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We've heard that Kiwis are facing problems when borrowing and lending. ...



We've heard that Kiwis are facing issues when borrowing and lending:

Have you experienced problems with consumer credit? What happened?

Not personally but in my previous role as Chair of Mighty River Power (now Mercury) I was very aware of the financial difficulty many of our customers were having

Are these issues serious enough to need a change in the law?

Yes

Law changes could help fix these problems.

Here are some ideas for how to fix these problems. Tell us what you think.



Tell us your thoughts on them.

While many of the ideas canvassed in the paper have merit, I would like to propose an additional approach which addresses the demand side of the issue – ie reducing the need for people to resort

to the predators by providing them with access to a broader range of ethical banking services. See below.

I would also support the government taking a very hard look at the interest rates charged on credit cards – these are obviously way out of the line with normal lending and may be in themselves predatory.

What are the pros and cons of these ideas?

Are there other solutions that would work better?

As already mentioned I suggest that a demand side approach should be considered. We have a sophisticated, able and, I hope, ethical banking system. As part of their social contract to operate in New Zealand, a condition of their banking licences should require them to provide services to a broader section of the community ethically and at an appropriate cost leading to a modest profit on that business.

As a condition of a banking licence I propose that each bank has to undertake appropriate actions to serve this market up of a specified percentage of either their turnover or profit. Initially this could be negotiated with the banks to see if they would undertake this on a voluntary basis.

I do not proposed that there be a mandated specific approach to be taken. Instead each bank would need to develop its own approach and plan (including metrics) and get Reserve Bank approval.

Each bank may have different approaches (or a combination of them) and not mandating a specific approach reduces the risk of unanticipated consequences. A non-exhaustive list could include:

- Purchase of existing lender/s and revamping their practices
- Partnering with budget advisers and other existing non profits
- Financial literacy initiatives
- Replacing credit card debt with lending at lesser interest
- Expanding the services to existing customers or potential new customers - may need consideration of appropriately located retail outlets both geographically and in relation to WINZ offices.

For information:

I am an experienced non-executive director. I have no role in any bank but I am a director of a life insurance company (Fidelity Life). This submission is made in my personal capacity.

Previous roles have included:

Chair Mighty River Power (now Mercury)

Director and Trustee Southern Cross Healthcare Group

Commissioner EQC

Deputy Chair Transpower

Chair Legal Services Agency

If you need more information about the issues Kiwis are facing or the proposed solutions, click [here](#).

Thank you for contributing. Your ideas will help find the best ways forward.

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