

Submission to the Ministry of Business, Innovation and Employment on the Buy-Now, Pay-Later Discussion Document

8 December 2021

1. The Waitematā Local Board are submitting views in the absence of an official council submission and views are the local boards and does not necessarily apply to all other parts of Auckland.
2. The Waitematā Local Board acknowledges that they are not the primary target of this consultation but as local councils are bound to ensure the four wellbeings deem it appropriate to write briefly about their concerns with buy-now pay-later and the impacts on our local residents.
3. The board acknowledges that for some higher value but necessary items – for example, an oven or a decent bed the buy-now pay-later offers a helpful means to cover the cost over a longer period. Such items are often offered with interest-free financing in any case. However, for other consumable items – the wants rather than needs – buy-now pay-later may encourage poor purchasing decisions.
4. Lack of disposable income is a particular issue in select areas of Waitematā for those on the minimum wage as housing costs are higher than average¹. Low-income families are worst affected but with rises in mortgage rates and rents disposable income will be reduced for many middle income owners also.
5. Waitematā has pockets of deprivation. It also has many residents who are on low or no incomes, for example students. These students are under pressure to succeed and face various challenges, including Covid and the high cost of living. They have variable financial education, and anxiety and mental health issues are common. Many also graduate with significant debt. They would be vulnerable to buy-now pay-later promotions.
6. Levels of public debt may be low in New Zealand but private debt is high. We would recommend only enabling more private debt where the positive wellbeing outcomes for those individual debtors clearly outweigh commercial interests.
7. We would strongly recommend that Buy-Now Pay-Later facilities are discouraged for the purchase of alcohol.
8. Early indicators suggest that alcohol abuse has been a factor in the rise of domestic violence during lockdown.
9. Early indicators suggest that alcohol abuse in lockdown has exacerbated anti-social issues and the city centre and local town centres, for example Karangahape Road and pockets of Newmarket and Parnell have seen a significant increase in anti-social behaviour.
10. Police and health resources seem to be insufficient to prevent damage to individuals or the community at large.
11. At a high level if the aim of regulation is to encourage good financial choices, we would recommend financial literacy education become compulsory in schools. It is an essential life skill. The advice given on sorted.org.nz is very good.

¹ <https://www.stats.govt.nz/information-releases/household-income-and-housing-cost-statistics-year-ended-june-2020>

12. Research from the City Mission – a charity to alleviate poverty and homelessness based in Waitemata - indicates that for the least well-off debt is the factor that concerns them the most.² The City Mission advocates for a rise in benefit levels, particularly for families.
13. There are significant issues of homelessness in the city centre – debt has played a role in exacerbating this issue. The amount of food parcels the City Mission gives out has quadrupled since before Covid. This also indicates how stretched many families are in Central Auckland.

²<https://cdn-assets-cloud.aucklandcitymission.org.nz/acm/wp-content/uploads/2021/09/15153121/Auckland-City-Mission-Family100-Speaking-for-Ourselves.pdf>