Voices

Indicators of financial wellbeing for whānau supported by financial mentors in 2021 and 2022

FinCap
Got it together

Compiled by: Janeka Rutherford-Busck

Registered charity number: CC54862

September 2023

Executive summary

Financial mentors work with whānau to look at what money is coming in and what money is going out. This report explores key indicators of financial wellbeing, these indicators being debt, income, and spending. It also provides an overview of the financial mentoring sector and FinCap policy positions to address key system-wide factors that will support whānau in achieving financial wellbeing.

The money that comes in, through either paid work or benefit entitlements, is an important indicator of financial wellbeing. An increased income means that whānau might be able to spend more on essentials such as heating their homes and providing good kai and clothing for their children. However, debt and other expenditure can have a big impact on income.

Across the Client Voices data, it is seen that incomes increased in 2022, with the median income being $682.47. Across most demographic breakdowns in this report, incomes were lower than a full-time minimum wage equivalent in 2022. Where we could see whether or not someone seeing a financial mentor had children, 70 percent did have children. Whānau with children were receiving higher incomes than those without children, reflecting a step in the right direction with targeted support beginning to reach whānau with children. However, some clients recorded in Client Voices were receiving particularly low weekly incomes, in the $0 to $249 income bracket.

Expenditure is the next indicator of financial wellbeing explored in this report. There are expenses that are positive, such as food or energy. These costs are essential for good health and quality of life. However, there are expenses that cause stress as they take up a large proportion of income. For example, in Aotearoa the cost of rent or board has significantly increased and is making it difficult for whānau to afford everything they need.

Whānau recorded in Client Voices were spending more than they were earning in 2022. The median expenditure as a percentage of weekly income decreased slightly across Client Voices in 2022, to 104.3 percent of income. The median percentage of income that clients were spending on debt was higher than expenditure on electricity, fuel, or clothing.

Debt is the final indicator of financial wellbeing that is explored in this report. Debt can often upset the balance of income and outgoings, and unrealistic repayment obligations on debt are a direct challenge to whānau getting the essentials they need.

Across Client Voices, whānau had a median debt of $13,666.35 and a median of four debts each. Whānau with children had more debt than whānau without children, and there were more than twice as many women with debt working with a financial mentor than men. The most common creditors were consumer lenders and government departments or agencies, and debts to these lenders were also the largest.

FinCap has identified opportunities for targeted policy reform that would create better outcomes and greater financial wellbeing for whānau. FinCap's policy work is currently focused on, but is not limited to:

→ The ongoing development of safe-lending laws.

→ Reform to ensure fair debt collection.

- → Ensuring that operational policy around the creation and collection of debt to government is achieving the intended outcomes.
- → More robust consumer protections so that whānau have ongoing access to the essential energy services.

This is the inaugural *Voices* report which will be produced annually by FinCap.

Contents

Part one: Overview of the sector

FinCap is a registered charity that supports financial mentoring across Aotearoa. Our purpose is to enable and enhance financial wellbeing in Aotearoa. We lead the way in:

- → training and developing financial mentors
- → collecting and analysing aggregated client data
- → facilitating collaboration between services
- → policy work towards improving financial wellbeing in Aotearoa.

In 2022 FinCap completed a check-in with every FinCap recognised financial mentoring service to confirm how many financial mentors were currently practicing. There were 737 financial mentors across Aotearoa in 2022.

The average age of a financial mentor for 2022 was 55, remaining the same as 2021. In both 2021 and 2022 eight out of ten financial mentors were women.

Financial mentors work with people and whānau throughout Aotearoa. Their services are free and confidential for people and whānau to access for addressing or avoiding problems with money. Financial mentors do this work within almost 200 organisations serving communities throughout Aotearoa.

Financial mentors initial assistance involves working to draw up an overview of a person's financial position. From there, financial mentors help to work out what that person's goals are, then follow this by identifying the options available for managing money and debt to achieve those goals. Where necessary, they then provide assistance to take up those options.

The work generally ranges from a single one-off session for a person or whānau facing a crisis, through to in depth and ongoing assistance. Some services may also offer community education to groups or specialist temporary or ongoing Total Money Management for people otherwise unable to manage their money.

In 2022 there were 190 financial mentoring services supported by FinCap, two less than the year before. In the same year, 131 of the services had agreements with the Ministry of Social Development (MSD) for the provision of financial mentoring services.

Two thirds of the financial mentoring services use Client Voices to record sessions with clients. Client Voices is a client management system which financial mentors use to record key demographic, budgeting and debt information for their clients. The system contains budget worksheets, debt schedules and other budgeting tools to help clients achieve their goals. Aggregated data from Client Voices is used to develop a picture of financial hardship in the communities' financial mentors work in. In 2022, 127 of the 190 financial mentoring services used Client Voices, which was an increase of one service from 2021.

To make the reporting simpler, we have extrapolated findings to project for all financial mentoring services in the table below.

Year	Number of financial mentoring services	Number of client cases
2021	192	63,398
2022	190	49,568

The table below shows the percentage of financial mentors that are Pākehā, Māori or Pacifica. Financial mentors can identify as multiple ethnicities and we have counted all records in each category.

Financial mentor ethnicity	2021	2022	Change
Māori	23%	23%	-
Pākehā	51%	55%	+4%
Pacifica	10%	2%	-8%

In 2021, 29 services provided Total Money Management services, which is an approach to manage people's finances. The goal is to teach good financial habits and gradually transition accountability as skill and confidence grows (Ministry of Social Development, 2020). In 2022, the number of financial mentoring services offering Total Money Management lowered to 23.

Financial mentors supporting whānau through complex times

Financial mentors are crucial for the overall wellbeing of our communities in Aotearoa, and funding to the sector needs to continue to reflect the needs of the whānau that financial mentors work with, as well as for financial mentors themselves.

The whānau that financial mentors walk alongside are often dealing with multiple and complex challenges, and many financial mentors work alongside other support workers with their mutual client. The work that financial mentors do is made more complex due to housing issues, overlapping and complex debts that require engagement with complaint processes, mental and physical health challenges, and behavioural challenges. Despite this complexity, financial mentors are able to support the whānau they work with to reach a place of financial wellbeing, by navigating the complex systems together, using a strengths-based approach.

Case study – Financial mentoring is more than doing a budget

A client working with a financial mentor to get their financial position sorted had taken out a loan for a car, missed payments and remembered the car being repossessed over a decade ago.

This client had taken up opportunities overseas in the interim before returning home to Aotearoa.

Upon return this debt allegedly remained with debt collectors, but no payments had been made for over a decade.

The debt collection agency then put pressure on the client despite not being able to provide details to back up the balance they claimed was owed, not to mention a lengthy time after the limitations period for the debt had passed. The financial mentors supporting their client asked the company collecting the debt to provide a signed copy of the contract and all details showing payments made, fees charged, and the amount received for the repossessed vehicle. The debt collector eventually admitted to being unable to produce any paperwork and so the client was able to cease making payments and move on with their life.

Financial mentors reported higher levels of complexity in their clients' cases in a 2022 survey, with mental health and housing identified as key themes. Of the 172 respondents, 43.6 percent said that most of their clients are having more complex issues, where they must work alongside other support workers or wade through overlapping and confusing debt issues. Another 23.5 percent said that half of their clients have these complex issues. Further, 45.5 percent of respondents said that the rapid rise in cost of living had significantly increased the complexity of their casework.

In both 2021 and 2022, there were numerous significant events and global challenges that impacted financial mentoring services and their clients. The spread of Covid-19 and the accompanying lockdowns created additional challenges for whānau that were already experiencing barriers to their overall wellbeing. In 2022, the rise in cost-of-living added to the already often unaffordable living situations of many whānau and added complexity to financial mentors' ability to support whānau to build financial capability. These factors are likely to have contributed to many of the trends and findings in this report.

Financial mentoring services' return on investment is extremely good. A recent review of two services by business consulting firm, ImpactLab, identified a Social Return on Investment (SROI) of $1.70 for every dollar of funding.

While financial mentors are evidently providing essential support to our communities, increased workload issues are apparent in the fact that 56 percent of paid financial mentors report additional unpaid hours averaging just over seven hours per week. This has been exacerbated by the rapid increase in inflation, with 81 percent of financial mentors reporting their caseload has been increased by the recent rapid increase in cost of living.

