks, and chronic addictions. Some CAP clients are living with a permanent disability, or recovering from traumatic injury, cancer, strokes or heart attacks.

Depressed suicidal thoughts every day and feeling overwhelmed and wanting to give up and die almost every day. Feeling emotional and hyper tensive over small situations when caring for my boys. Being paranoid whenever I get a call, txt or knock on door.

How is this picture changing in the context of COVID-19?

The COVID-19 pandemic has exposed a widespread lack of financial resilience in New Zealand households. 34% (608,000 households) are already experiencing financial difficulties and 40% (715,000 households) do not have the financial resilience to manage any further drop in income.¹ Families are living on the edge of disaster, with high commitments and no savings; and turning to borrowing to make ends meet.

CAP clients in employment have already reported problems with not being paid properly or being asked to take leave without pay and even redundancy. Older children who are able to work have taken on evening work and late shifts in supermarkets. CAP is concerned that some young adults will not be able to participate in higher education because they have a responsibility to work and contribute to ensure the family's wellbeing.

As a sector, debt counselling and financial capability providers are expecting the COVID-19 pandemic to increase the number of people seeking help, as a reduction in their hours, or complete job loss, causes financial difficulty. We are expecting to see:

- A higher proportion of mortgage-holders contacting us
- A higher proportion of formerly two-income households
- Larger debt balances that could formerly be serviced on higher incomes
- A higher proportion of people with some financial capability skills but a lack of income to make things work; and
- A higher proportion of self-employed people.

The mechanics of overcoming unmanageable debt will be the same for these new cohorts as it is for those experiencing financial hardship apart from COVID-19; and equally, **the financial solution will only be half of the solution.** We can agree with CFFC's comment:

"Many [of those in hardship pre-COVID-19] have developed coping strategies for dealing with financial difficulty. However, this segment also includes some of the "new poor" for whom hardship is recent and who might need a more proactive outreach."

1. CFFC – Impact of the COVID-19 crisis on financial wellbeing in New Zealand, May 2020

CAP Debt Help

How CAP lifts people out of poverty

Head office – nationwide debt counselling

CAP's free debt counselling service has now helped thousands of New Zealanders to grow in financial capability. CAP builds sustainable and liveable budgets which prioritise families' food and housing costs; negotiates directly with creditors to ensure that debt repayments are affordable and fair; oversees clients' debt repayments through their CAP Account; and supports clients long-term as they repay their debt.

Clients receive this free support until they are debt free, which takes on average two years. CAP Debt Help is available in 46 local communities across Aotearoa, from Kaitiaki to Dunedin.

Over the past twelve years CAP has **helped thousands of client families build their financial capability**.



**CAP has supported clients to repay
\$40 million of
debts and bills**

In addition, we've **enabled the write-off of over \$35 million of debt** as result of negotiation with creditors and insolvency procedures.

The outworking of CAP's support is that over 1,700 people have become debt free; thousands more have received vital support to take the next right step financially; ALL have learnt crucial financial literacy skills. Moreover, this support has transformed people's homes, impacting more than 3,500 children.



94.5% of clients describe CAP's service as **"Life-transforming" or "A great help"**

I'm excited to not have any debt, and I'm excited to actually want to save, and instead of owing people, to [be] looking at money in my bank account.

I've taught my children how to budget properly: "worry about what you need and not what you want." So they've learnt that as well, they know how to save, they know how to spend [and] budget that money when it comes to shopping; they know how to pay their power bills.

The local church – community support and care

The help and support provided by CAP's Head Office staff is only half of the solution. CAP partners with 46 local churches across the country. A Debt Coach in each of these communities is the life-line to new CAP families, providing them the practical and friendly support that is so crucial when debt is overwhelming and frightening.

Why is support from Debt Coaches at local churches so important? At first, it is not financial advice that is going to help people in unmanageable debt – they need support and non-judgemental acceptance; to know that they are worth it; to know there is hope for their situation and hope for a brighter future.

