



19<sup>th</sup> June 2024

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Financial Markets policy  
Building, Resources and Markets  
Ministry of Business, Innovation & Employment  
Wellington

**RE: Effective financial dispute resolution Discussion document**

This letter is to record The Salvation Army Te Ope Whakaora support for the recommendations made by FinCap in its submission on the Effective Financial Dispute Resolution discussion document.

Through our network of social services throughout the country we see the impacts of unaffordable credit on people's lives. Good quality and properly conducted affordability assessments are one of the essential 'fence at the top of the cliff' measures that protect vulnerable lenders from hardship through excessive debt. It is crucial that the requirement for robust and effective affordability assessments continues to apply to all forms of consumer lending.

The mission of The Salvation Army Te Ope Whakaora is to care for people, transform lives and reform society through God's power. The Salvation Army is a Christian church and social services organisation that has worked in New Zealand for one hundred and forty years. It provides a wide range of practical social, community and faith-based services around the country.

The Salvation Army combined services support around 150,000 people annually. In the year to June 2023, these services included providing around 83,000 food parcels to 36,000 families and individuals, providing around 5,000 people with short-or long-term housing, some 2,900 families and individuals supported with social work or counselling, over 6,500 people supported to deal with alcohol, drug or gambling addictions, court and prison chaplains helped 5,000 people.

The Salvation Army engages directly with consumer credit issues through our work in the building financial capacity area. The Salvation Army provides financial mentoring across the country we have 41 staff at 29 locations. In the year ending June 2023, our financial mentors supported 3076 individuals through 7852 one on-one sessions. In addition, 5433 dependents of the people we saw benefitted indirectly. It is primarily through the work of our financial mentors we see the need for strong regulation to safeguard vulnerable consumers.

The current review of regulation is a crucial opportunity to greatly improve dispute resolution through combining all the current schemes under a single dispute resolution

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service. Such a service would greatly improve the ability of people to challenge unfair practices that drive deepened hardship for those already struggling with debt. Along with others in the sector The Salvation Army has been calling for this on numerous occasions over recent years (see <https://www.salvationarmy.org.nz/article/submission-review-approved-financial-dispute-resolution-scheme-drs-rules-0>). People we work with struggle to access dispute resolution and the different services and ways they have of working make finding a fair resolution much more difficult.

Including all lenders as well as debt collectors in the dispute resolution scheme is also crucial. The rapid growth in Buy Now Pay later loans is causing hardship which some clients of our services having multiple such loans with repayments they simply cannot reasonably meet. We urge the inclusion of such forms of lending in the CCCFA including requiring affordability and suitability assessments for these forms of lending.

The Salvation Army has written about the impact of debt collection practices on the communities where we are working and their lack of accountability (<https://www.salvationarmy.org.nz/article/debt-collection-and-repossession-aotearoa>). Overbearing and excessive contact and harassment, misleading claims and coercion as well as unreasonable fees and charges are regular experiences for people we work with.

The financial mentoring sector struggles for resourcing and capability to meet the multiple challenges of supporting and advocating for those struggling with problem debt. We support the call from FinCap for increased funding for the sector. We also support the proposal to establish of a financial rights legal centre to support financial mentors and their clients with the difficult legal issues that are frequently associated consumer debt. The modest resourcing needed for such a centre would help relieve the debt hardship people face and hold financial services providers more accountable.

We look forward to further engagement with organisations such as ours as well as the people affected by problem debt as further work is undertaken to develop the next phase of the review of regulation.

Naku noa. nā

Privacy of natural persons

Lt. Colonel Ian Hutson

Director

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