Research also strongly indicates unmet need, with one third of services reporting increased waiting times for clients' first appointments and a significant number of services reporting that they cannot advertise their services because they are at, or beyond, capacity.

Financial mentors are doing great work, going above and beyond for their communities every single day. FinCap appreciates being in the position to support their mahi and see the difference they make for the wellbeing of whānau. To find local financial mentoring support or to refer someone for this support, begin by calling the MoneyTalks helpline.

MoneyTalks
0800 345 123
Your free financial helpline

Part two: Income, expenditure, and debt across Aotearoa in 2021 and 2022

Methodology

Client data used in this report is regarded as a taonga, embodying immense value and significance. As a result, we approach its stewardship with a profound sense of responsibility, ensuring its security and confidentiality are upheld at the highest level. All identifying information is stripped from data before it can be used by FinCap.

This Voices report uses two main sources: data from Client Voices and commentary from services and financial mentors. Appendix 1 discusses known limitations with Client Voices data. Irrespective of the limitations, this data set provides a granular and accurate snapshot of the financial realities for whānau that financial mentors support. As stated above, in 2022 financial mentors at 127 services used Client Voices to input their clients' financial details every day.

Definitions

There are differences in the impact that debts can have on whānau and the way that they are treated. Often, people refer to 'productive debt' and 'hazardous debt' in various names. There is not a clear dichotomy between the definitions for these, and all lending can be risky regardless of its merit. Every day, financial mentors see real struggle made worse by loans that were unaffordable from the start and this is why FinCap strongly supports having robust consumer protections in our credit law.

However, for this this report, we define 'productive debt' as debt which is likely to enable long term wellbeing and financial security where it is affordable. An example might be a loan for a home that will build equity. Affordable car loans might also fall in this category where the transport enables more options for regular income or social participation.

We define 'hazardous debt' as debt which delays repayment but is less likely to have long term benefit to financial wellbeing. An unaffordable loan for perishable food is a 'textbook' example. This will likely take money away from buying food that is needed in the next income round and be part of debt spiralling as a result. High pressure sales towards getting a luxury item that will depreciate in value, like for a new or expensive car or top of the range mobile phone, are also examples.

Income

At a glance

In 2022, the median income across Aotearoa was $682.47, which was an increase of $62.91 from 2021.

In 2022, the median income for whānau with one child was $725.72 a week.

Auckland had the highest income in 2022, at a median of $790.42 per client.

Summary

The median weekly income across Client Voices was $682.47 in 2022. Comparatively, the average weekly earnings for full-time equivalent employees, according to labour market statistics in the December 2022 quarter, was $1,497 (Stats NZ, 2022).

According to the MSD *Total Incomes Annual Report 2023*, total incomes, after housing costs, have increased by 48 percent since 2017, after adjusting for inflation (Ministry of Social Development, 2023). Single clients were found to have the lowest total incomes, with more than 60 percent of single clients having $250 or less a week after housing costs. In the Client Voices data, we have found that there was a cohort of clients that had incomes below $249 weekly, before housing costs. We discuss this in more detail in **Part three** of this Voices report.

To set the wider context for the changes in incomes between 2021 and 2022, it is important to note that benefits were raised in July 2021 and April 2022. The increases in income across most demographics reflects the increases to benefits in 2022 (Sepuloni & Wood, 2022).

> "Some of the companies are really good to work with… But you can't take an extra $10 out of somebody's budget when they don't have $10 to pay on their power. They've still got to feed their family. They've still got to pay their rent."
>
> – Financial mentor in a South Island rural centre

Financial mentors are experts at helping whānau to identify what income entitlements are available, but not yet being accessed. There are many layers of complexity for whānau navigating the entitlements that are available. Over the last couple of years there have been tools created in efforts to make it clearer for whānau trying to access necessary supports. MSD created its eligibility calculator, which is an online tool for those wanting to check eligibility for entitlements (Ministry of Social Development, 2023). Citizens Advice Bureau also created a tool in 2022 called BenefitMe (CivicTheme, 2022). This tool was created to put power back into the hands of the public and make seeking support easier. ASB bank also created the ASB Support Finder to help with finding financial supports that might be available and that whānau might be eligible for (ASB Bank Limited, 2023).

However, despite the creation of these tools, many whānau still struggle to receive all the entitlements that they are eligible for and need in order to afford the essentials (Pennington, 2023). The complex application processes that whānau have to navigate are accompanied by the potential accrual of overpayment debt. This possibility adds stress and can prevent whānau from accessing all their entitlements.

Methodology

The data in this section of the report analyses the median incomes of clients according to their last budgets. Financial mentors update budgets throughout the multiple meetings held with their clients. We chose to use the last budget because it is the most complete. Information for income therefore reflects the situation for clients after intervention from a financial mentor.

We also look at differences in incomes between 2021 and 2022. Where income is referred to, this is weekly and after tax. We are only using clearly coded Client Voices data on income. The sample is of cases closed within the specified year; therefore, some clients will not be in the sample because they were still receiving support.

Whānau can earn income from multiple sources, such as a main benefit as well as part-time work with additional entitlements such as the Accommodation Supplement and the Winter Energy Payment. In 2022, additional categories of income sources were added to Client Voices. This means that 2022 was the first year that some categories of income source were utilised. It is therefore likely that, while these smaller categories give an indication, there are more clients receiving income from these sources than we can currently see in the data.

The additional categories in 2022 means that the data is not comparable to 2021. However, the tables in this section summarise the median amount of income and percentage of clients that were receiving some income from different sources, for 2022. In subsequent Voices reports we expect to report on these categories in more detail.

Median total income

The whānau that financial mentors walk alongside were living on low incomes in both 2021 and 2022. Whānau receive income in many different forms, such as through benefits, or part-time or full-time paid work. Unliveable incomes entrench disadvantage, as without sufficient income it is near impossible to achieve financial wellbeing. Whānau who cannot accumulate a rainy-day fund are persistently exposed to going into debt to cover the unexpected and unavoidable costs that are a reality of life.

In 2022, the median net income was only $682.47 per week, despite an increase of $62.91 from 2021. This median income for whānau in Client Voices was below the equivalent income for a full-time 40-hour work week on minimum wage, for both 2021 and 2022. Further, where we could see whether or not someone seeing a financial mentor had children, 70 percent did have children. This reflects that whānau with children made up a large proportion of the incomes that we have reported on.

Median weekly client income

2021	2022	Change
$619.56	$682.47	**+$62.91**

The median income in Client Voices signals that many whānau are not receiving an adequate income. In 2019 the Welfare Expert Advisory Group made recommendations for an adequate income baseline. Three years later, in 2022, the median income for the clients of financial mentors was only $84.47 above the recommended income for a single person on Supported Living Payment. For whānau with children, the median income in Client Voices sits far below the recommended adequate income from the WEAG report. We expand on this in **Part three** of this report.