When families have this hope, only then can they take on board financial help.

So, when the Debt Coach first visits a family, they are a friendly face bringing supportive care into homes where people have felt trapped and without hope.

The Debt Coach will often do a food shop and bring some groceries to the family. This is not just one less thing for the parent to worry about – it's the ability for the client to proceed to the next stage of help. It is nearly impossible for a parent to have a complex conversation about finances if he/she is worried about feeding hungry mouths.

For families who are really struggling with multiple and complex needs, the advocacy and support that CAP gives provides them the essential bandwidth to address the other issues they face.

Things became stress free, and I was able to focus on my husband and his illness and not have to worry about lenders ringing me every week wanting to know when they were getting paid.

over 99%

of clients rated their Debt Coaches friendliness, professionalism and non-judgementalism as "Good" or "Excellent"

How families' financial capability improves

As a client's financial and emotional wellbeing improves, they also develop financial capability skills, which they use to remain free from debt and in control of their finances in the future.



93%

of clients stay free from unmanageable debt two years after becoming debt-free.

Savings

From day one, CAP ensures that a client's budget has savings built in so that families will have the funds set aside for future expenses. This protects them from having to make any future painful trade-offs between two necessities – something they've become accustomed to doing, and which perpetuates their lack of wellbeing. Families also get into the habit of relying on current funds and begin to practice discipline and patience before dipping into their savings.

Developing savings is a goal for over 80% of clients and they are excited to see their savings balance grow!

I have enough money to buy my children what they need. Healthy food, and sometimes clothes and toys. I'm more happy and don't need to worry about anything.

Life is good as I have been able to get my car fixed for WOF as I had savings to use for the repairs, it felt good knowing that I have been able to save money.

Sticking to a budget

While 46% of CAP clients report that changing to live on the budget set by CAP was difficult at first, families find, often for the first time, that this budget helps them to understand where their money is coming from and going to. A budget provides a family with the peace of mind that future bills are under control.

Being able to manage and adapt their own budget once they've left the support of CAP is a goal for 73% of clients.

I'm free of one of my debts already which was a great weight lifted. I'm able to work within my budget and feel better generally about money

It has taught me to prioritize my needs above my wants. It has made me consider things more in-depth before purchasing stuff that aren't a priority.

I have always been that type of person who would spend all my money in the first couple days I got it and then struggle for the other 12 days of the fortnight. Now I have learnt better self-control financially and physically. I'm looking forward to that last payment and being debt free!

Planning for the future

CAP clients can see their financial situation improving and are able to set goals for the future. Some tell us that they'd like to buy a house or to have a family holiday.

57% of CAP clients want to teach their family how to handle money.

I feel more in control and not so stressed out week to week. My children and I are so much happier now and our future looks promising.

We now have light at the end of the tunnel and plenty of support so stress levels are lower, depression is gone and can now focus on growing and moving forward.

I never really got taught how to manage money...I teach my son so much about money now, and the value of money, because I didn't know the value of money.

How does CAP Debt Help impact whānau?



Parents are thrilled to be able to provide for their children – they can put food on the table, and their kids can go to school with everything they need. They feel a sense of pride in restoring protection to their children. Families/whānau feel empowered as they're finally on top of their finances and they've learnt the necessary skills to stay that way. Many CAP clients report that they feel confident to pass on these new skills to their children, so that they are equipped to manage their own budget.

We are more happier and get to do and have things that we would never have, even have money in the weekends for a treat for my family...and stress free from trying to figure out what to pay and not to pay.

I am no longer on anti depressants, I am no longer suicidal and I have a lot more calm and no paranoia when I get calls texts or knocks on the door. My kids love the \$5 for ice cream at the shop. Something I couldn't do before.

My son is going to his ear nose and throat appointments and has a surgery date set for next month in December.

It feels like a family home, and not a home for the survival of the fittest. No one is hungry and no kids is fighting for the last price of food. I am thankful for CAP and I cannot believe I have savings. I am excited to be debt free one day.

