



19th June 2024

Submitted via: consumer@mbie.govt.nz

Consumer Policy
Building, Resources and Markets
Ministry of Business, Innovation & Employment
Wellington

RE: Fit for purpose consumer credit legislation 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 Consumer Credit discussion document.

Through our network of social services throughout the country we see the impacts of consumer credit and how it is regulated on people's lives, especially those on lower incomes and on the margins of society. 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.

High cost lending has been reduced by recent changes to consumer credit rules. As an example, The Salvation Army Good Shop vans were part of initiatives to greatly reduce

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the number of mobile traders out of lower income communities and we do not want to see hard won gains rolled back.

We see through our work the reality that any interest rate over 30 percent per annum must be seen as unaffordable, especially when default interest and similar additional charges are added. We believe the high cost lending protections need to apply from this level and the current penalties and required disclosures from providers need to be retained.

The consumer credit world is constantly changing and needed robust and responsive rules. The emerging issues with BNPL lending are a case in point, not currently covered by affordability regulations. Our financial mentors are seeing people on very low incomes with multiple such agreements the repayments from which are burdensome and unaffordable for many.

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 change.

Naku noa, nā

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Lt. Colonel Ian Hutson

Director

Social Policy and Parliamentary Unit

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