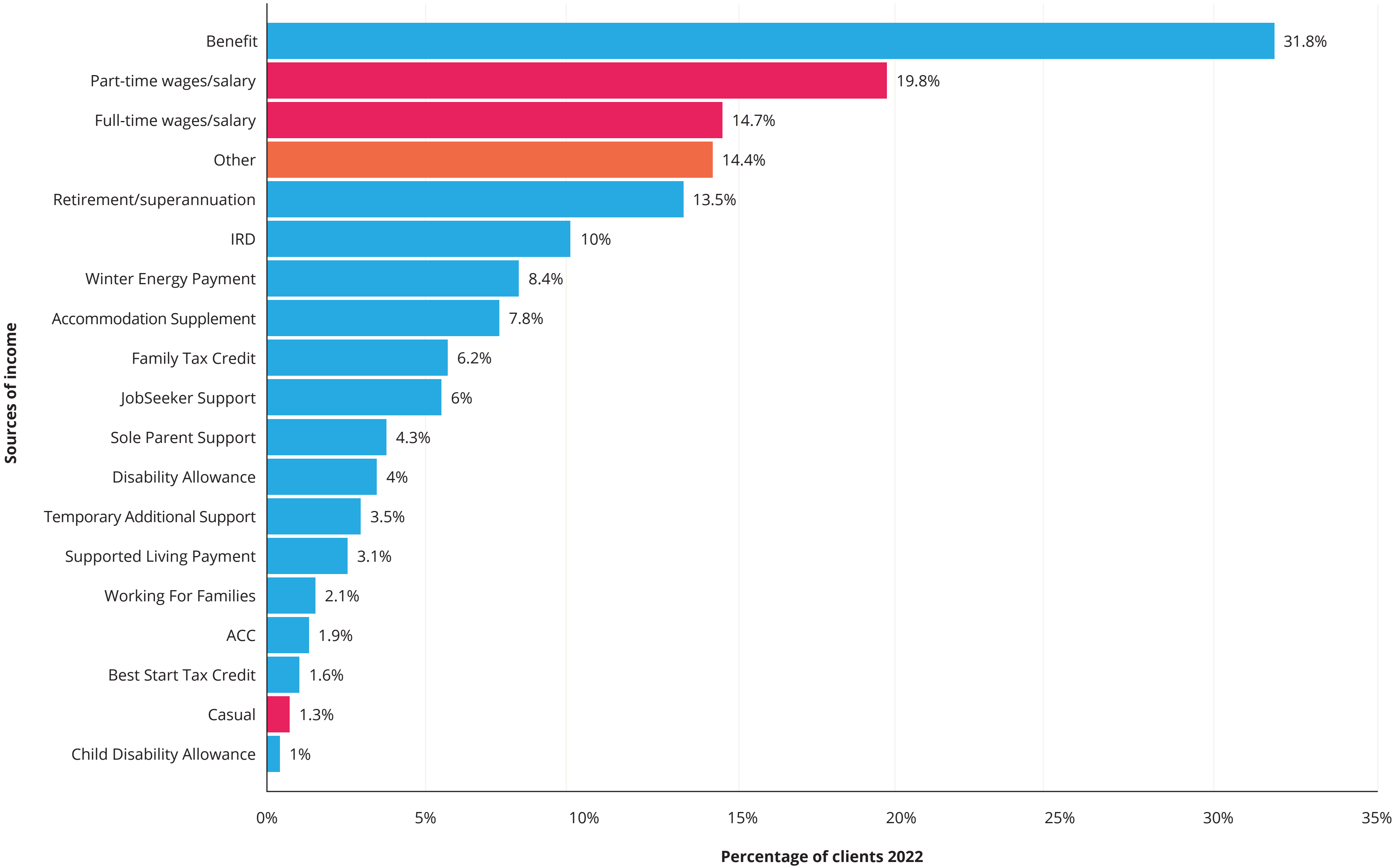
Income type

There are many different types of income support that whānau can receive, and they can receive multiple at one time. For example, a whānau might be receiving a full-time salary but because of their level of income and the cost of housing in their area, can also receive the Accommodation Supplement.

The most common income source types in 2022 were from a benefit, and part-time and full-time wages or salary. In 2022, 31.8 percent of clients were receiving some income from a benefit, 19.8 percent from part-time wages or salary and 14.7 percent from full-time wages or salary. Other common income sources were retirement/superannuation at 13.5 percent and Inland Revenue sourced income at 10 percent.

Percentage of clients receiving some income from each of the income sources [1]

Clients have multiple income types



[1] There are other income types, all received by less than one percent of clients which we have excluded.

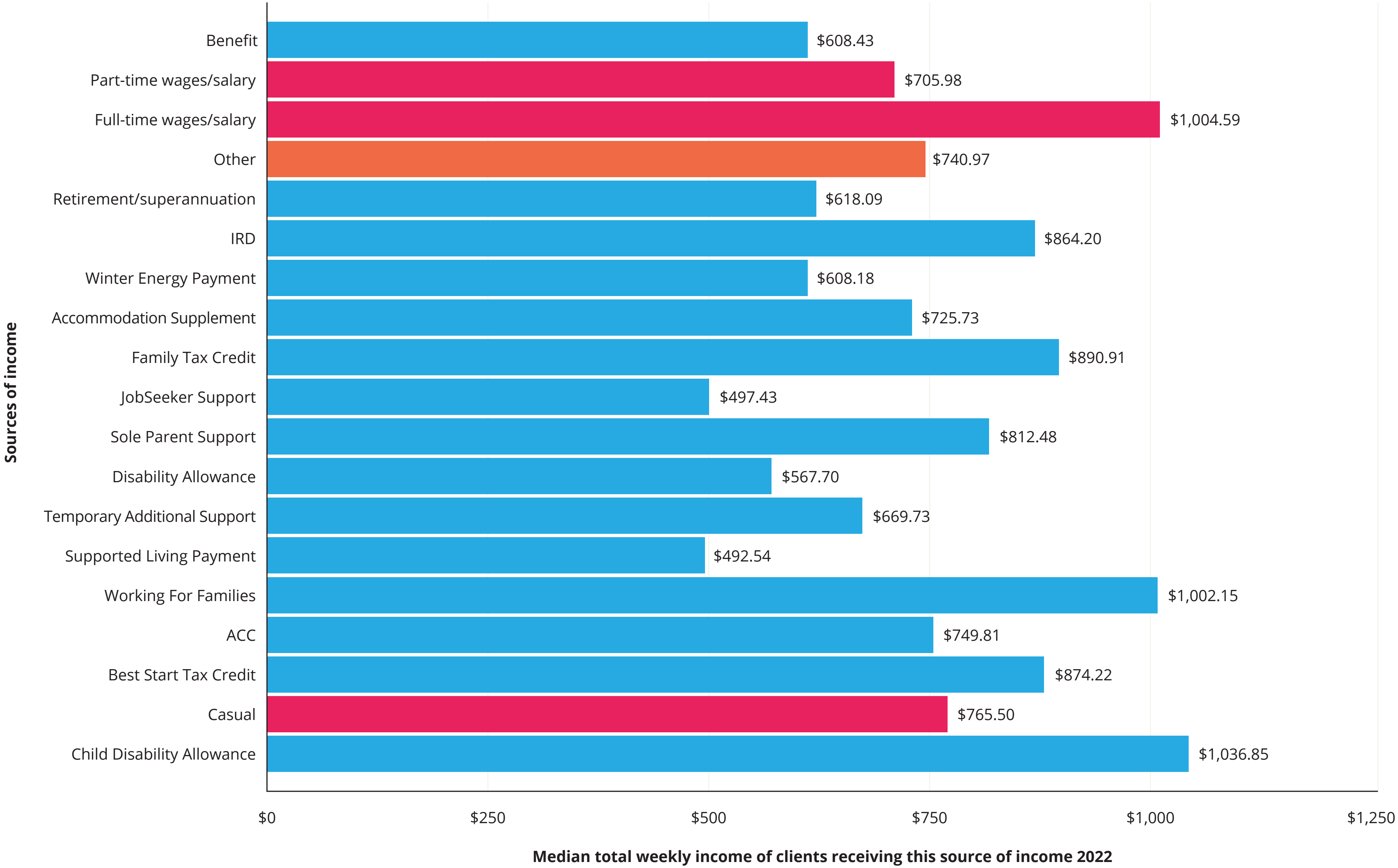
Of the clients that were receiving some income from a benefit, the median income for this group was $608.43 in 2022. Those who were receiving some income from a benefit, part-time wage or salary or superannuation received significantly lower incomes than clients who were receiving some income from full-time wages or salary. Those clearly noted as specifically receiving JobSeeker Support, the Supported Living Payment or the Disability Allowance had the lowest incomes in 2022.

Clients with the highest incomes were receiving some income from full-time wages or salary, Working for Families, Child Disability Allowance, Child Support, and Unsupported Child Benefit. This indicates that efforts to provide more support to whānau with children have had some effect. In 2022 the Best Start Payment was increased in line with inflation (Inland Revenue, 2022). In 2022, the median income for whānau with one child was $725.72 a week, which was an increase of $51.45 from 2021.

Incomes rose but we are unable to, at this time, confidently undertake analysis as to increases in incomer relative to inflation and 'real buying power.' We would welcome others sharing any analysis of this data relative to those factors with FinCap.

