



19th June 2024

Submitted via: financialmarkets@mbie.govt.nz

Financial Markets
Small Business, Commerce and Consumer Policy
Ministry of Business, Innovation & Employment
Wellington

RE: Fit for purpose financial services conduct regulation 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 Fit for Purpose financial services conduct regulation 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 robust and effective affordability requirements continue 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 Salvation Army strongly supports the call to have the Conduct of Financial Institutions (COFI) regime retained and expanded to apply to more lenders.

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Founders of The Salvation Army Catherine and William Booth. General Brian Peddle.

www.salvationarmy.org.nz



A particular concern for us is the ongoing struggle with so-called Add-on insurance that is sold as add-on loans with the purchase of motor vehicles and other consumer goods (<https://www.salvationarmy.org.nz/article/not-adding-spotlighting-add-insurance-aotearoa>). The large commissions associated with these products incentivise salespeople to sell these products to people who are often unaware of the nature of the products, their cost and the fact that they are not a requirement of the purchase of the vehicle or other product. In addition, the insurance policies themselves provide little protection and claims against them are rarely made.

We are disappointed at the short timeframes and limited consultation on these issues that have reduced the opportunity to develop good quality and well-informed regulation. We urge government to proceed with caution and careful consideration before implementing further change.

Naku noa. nā

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Lt. Colonel Ian Hutson
Director
Social Policy and Parliamentary Unit

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