

CAP Oral Submission to Parliamentary Select Committee, Fri 26 July, 2019.

Tēnā koutou, tēnā koutou, tēnā tatou katoa.

Thank you for the invitation to speak into this bill. It is vitally important to all of the communities that we serve. I want to thank the Hon Kris Faafoi for bringing this amendment bill.

My name is Aimee Mai, CEO of Christians Against Poverty, otherwise known as CAP. I'm a local Debt Help Support Worker and a CAP Money Course Coach in Mangere, South Auckland where I live. And this is Michael Ward, our Client Services Director at CAP.

Christians Against Poverty partners with over 150 churches in local communities from Whangarei to Invercargill to provide free debt help and education services. We are helping hundreds of people on their journeys to becoming debt free. We do this by building sustainable budgets, negotiating with lenders and supporting people the whole way out of debt. We have helped pay or write off over \$68m of debt and bills since 2008. And in that time have seen over 1,200 households go debt free. Last year we helped over 3,100 people. Our clients are some of New Zealand's most vulnerable, and we see every day the damage that is done to families caught in the currents of unaffordable and overwhelming debt.

Exhausted from trying to make ends meet, families turn to high-cost short-term loans. And we see the horrendous effect this has. Over a hundred families contact us each month, and each are drowning in unmanageable debt. Eight out of ten are not able to provide adequate food or clothing for their children.

Two thirds skip meals, seven out of ten say their mental health suffered and one in three had contemplated or attempted to end their lives as a result of debt.

This is happening right here in Aotearoa. In a society who cares for the vulnerable, this is just not good enough!

We share your heart to create a fair lending system for all borrowers. And the good news is that there are solutions that we see working overseas that will work here in Aotearoa - to restore mana and dignity to our families drowning in debt and poverty.

We have built an infographic that we hope explains the situation vulnerable borrowers face.

[infographic handed out]

For anyone who doesn't have enough money to pay essentials, what they need can feel very far away, like being on the other side of a river. The thought of swimming across the river to the other side, by taking out a loan, can seem like the shortest

route to get the money you need. But the current is persistent. High interest rates and charges carry you further downstream - fast. Any changes in your circumstances like losing a job or having to move house can take you under and it is hard to resurface. Christians Against Poverty is running a full-scale rescue operation.

But bridges do exist - the alternatives to taking out finance like assistance from family or friends, the local church, community agencies or from Work & Income. And more bridges are being built right now such as no and low interest microfinance initiatives. There are safer alternatives to crossing the river and we, as a caring society, need to build awareness of these alternatives.

The International Founder of CAP, John Kirby who's spent his career in the UK consumer finance industry before building CAP in 5 countries over the last 23 years – said that “Lending practices and lack of regulation in New Zealand made him shudder. It's like the “Wild West” of lending, 20-30 years behind other countries.”

Today we would like to highlight three ways this bill needs to be strengthened to ensure lending is fair for all borrowers and to prevent families drowning in debt and poverty.

[1]

Firstly, we would like to highlight the damage that is being caused by advertising of loan products. Research has shown that advertisements are being targeted at vulnerable consumers such as low-income earners and migrant groups, with messages focusing on the speed and ease of lending.

A recent report from Impact Research here in New Zealand found that the strong values around family and generosity that we admire within our pasifika communities were being ‘specifically targeted’ and ‘exploited’ by money lenders. Participants in research fono [meeting] in South Auckland described the number of ads for top-up loans as “overwhelming” their communities.

Unregulated and persistent, targeted advertising make the waters appear calm. It's so easy to swim in but people often don't realise how deep the water is or how fast its moving. Christians Against Poverty implores this Select Committee to strengthen changes around advertising to be comparable to other harmful products such as gambling, tobacco and alcohol.

[2]

Secondly, we are pleased to see changes to affordability assessment principles, but stress that this is the leading cause of hardship. We see countless examples of damaging and highly unrealistic affordability assessments that are causing people to immediately get swept down the river, often falling straight into default.

When lenders conduct a fair and realistic affordability assessment that honestly assesses a family's true circumstances this acts like a strong fence around the river that prevents people from falling in.

Lenders should also be pro-actively reaching out to those that they see drowning as a duty of care to their customers. We see this as a natural extension of the culture and conduct review recently conducted by the Reserve Bank and Financial Markets Authority in relation to bank lending. Christians Against Poverty encourages this select committee to demand the same level of care and diligence to be shown by non-bank lenders when they assess affordability and provide an ongoing service to their customers.

[3]

Thirdly, Christians Against Poverty strongly encourages the select committee to introduce an interest rate cap. While we are pleased to see a limit on the total cost of credit, this acts only as a limit to how far a family gets washed downstream. An interest rate cap controls how fast the river flows and helps ensure the waters are swimmable. Right now, high interest rates are absolutely washing families downstream too fast for even the best rescue efforts. An interest rate cap would ensure vulnerable families have more money in their budget to look after their families and not being swept away.

The good news is that we have seen this same legislation passed and working effectively overseas. Since 2013 when the UK introduced a total cost of credit limit along with an interest rate cap, the FCA has reported that outcomes for consumers have improved, repaying less, repaying on time more often and less likely to need help from debt charities.

Christians Against Poverty in the UK now have less clients presenting with high-cost, short-term loans. The FCA also noted in 2017 that they had found no evidence that consumers who had been turned down for a high-cost, short-term loan were more likely to subsequently turn to illegal money lenders nor of consumers increasing their use of other high cost credit products. Families are seeking help earlier and with less debt.

This is the result of law reform that allows people the time to find the bridges that do exist.

Together we can prevent families from being swept away. We welcome any opportunity to provide further information and to work with MBIE as this bill is drafted.

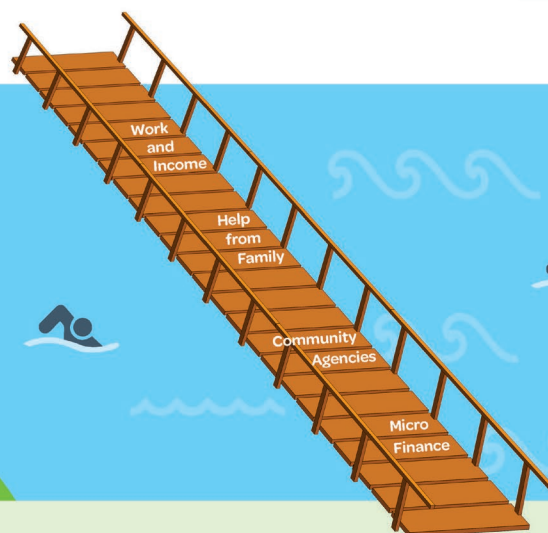
Together, we can create a lending system that cares for vulnerable consumers.

Thank you.

1

A fair lending system cares for vulnerable consumers

But the longer people spend in the river, the greater the poverty and the larger the rescue operation



Family Essentials



HEALTH



FOOD



VEHICLE



BILLS



FUNERAL



CLOTHING



HOME REPAIRS

Christians Against Poverty
lifts New Zealanders out of
debt, poverty and its causes.



Free debt
counselling in 48
locations from
Whangarei to Dunedin

Negotiates
with creditors
to help write
off debt

Works with over 150
churches to deliver
holistic support including
money education

Services to:

- support the unemployed into work
- build life skills and financial capability, helping people to thrive on a low income
- help people overcome life-controlling habits

1,254 households
have become
debt-free, positively
transforming the
lives of 4,125 people,
including children.

Lending is not fair when it increases people's suffering