Median client <u>total weekly income</u> where an income source contributed to the total in 2022

Median reflects total weekly income including those from multiple income sources



Policy spotlight on whānau with children and debt to government

At a glance

Debt to government had the second highest median amount of debt per client out of all debt types in Client Voices at $1,521.18 in 2022.

In 2022, 26.3 percent of all unique debts in Client Voices were owed to a government department, this was an increase of 2.1 percent from 2021.

In 2022 there were more debts to government than to banks in Client Voices.

Children in Aotearoa need to be able to thrive, play, learn and explore, and the wellbeing of their whānau is often the key determinant of this being possible. Income is one crucial indicator of the financial wellbeing of whānau, and an important factor for the income of whānau with children is debt to government. According to research by the Social Wellbeing Agency, of all the people that owe debt to government 62 percent are parents or share an address with a child (Social Wellbeing Agency, 2022).

Overview of debt to government in Client Voices

Financial mentors often report that carrying debt to government departments can cause and compound financial stress for whānau. Overall, the percentage of unique debts in Client Voices that were owed to a government department increased in 2022, to 26.3 percent, which was an increase of 2.1 percent from 2021. Further, the median amount of debt that clients owed to a government department was the second highest out of all the debt types in Client Voices at $1,521.18.

Financial mentors have noted that whānau with children tend to have higher levels of debt to government. The simultaneous increase in the number of debts to government and the number of debts for whānau with children likely indicates an increase in whānau with children being indebted to government. We aim to complete further analysis of this trend in future reports. Whānau with children also had a higher expenditure on debt repayments than whānau without children in 2022. Further, across all whānau sizes, weekly expenditure exceeded weekly income.

All debts owed to each department or agency are created and collected in different ways. The inconsistent processes as to how debt is created and collected generates confusion and particularly increases the weight of the financial load for whānau with children.

"Also, the departments need to talk to each other. I have a client who did a DRO, including substantial W&I debt. They continue to lend to her!"

– Financial mentor

FinCap has made 19 key recommendations to improve the current settings for creating and collecting debt to government departments in Aotearoa. FinCap has supported the cross-government work to create the recently implemented framework for how debt to government is created and collected.

In 2022, the total presenting sum of debt to government in Client Voices was $61,705,420.

When separated out by government department or agency, the highest median amount of debt was in the category of 'other government department or agency,' which includes Inland Revenue. In both years, the second highest debt amounts per client were to the Ministry of Social Development (MSD).

Median presenting debt amount to each government department or agency

Government department or agency	2021	2022	Change
Housing NZ	$758.50	$805.50	+$47.00
Ministry of Social Development (including Work and Income)	$1,805.82	$1,758.62	-$47.20
Ministry of Justice (including fines, infringement fees and court fees)	$877.69	$895.36	+$17.67
Other government department or agency	$2,281.27	$2,036.57	-$244.70
Local government	$1,200.00	$1,063.05	-$136.95

Ministry of Social Development

Debts to the Ministry of Social Development (MSD) are usually created through overpayment debts, repayment of recoverable grants and benefit advances. Of all the unique debts owed to different creditor types in Client Voices, 21.7 percent were owed to MSD in 2022, which was an increase of 4.3 percent from 2021.

Percentage of unique presenting debts by creditor types (government departments or agencies)

This is not the percentage of the total monetary sum of client debt

Government department or agency	2021	2022	Change
Ministry of Social Development (including Work and Income)	17.4%	21.7%	+4.3%

The total sum of debt and number of unique debts to MSD increased in 2022. In the same year the number of debts to banks decreased resulting in there being more debts to MSD than to banks in Aotearoa. In 2022, there was a 14.6 percent increase in the total sum of debt owed to MSD, despite a decrease in the total number of clients seeing a financial mentor in 2022.

Through additional exploration of the data in Client Voices we found that there were several exceptionally large debts to MSD. There were eleven debts over $100,000 to MSD. There was also one debt that totalled $276,000. Some of the reasons for these instances of extremely high debts were overpayments, fraud, and emergency advances.

The levels of debt that are owed to MSD highlight the importance and urgency needed for work to improve the processes for creating and collecting debt to government in Aotearoa. It is helpful that MSD does provide support to whānau, and debt to MSD is less likely to spiral than debt to banks or other consumer lenders where there is interest and compounding fees.

However, debt to MSD can become 'problem debt' for whānau. The Department of Prime Minister and Cabinet defined problem debt as "when servicing it [debt] becomes either unaffordable, or a heavy burden...Problem debt can have a significant impact on individuals and whānau in hardship, contributing to financial hardship, stress, poor physical and mental health, stigma, and social exclusion" (Department of the Prime Minister and Cabinet (DPMC), 2022).

Overpayment debt is a particularly common debt type for clients of financial mentors and is created when a whānau is paid more than they are entitled to. Financial mentors report that this can often happen even when whānau are trying incredibly hard to avoid it. However, due to the complex requirements and processes around applying for income support, debts still regularly occur.

> "I have seen numerous circumstances when someone has done the right things but incurred a debt through changing jobs or a pay rise."
>
> – Financial mentor

Additionally, at times, the overpayment is caused by an error on the part of the government department or agency. These debts are particularly unfair, and although in certain circumstances they are not legally recoverable, whānau regularly end up repaying the debt (Community Law, 2023). This is because there are not clear processes at government departments or agencies for proactively resolving these debts.

Inland Revenue

Financial mentors report that debt for unpaid child support, student loans and tax debt are the most common debts to IRD. In 2022, 8.2 percent of all the unique debts in Client Voices were owed to the creditor category of 'other government department or agency,' which includes IRD. The median amount of debt per client for this category was the highest of all government departments in 2022, at $2,036.57.

Percentage of unique presenting debts by creditor types (government departments or agencies)

This is not the percentage of the total monetary sum of client debt

Government department or agency	2021	2022	Change
Other government department or agency	9.8%	8.2%	-1.6%

We suspect that student loan debt would contribute significantly to the debt to IRD. A particular challenge that financial mentors see whānau face with student loan debt is the rigidity and strict nature of repayments. Although there are options to apply for hardship for student loan repayments, this is not always a clear process for the clients of financial mentors. This is partially due to the difficulties mentors often have when contacting IRD with their clients.

Financial mentors report to FinCap that IRD is particularly difficult to access and get necessary information from. There are issues with excessively long wait times and a lack of willingness from staff to interact with the mentors and their mutual client. Financial mentors tell FinCap that staff at IRD will almost always default to directing any queries towards the online 'MyIR' service. This being seen as the default solution to getting important information or updates, is at odds with the reality that many whānau working with financial mentors are digitally excluded.

Kāinga Ora (Housing NZ)

Debt to Kāinga Ora can be caused by charges for property repairs and rent arrears. Financial mentors have raised issues with debt to Kāinga Ora being created as a punishment for whānau not having necessary documentation completed promptly. In 2023, we welcomed collaboration with government officials on finding ways to resolve this issue when we raised the concerns. Additionally, some financial mentors have mentioned that whānau with children can get into more debt with Kāinga Ora because of children causing minor damage in homes.

Percentage of unique presenting debts by creditor types (government departments or agencies)

This is not the percentage of the total monetary sum of client debt

Government department or agency	2021	2022	Change
Kāinga Ora/Housing NZ	0.5%	0.7%	+0.2%

Ministry of Justice

Debt to the Ministry of Justice (MoJ) is typically made up of fines and infringements, as well as legal aid debt. In particular, financial mentors have raised concerns over the Family Court process and the costs that going through the courts can cost whānau. In 2022, debt to the MoJ made up 6.3 percent of unique debts in Client Voices. The median amount of debt to MoJ in the same year was $895.36 which was an increase of $17.67 from 2021.

Percentage of unique presenting debts by creditor types (government departments or agencies)

This is not the percentage of the total monetary sum of client debt

Government department or agency	2021	2022	Change
Ministry of Justice (including fines, infringement fees and court fees)	6.8%	6.3%	**-0.5%**

Local government

In 2022, the median debt to local government was $1,063.05, which was a decrease of $136.95 from 2021. However, overall, there was an increase in the number of debts owed to councils in 2022.