My children are even excited to go school because they no longer go and ask the lunch lady for a 'lunch pass.' Now, when the bell rings, my kids have a lunchbox!

I get excited when my sons come home with a letter for a school trip because I know that I have the money with CAP to pay for it. I get excited because my bills are being paid and for the first time in my life I have savings. I now have money of my own to put aside for times of celebration. I feel great.

Case Studies

Lana's story

Female, Māori

54 years old

Partner, 4 adult kids,
3 grandchildren

Waikato

Jobseeker support

Part-time cleaner

Debts: \$12,500

- Rent arrears to Housing NZ / Kāinga Ora
- Court fines
- Child support
- Benefit debt
- Bank overdraft x 2
- Truck shops
- Utilities arrears

For Lana, a 57-year-old Maori woman with a full-bodied laugh and a smile that lights up her face, debt built slowly over the years, beginning when her children were young and she struggled in an abusive relationship with her partner.

Looking back over the years, she describes herself as 'an enabler' – an enabler of her partner's debt and her own.

And yet, Lana's debt grew simply as a result of needing to care for her children and grandchildren; hire purchase for appliances, a loan for an old van to get to work, top-up money to put food on the table.

"Being in debt was a heavy, heavy thing. I never ever wanted to owe money to anyone ever in my life, and having so much debt, it just crippled me."

Over the years, Lana suffered from depression and turned to alcohol to help cope with the shame she carried – a shame she says many people in her low-income Huntly community feel on a daily basis.

"A lot of people don't want to talk about debts ... because of that shame and not being able to deal with it, and being perhaps drug and alcohol dependent."

With nowhere else to turn, Lana began attending Sunday services at Huntly Baptist Church, just up the road from her house. Here, she

reconnected with Jeremy, who had been one of her son's teachers, and now worked with CAP.

At his suggestion, she decided it was time to get help with her debt and her drinking.

Once she started working with CAP: *"It just made me feel, like, 'wow'! When it was all laid out in front of me, the whole procedure, and I was going to be able to save as well, [I thought] 'this can work, it'll work!'"*

As Lana began paying off her debts, her family noticed a difference; she was "less worried, a much happier person."

Lana attributes this to the help of CAP, and the local church, who were there for her at every turn, whether she needed a power top-up to get through the weekend or someone to enjoy a cuppa and listen to her worries.

Lana has been debt-free for 3 years and through the process, has changed the way she thinks about money and the future. ***"I can save money now if I really try, and I can say 'no' ... and not feel guilty about it."***

"I like to know I'm going to leave my children with some kind of legacy ... a legacy that says 'I want you to grow up, I want you to work for your living, I want you to work for everything that you want, and I want you to pay your debts, pay your dues ... I'm happy with that.'"

Johanna & Michael's story

**Male & Female,
South African**

Both 46 years old

2 teenage children

Dannemora, Auckland

**Both in full-time
employment**

Debts: \$140,000

- Bank overdrafts, personal loans and credit cards
- Personal loan from family
- Non-bank personal loans and credit cards
- Vehicles finance

When Johanna and Michael reflect on the years they were in debt, they remember it as a “dark, dark time.”

“I was getting phone calls from the creditors at least 10 times a day,” the couple share. “We were ducking, diving. Avoiding calls. Lying to the people around us.”

In 2008, they moved to New Zealand from South Africa, along with their 2 children and their life savings. But after moving, setting up house and paying for childcare so they could both work, they had very little left to live on.

Access to credit was easy, as were debt consolidation loans.

On top of all of the debt, they didn't have the headspace or ability to budget well: “We had a budget, but ... it's one thing to have a budget, and it's one thing to use a budget. We just kept digging and digging, and eventually, [we hit] rock bottom. And the arguments came, and the kids got the blame.”

For nearly 10 years, they carried this immense burden privately – until they decided it was time to ask for help.

“We were really terrified; we felt embarrassed. You have this sense of dread that hangs over you, because now you're putting it on paper.”

But from that very first free call to CAP, they felt “love and no judgment.”