Percentage of unique presenting debts by creditor types (government departments or agencies)

This is not the percentage of the total monetary sum of client debt

Government department or agency	2021	2022	Change
Local government	0.6%	0.7%	**+0.1%**

Whānau can end up in debt to councils because of issues with dog registrations, parking infringements, rates, library fines, and unpaid noise complaint fines (Wellington City Council, 2022). Financial mentors have commented on lack of clarity and inconsistencies between different councils, which makes dealing with debt to council especially challenging. FinCap has therefore made recommendations to include debt to local government in the debt to government framework, and to ensure that there are hardship policies at councils.

Expenditure

At a glance

Total weekly expenditure as a percentage of income was 104.3 percent in 2022 across Client Voices.

The median weekly expenditure on debt repayments was 15.9 percent in 2022. If whānau did not have to pay back such large amounts of debt, then it is likely that they would not be in deficit.

In 2022 35.4 percent of income was going to rent, 21.2 percent to groceries, 5.7 percent to electricity, 5.6 percent to fuel and 0.6 percent to clothing.

Summary

This section of the *Voices* report looks at expenditure trends in clearly coded Client Voices data. Overall, the percentage of income spent each week exceeded 100 percent in both 2021 and 2022. We have detailed expenditure as a percentage of income across five key categories of essential expenses. These categories are rent or board, groceries, electricity, fuel and clothing. In **Part three** of this report, we examine expenditure trends across key demographics.

There are many factors involved in the amount that whānau were spending on different essential items and services in 2021 and 2022. These factors, such as accommodation types, food support availability, social service provision of essential items, and energy hardship, are explored in this section.

Along with the examination of expenditure on essential items, this section reviews expenditure for debt repayments. Across Client Voices, whānau were spending significantly more on debt repayments than on electricity, fuel and clothing. Additionally, this section puts a spotlight on debt collection. Due to the lack of robust regulation for debt collection practices in Aotearoa, debt collection can add unfair pressure to debt repayment expenditure for whānau.

Methodology

The data in this section analyses the median total weekly expenditure as a percentage of income of clients, according to their last budgets. Financial mentors update budgets throughout the multiple meetings with their clients. We chose to use the last budget because it is the most complete. Information for income therefore reflects the situation for clients after intervention from a financial mentor. We also look at differences in incomes between 2021 and 2022.

Where income is referred to, this is weekly and after tax. We are only using clearly coded Client Voices data on income. The sample is of cases closed within the specified year therefore some clients will not be in the sample because they were still receiving support.

Expenditure across Aotearoa

Whānau spend their income on many different essential items and services, depending on the needs of their individual households. Overall, the median expenditure as a percentage of income in 2022 was 104.3 percent. This highlights that many whānau were experiencing financial hardship in 2022 and could not afford to live without going into deficit.

> "The ones who are paying aren't necessarily coping."
>
> – Financial mentor in Auckland

Expenditure remained stable across the five categories of essential expenses, rent or board, groceries, electricity, fuel and clothing in 2022. Although this report can only provide clear data on the five categories of essential expenses, there are naturally many other necessary costs for whānau. Among others, there are dental, medical, transport, school, childcare, phone, broadband, insurance, household maintenance, personal care, and vet costs.

Median weekly expenditure as a percentage of median weekly income [2]

	2021	2022	Change
Rent/board	36.1%	35.4%	-0.7%
Groceries	20.9%	21.2%	+0.3%
Electricity	5.6%	5.7%	+0.1%
Fuel	7%	5.6%	-1.4%
Clothing	0.6%	0.6%	–
Debt repayments	**16.8%**	**15.9%**	**-0.9%**
Total weekly expenditure*	**105.9%**	**104.3%**	**-1.6%**

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

In 2019, the Welfare Expert Advisory Group worked with financial mentors to estimate core and participation costs. This *Voices* report provides further insight to these estimations from 2019 with the current data from Client Voices.

There are many discussions about what constitutes a discretionary or non-discretionary expense for whānau, especially in relation to the assessment of affordability for whānau who are applying for loans. FinCap has provided the below definition of non-discretionary expenses, in an attempt to capture the unique nature of each whānau experience. Essential costs for one whānau might be different to the next. This needs to be reflected in the quality of affordability assessments, and generally, in the interactions that all essential service providers have with whānau.

"Hardship should be seen as a situation where whānau are unable to meet non-discretionary expenses. Expenses that the borrower does not have complete agency to cease without significant detriment, meaning the expense interacts with:

a) Rules, whether contractual, social, cultural, or moral obligations

b) The physical or mental health, and wellbeing of the borrower

c) The wellbeing of that borrower's whānau, dependents and pets

d) Social and cultural connectedness."

Expenditure trends

Housing

Having a safe, warm, and reliable home is an essential factor of financial and overall wellbeing for whānau. Unfortunately, the reality in Aotearoa is that many are living in housing that is below basic standards, and often still paying a high rental or accommodation cost.

In Client Voices, the percentage of income spent on rent or board was 35.4 percent in 2022. This compares to the general estimate across Aotearoa of around 40 percent of income going to rent at the end of 2022 (Stats NZ, 2023). According to the Ministry of Social Development's *Total Incomes Annual Report 2023,* housing costs accounted for 41 percent of client's total income (Ministry of Social Development, 2023).

The lower percentage expenditure in Client Voices possibly reflects that the clients of financial mentors often live in temporary accommodation. These housing types typically have subsidised housing costs, making them comparatively cheaper than market rate private rental costs or mortgage payment amounts.

Whānau that financial mentors work with can also be sleeping rough or living in intentionally temporary housing such as transitional or emergency accommodation. Many are also housed in council or public housing, boarding, or lodging accommodation; these options are often provided at a low quality standard but still at a significant weekly cost. Alternatively, where whānau access a private rental, they are often paying an unaffordable level of rent.

One of the most important reasons for the lower percentage of income being spent on rent is the type of housing that many whānau are in. A financial mentor based in the upper

[2] This data is not suitable for use in affordability assessments or hardship benchmarking.

South Island said that the rental pricing for a regularly used transitional housing provider in the area is typically just under $100 a week.

Public housing accommodation options are rented out by Kāinga Ora (previously Housing New Zealand) and other community housing providers. The rent for social housing is subsidised by the Government and is typically charged at 25 percent of the tenant's income, under a certain threshold (Community Law, 2023). To qualify for this type of housing, income generally needs to be below $744.56 a week after tax, if the applying tenant is single and without children. The income cap for those with a partner or children is $1,145.46 a week after tax. However, depending on the person's situation, they may still be eligible for public housing if they have income above these thresholds (Minsitry of Social Development, 2023). [3]

According to the regional Client Voices data, the highest median income was $790.42 in Auckland in 2022. This highest income sits only $45.86 above the income threshold for public housing. Meanwhile, according to the Client Voices data, the median income for whānau with four plus children was $1,071.37 in 2022. This was the highest median income across the groups of whānau size. These income levels suggest that the majority of whānau had incomes that would have likely made them eligible for public housing. However, financial mentors have reported the lengthy nature of waiting lists for access to housing across Aotearoa. This can lead to many whānau living in forms of emergency housing or sleeping rough.

While there was an increase in the percentage of clients that had a home loan in 2022, the overall percentage remained low at 11.3 percent of all clients. This signals a low rate of home ownership among the clients of financial mentors, although the increased cost of living appears to be leading to a slight increase in clients with home loans engaging with financial mentors.

Groceries

One of the most relevant factors for food spend is the provision of food parcels and food support. In Wellington, for example, the spend on groceries is at a lower percentage than other regions despite it being one of the more expensive centres in Aotearoa. There are around 25 food banks across the Wellington region, many of which operate at a large scale (FOODBANK, 2023). Several of these food banks are also connected to financial mentoring services, which makes the provision of essential grocery items to whānau that need them more practical.

Across Aotearoa, many financial mentoring services operate alongside or with their own food parcel or social supermarket services, as well as connecting whānau with Work and Income when food grants are needed. Financial mentors and community workers have also told FinCap that whānau often drive across cities or regions to get food support, which adds the cost of petrol to their already stretched budgets.

[3] Any income over the income threshold is calculated at 50% for rent cost purposes and added onto the 25% amount of the income under the threshold (Minsitry of Social Development , 2023).

Electricity

There are many variables that impact electricity expenditure and additional research will be required to see if there are clear changes on the ground that are influencing any clear trends in the future. Nationwide electricity expenditure was stable with a 0.1 percent increase in 2022 to a median of 5.7 percent of income.

> "About 110,000 households could not afford to keep their homes adequately warm for the year ending June 2022, with Māori and Pacific households, renters and low-income households more likely to experience energy hardship."
>
> – Ministry of Business, Innovation & Employment, 2023

Often people will use less electricity than is needed to keep their home at a healthy temperature to save money. Financial mentors described this happening in our recent Put on hold? report which explored the effectiveness of consumer protections that aim to prevent or resolve energy hardship.

> "Lots of people say they never turn the heater on, they are too scared."
>
> – Financial mentor

One factor that may be increasing electricity prices is the phase out of low fixed charge tariff regulations from April 2022. By April 2026, electricity retailers will be able to charge low use households $1.80 daily for connection where this was once restricted to 30c.

> "We have seen the fall out of the no low user charge on the lines. So many people calling expressing distress about their power bills this year."
>
> – Financial mentor

In April 2027, all constraint on what retailers charge low users for this component of the bill will be removed (Ministry of Business, Innovation & Employment, 2021) . FinCap is concerned that despite the theoretical long-term benefits of removing this price regulation, those who need a fair price for essential electricity services the most will be paying more.

Fuel and clothing

In 2022, the expenditure on fuel decreased by 1.4 percent to 5.6 percent of income. One potential factor for this decrease trend were the cuts to fuel excise and road user charges in the March 2022 cost of living relief package (Ardern, Robertson, & Woods, 2022). As part of the same package, public transport fares were cut in half temporarily. This may also have had a contribution to whānau spending less on fuel and using public transport more, where possible.

Clothing expenditure is near zero across most demographics and overall, in Client Voices. Some factors for such low expenditure, besides these essential items being simply unaffordable, are that many whānau get clothing second hand, from friends or family or social services.

Policy spotlight on debt collection

At a glance

- The median amount of debt per client owed to a debt collector was $951.34 in 2022.
- Debt collection debt makes up 9.5 percent of all the unique debts in Client Voices.
- Across Aotearoa, clients of financial mentors were spending a median of 15.9 percent of weekly income on debt repayments.

Many whānau in Aotearoa cannot afford to meet the repayment rates demanded by creditors or third-party debt collector without facing substantial hardship. Our consumer protections for the conduct of traders collecting debt in Aotearoa lag behind the equivalent requirements in Australia and the United Kingdom (Stace, Croskery, Harward, Tracey, & Chan, 2021).

Median presenting debt amount for each creditor type

Creditor type	2021	2022	Change
Debt collector	$1,013.47	$951.34	-$62.13

An example of unfair conduct is some debt collectors making unreasonable demands for lump sum payments, that coerce parents to hand over money that would otherwise be spent of food or other essentials for their children. Some are also harassing whānau by making excessively frequent ‘robocalls’ demanding payment. There is also evidence that some are illegitimately asserting that debts are owed or illegitimately threatening an escalation of actions they will take to collect a debt. Valid questions are also raised around how debt collector’s fees or interest charges can exceed the initial debt multiple times, without reasonable justification offered.

The gap in protections for debt collection conduct also undermines recent improvements to other consumer protections. For example, unaffordable debt that arose through historic irresponsible lending can continue to be collected in an unfair way decades later, despite government intervention to stop the harm from those exact credit arrangements.

> “A client of mine with a medical certificate proving diminished capacity (mental capacity of a 12-year-old) was being used by his family to tick up a bunch of household items and he was having to make the repayments out of his supported living payment. He was brought in by a social worker once he was removed from the family home for financial abuse and we decided to file for a non-asset procedure. I explained the situation to the collection agency but because my client didn’t return his 10 year old headphones from the original creditor (a mobile truck) they claimed the security was not returned and so they would not recognise the NAP and continued to pursue my client to repay the debt.”
>
> – Stace & Gordon, Debt collection in Aotearoa from the perspective of financial mentors, 2021

In 2022, 9.5 percent of the debts in Client Voices were noted as being owed to companies whose main business is debt collection, which was an increase of 1.3 percent from 2021. The scale of debt collection in the data is likely masked as many creditors will be actioning debt collection internally as opposed to through a specialist third party. The median amount of debt attributed to debt collectors did reduce by $62.13 to $951.34 but this is still a lot of debt for many whānau to service, especially where they likely still dealing with issues that meant they have previously been unable to pay.

Percentage of unique debts presented by creditor type

This is not the percentage of the total monetary sum of client debt

Creditor type	2021	2022	Change
Debt collector	8.2%	9.5%	**+1.3%**

Our expenditure analysis earlier in **Part two** demonstrates that debt repayment amounted to 15.9 percent of income, in 2022, and was the difference between whānau breaking even every week or continuing to experience substantial hardship. While some of the conduct we describe is technically in breach of consumer laws, there is often a complete lack of a clear option for a financial mentor to practically challenge the unfair debt collection.

FinCap has regularly contributed to consultations and approached decision makers to highlight the need for a more cohesive and robust regulation and accompanying enforcement tools towards ensuring fair conduct from debt collectors. We also continue to call for a commitment to exploring the implementation of a ‘judgement proof debtor’ policy adapted and improved in the Aotearoa context (Justice Connect, 2023). Such a policy would address the attachment order issues that financial mentors have raised with FinCap. Little progress has resulted from our work on these issues at the time of writing.

“The court just seems to have a default rate of $30 a week. And, when you are on a benefit that is a large amount of money…The benefits not set up, its set up for people to survive, right, by design. It is not set up to be able to afford for these large amounts being deducted from people’s benefits.”

– Financial mentor (Maurice, 2023)

Debt

At a glance

Who sought support to manage debt in 2022 and how much debt did they have?

The number of buy now pay later debts almost doubled from 2021 to 2022.

In 2022, the median amount of debt for clients was $13,666.35 and the median number of debts per client was four.

Across Aotearoa, the percentage of unique debts in Client Voices that were for motor vehicle loans in 2022 was 18.8 percent.

Summary

Whānau can get into debt with many different types of creditors for various reasons. Sometimes a car needs fixing, a pet needs to go to the vet, or a child needs to take a present to a friend’s birthday party.

A debt is created where a creditor allows repayment for a good, service or an advanced sum of money to be deferred. Credit being offered in this way can help a whānau maintain or improve their wellbeing while balancing financial obligations.

However, financial mentors often support whānau that are getting into debt for essential items because they cannot afford these purchases. Debt can easily compound and create stressful spirals that significantly harm their financial wellbeing. This is especially the case for debts which incur further charges beyond the direct value of the amount advanced.

Higher numbers of debts can greatly increase stress for the indebted whānau. Where debts add up, they can easily escalate and become debt spirals. This makes dealing with debt much more complicated and confusing. This also adds complexity to finding a sustainable way forward for financial mentors and the whānau they work with. Financial mentors must put more resources into contacting multiple organisations about multiple accounts.

There was a slight national increase in the number of debts that whānau were seeking assistance with in 2022, despite an overall decrease in the number of clients working with financial mentors. In 2022, the median amount of debt per client increased, and so did the median percentage of clients with debt that had a home loan. Although the number of clients with a home loan increased in 2022, the percentage of clients with a home loan was low, at 11.3 percent of the clients that had debt.

Methodology

Debt recorded in this report represents the amount of debt the client was seeking assistance with when approaching their financial mentor. In almost all cases it reflects the position that clients were in before intervention from a financial mentor.

The sample is of cases closed within the specified year; therefore, some debts could have presented before that year if someone has been supported for an extended period.

Financial mentors input their client's debt details into a debt schedule. When they do this, they code the creditor type, creditor sub-type and loan type. In this section, we have used the data from this coding to show trends in creditor and loan types.

Throughout this report we share the percentage of clients that had a home loan. This percentage is the proportion relative to clients that have debt, rather than all the clients in the system. This means that the overall percentage of clients with a home loan is even lower.

Median total debt

The amount of money that whānau owe can increase stress and mean that money needed for the essentials is instead spent on debts that will grow, without timely repayment. Throughout this report we look at the nature of debt for different demographics. Overall, there was an increase in the amount of debt that whānau owed in 2022, which means an increased amount of stress for whānau along with the increased debt.