“[They were] very transparent. They kept

us informed; we never had to worry or wonder what was going on. And we were really taken by surprise with the care they take to make sure that we would be okay to put food on the table, and to pay for our water and lights.”

Even though they had to go through bankruptcy, the couple felt “empowered to make the right decisions” – and they felt like they had the freedom to finally share their situation with their family.

“During the whole [CAP] process, we lived very well with what we had, but there wasn't any extra. And [the kids] really played their part in it, as well.”

Even better: Both children now have their own budget and are actively saving their money.

“Now, we can teach our children the wise way of dealing [with] money ... it's like we've broken a chain!”

As for the couple's budget, they're using their budget spreadsheet and applying the principles they learned with CAP – how to save, avoid bad credit and plan for the future. They're also able to give back, something that never seemed possible in the past, and are now supporting other families as they journey with CAP.

“[There's so much] peace and freedom now! When you tell the money where to go and [it doesn't have] control over you, man, it's fantastic.”

Vasa's story

Female, Samoan

36 years old

4 children

Mangere, Auckland

Full-time employment

Debts: \$30,000

- Vehicle finance
- Bank personal loan and overdraft
- Utilities arrears
- Court fine
- Benefit advances

Growing up, Vasa didn't have much understanding about money, or how to manage it.

"I had no financial literacy at all," she shares. "We never talked about it at home; I didn't have that kind of information at school. I didn't have any knowledge about what to do with money, how to even save."

When she started having her own family, she found herself spending a bit too much, buying on credit and topping up loans to make ends meet. It seemed impossible to get ahead.

At her worst Vasa returned to work 6 weeks after having her fourth child. *"I wasn't in a frame of mind to weigh up what was a need and what was a want. I was just very stretched, not only mentally and physically but just financially also, having to make things work."*

With banks and creditors calling her daily, and with nowhere else to turn, she knew it was time to get help.

"I just was sick of having no money. You know, the impacts of my poor choices had just finally caught up with me and I was just tired of feeling burdened financially."

When Vasa started working with CAP, she loved how easy the process was, but more than that, she appreciated how much support she and her family received.

"They didn't just leave me to it; they just kept touching base and inviting us to

different initiatives [that] just made it fun."

That included morning teas at the church op-shop, where she could get clothing and household items, and a "cooking on a budget" course for the whole family.

The more she worked with CAP and stuck to her budget, the more Vasa learned. For her, the biggest shift was that she had a savings plan for the first time in her life.

That meant when her daughter needed a school uniform, she had the money set aside for it! *"My old habits would have been to buy [it] piece-by-piece ... and foregone something else [like food]."*

I didn't have to do any of that ... knowing that there was money already allocated to our future needs was amazing."

Now that she is debt free, Vasa is committed to sticking to her budget, and keeping her savings account topped up. She's supporting and teaching others the lessons she's learned as a volunteer CAP coach, visiting new clients in their home.

And, she has big dreams for her own family – teaching her children the skills she missed out on, and:

"I want to have a home that I can leave for my children. This won't be for another 10 years but ... just knowing that it's actually possible is massive!"

About CAP

CAP partners with 46 local churches across Aotearoa to release people from debt and poverty, into a life filled with hope and freedom. Through a network of CAP Debt Centres, CAP offers a free face-to-face debt management service, with advice and ongoing support provided from CAP Head Office. In addition, CAP provides face-to-face financial education through the CAP Money Course, and tackles the causes of debt and poverty through its group services: CAP Job Clubs, CAP Life Skills and CAP Release Groups. All CAP's services are available to individuals regardless of age, disability, gender, sexual orientation, religion or belief.

Data

The statistics and data contained within this report are analyses of CAP's past and current clients. Where appropriate, we indicate data that has not been sourced by CAP.

The names of clients within the case studies have been changed to protect their identity. All client quotes within the report are genuine but anonymous.

Acknowledgements

Thank you to the client families who shared their stories and their lives to bring this report to life.

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