The median number of debts in 2022 was four per client, which was unchanged from the previous year.

"Five debts per person doesn't seem over the top although we'd like to see it a lot less. Often people have tried everything they know to get on top of their financial worries before they come and sadly, we are seeing those who turn to credit cards or BNPL to make ends meet pushing themselves into further hardship… and in at least one case paying BNPL payments with a credit card."

– Financial mentor

Debt spirals happen when a whānau gets deeper and deeper into debt and the fees and interest start to compound. Debt spirals can be overwhelming and extremely stressful for the whānau that financial mentors work with and are unfortunately common. Each of the four debts that whānau hold will have repayments going out at different times and some of them will have interest accruing, along with the potential for late payment penalties. These factors can easily combine to create debt spirals.

Higher amounts of debts can hold a heavier mental, as well as financial, weight for whānau. Larger debts can make it seem impossible to ever lift the weight of debt. Financial mentors have mentioned that this can be particularly damaging for young people and normalises the presence of permanent debt. Overall, the median amount of debt for clients increased by $226.25 to $12,467.36 in 2022, with the exclusion of home loans.

Median total presenting debt amount for clients

Excludes home loans

2021	2022	Change
$12,241.11	$12,467.36	**+$226.25**

The median amount of debt for clients with the inclusion of home loans was $13,666.35 in 2022 and increased by $483.44 in 2022. We also note that we hold data on 'arrears' in Client Voices, and in future reports we may undertake further analysis.

Median total presenting debt amount for clients

Includes home loans

2021	2022	Change
$13,182.91	$13,666.35	**+$483.44**

Home loans

The table below shows the percentage of clients, that had debt, who had a home loan in 2021 and 2022. While the percentage of clients who had a home loan increased in 2022, it was still low at 11.3 percent. Further, this percentage is only against clients with clearly recorded debts, rather than as a percentage of clients overall in Client Voices. Additionally, when comparing the percentage of unique debts that were home loans, rather than number of clients with a home loan, the percentage was lower than for personal loans, revolving credit facilities, motor vehicle loans, and credit cards.

Percentage of clients with debt who had home loans

This is not the percentage of the total monetary sum of client debt

Loan type	2021	2022
Home loan	9.4%	11.3%

A likely contributing factor the increase in the percentage of unique debts that were home loans in 2022, were the 2021 changes to Credit Contracts and Consumer Finance Act. One aspect of the changes was the requirement for creditors to disclose information about financial mentoring services, when a debtor has made a default in payment, as well as in notices related to hardship applications and when an application to a high-cost consumer credit contract has been declined (Commerce Commission New Zealand, 2022).

These referrals typically go through MoneyTalks, the free, confidential national helpline that connects callers to financial mentoring services. MoneyTalks can also connect people and whānau with their local foodbanks, help them find their way through Work and Income processes and entitlements, and support people to manage their money.

The rise in the cost of living in Aotearoa has likely also contributed to the increase in clients with a home loan, and we expect there to be further increases evident in the 2024 Voices report. However, overall, the increases are small, and many whānau have been living with the reality of unaffordable costs of living for a long time. The more drastic increases recently only exacerbate this for many whānau.

Median amount of presenting debt for home loans

Loan type	2021	2022	Change
Home loan	$119,317.03	$132,908.52	**+$13,591.49**

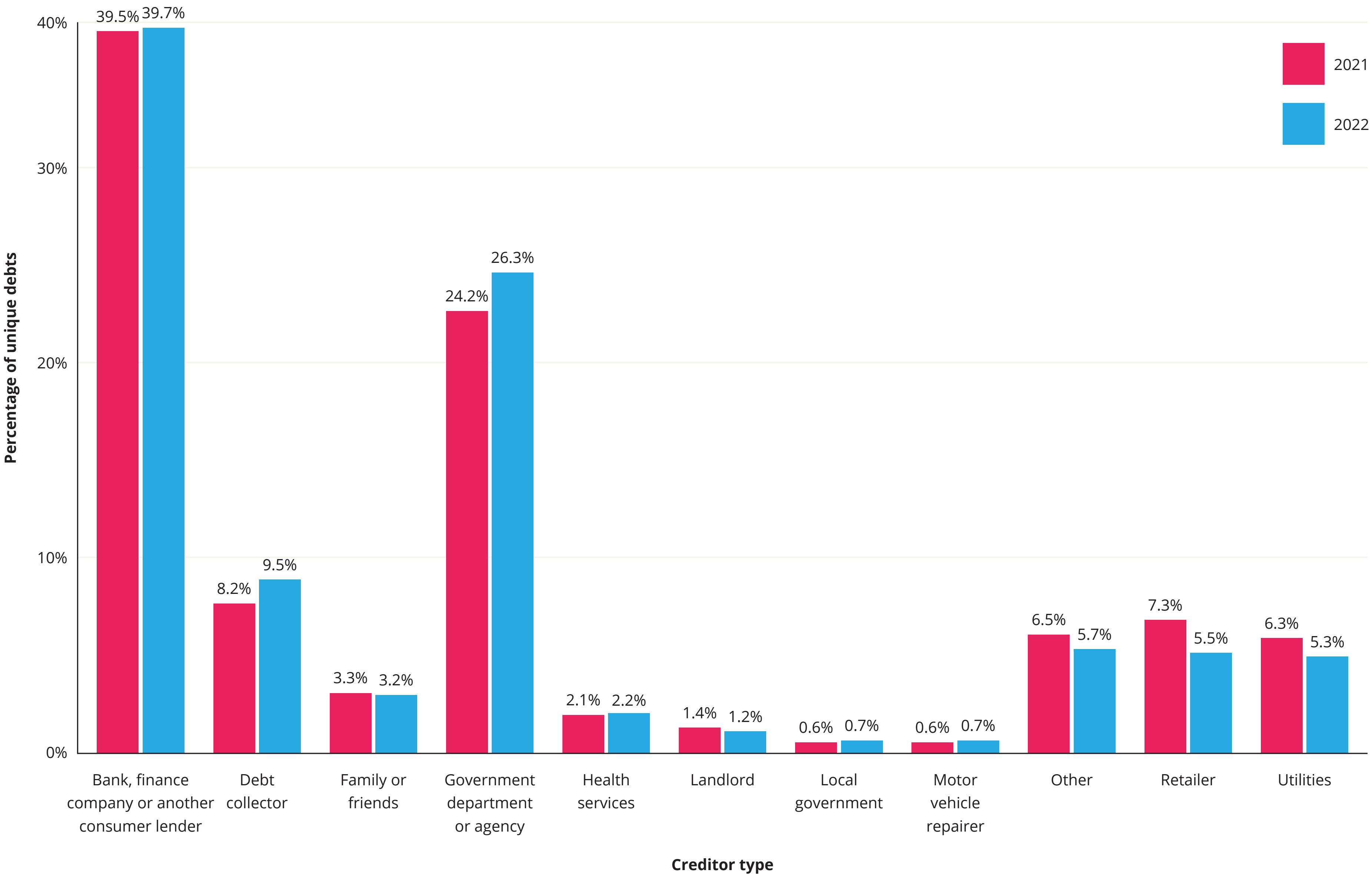
Loan and creditor types

Creditor types

Whānau can get into debt with many different creditor types. The most common creditors are banks, finance companies, debt collectors and government departments or agencies, which is reflected in the data below. However, whānau can also be in debt to creditors such as landlords, health services, friends and family and retailers. This section looks at loan and creditor types that are in clearly labelled in Client Voices.

Percentage of unique debts presented by creditor type

This is not the percentage of the total monetary sum of client debt



The general trend in debts to different creditor types between 2021 and 2022 was stable. However, the most noticeable change was the two percent increase in debts to government departments. We explore the challenges and trends with debt to government in **Part three** of this report.

The amount of debt that whānau owe to different creditors naturally varies, depending on the purpose of different creditor's lending. In 2022, the highest median debts were to bank, finance companies or other consumer lender creditors, government departments and family and friends, followed closely by landlords and local government.

The median debt amounts in the table below includes home loans. However, the inclusion of home loans had little impact on the median debt amounts for each creditor type. As noted earlier in this report, the percentage of home loan debts in Client Voices was low in both years.

Median presenting debt amount for each creditor type

Creditor type	2021	2022	Change
Bank, finance company or another consumer lender	$3,223.14	$3,097.28	**-$125.86**
Debt collector	$1,013.47	$951.34	**-$62.13**
Family or friends	$1,500.00	$1,500.00	-
Government department or agency	$1,592.38	$1,521.18	**-$71.20**
Health services	$146.33	$150.00	**+$3.67**
Landlord	$1,103.33	$1,046.81	**-$56.52**
Local government	$1,200.00	$1,063.05	**-$136.95**
Motor vehicle repairer	$645.02	$700.00	**+$54.99**
Other	$753.73	$708.38	**-$45.35**
Retailer	$816.60	$732.41	**-$84.19**
Utilities	$482.65	$422.06	**-$60.59**

The median amount of debt decreased in 2022 for most creditor types. The exceptions were for motor vehicle repair and health services debt which increased, and debt to family and friends remained the same over both years.

Despite motor vehicle repair debts making up less than one percent of debts in Client Voices, FinCap is concerned about these debt types going against the general trend. While this might be good a sign that people are reaching out for help, it is also a sign that whānau are struggling with the cost of maintaining a transport option to keep up with everyday life.

This report addresses other vehicle related financial challenges that whānau can face in **Part three**.

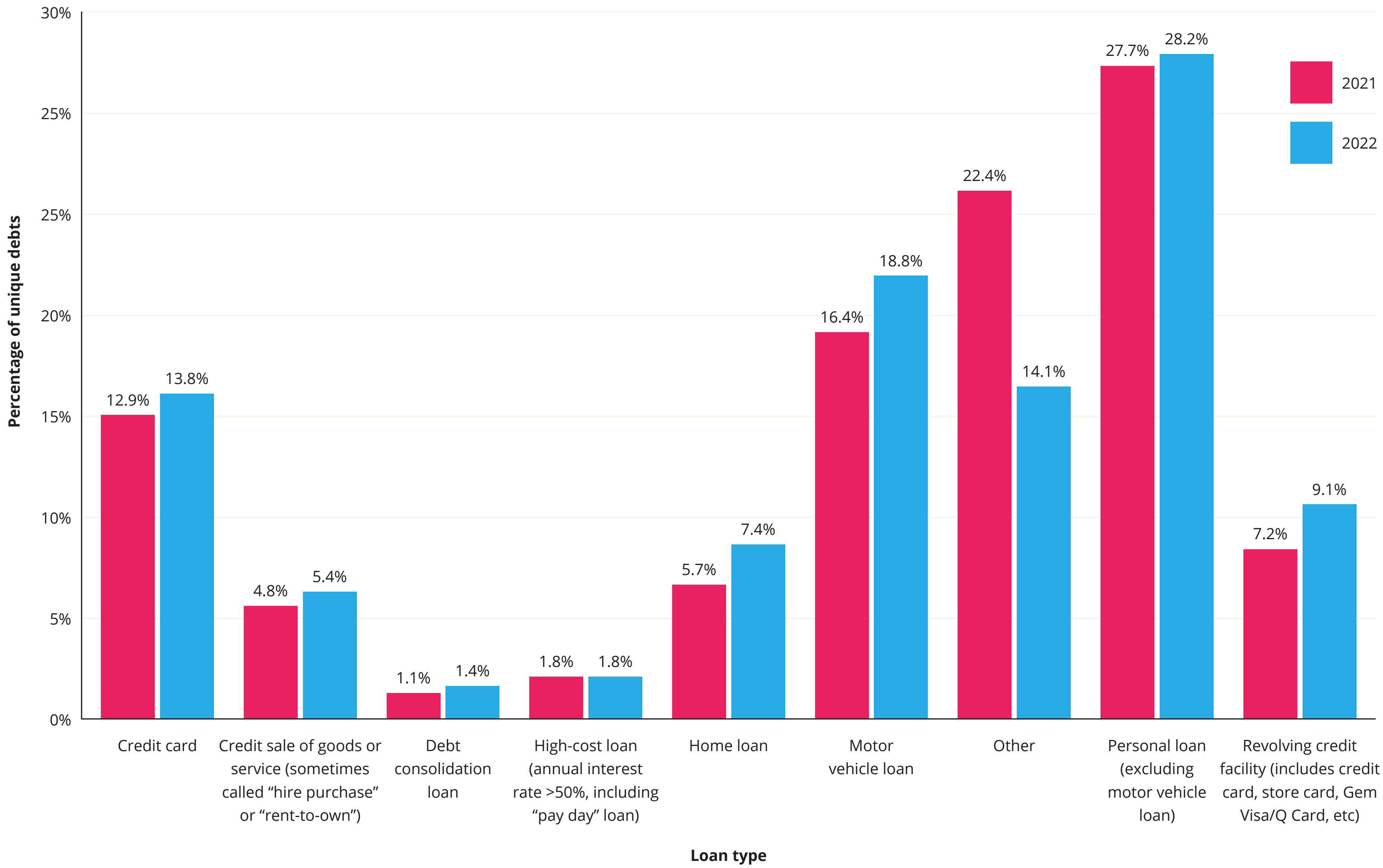
FinCap is also concerned about the increase in health services debt. We welcome deferred payment options for essential medical services where this improves access. However, we have seen instances where debt collectors eventually take on and add significant fees to these debts. FinCap is calling for urgent work towards reform for more robust regulation surrounding debt collection conduct, in order to improve financial wellbeing in Aotearoa.

Loan types

Although all loan types can cause harm to whānau, some can be more challenging than others. In particular, high interest rates, penalties and fees can create a rapidly growing financial burden for whānau. The highest percentage of debts in Client Voices were for credit cards, motor vehicle loans, and personal loans.

Percentage of unique debts presented by loan type

This is not the percentage of the total monetary sum of client debt



Overall, the trend for loan types has been stable between 2021 and 2022. We note that the decrease in the 'other' category in 2022 indicates that financial mentors have coded loan types more specifically. We also acknowledge that there is an overlap with the categories that include credit card debt, which is categorised twice. In future reporting we will seek to resolve the duplication.

Median presenting debt amount for each loan type

Loan type	Median 2021	Median 2022	Change
Credit card	$2,925.00	$3,048.78	+$123.78
Credit sale of goods or service (sometimes called "hire purchase" or "rent-to-own")	$1,555.32	$1,421.90	-$133.41
Debt consolidation loan	$12,000.00	$10,000.00	-$2,000.00
High-cost loan (annual interest rate >50%, including "pay day" loan)	$1,153.43	$1,200.12	+$46.69
Home loan	$119,317.03	$132,908.52	+$13,591.49
Motor vehicle loan	$9,000.00	$9,509.32	+$509.32
Other	$2,000.34	$1,879.73	-$120.61
Personal loan (excluding motor vehicle loan)	$3,077.88	$3,287.57	+$209.69
Revolving credit facility (includes credit card, store card, Gem Visa/Q Card, etc)	$2,272.43	$2,000.34	-$272.10

Zooming in on utilities and essentials

It is important that whānau are able to afford essential utilities, such as power and telecommunication connectivity. However, many whānau get into debt with these essential service providers as they cannot afford their ongoing bills. Overall, the median amount of debt per client owed to utilities companies decreased in 2022. The table below shows the median amount of debt per client by categories of utilities debt.

Median presenting debt amount to utilities

Creditor type	2021	2022	Change
Telecommunications	$484.70	$423.51	**-$61.19**
Other utilities	$400.00	$342.35	**-$57.65**
Electricity	$502.34	$453.18	**-$49.16**

The percentage of debt in Client Voices that was owed to utility companies also decreased in 2022. The table below shows this trend.

Percentage of unique presenting debts by creditor types (government departments or agencies)

This is not the percentage of the total monetary sum of client debt

Creditor type	2021	2022	Change
Telecommunications	3.8%	3.2%	**-0.6%**
Other utilities	2.2%	1.3%	**-0.8%**
Electricity	3.1%	3%	**-0.1%**

Electricity debt

Electricity is an essential service that whānau need for their health, wellbeing, and social participation. The Ministry of Business Innovation and Employment (MBIE) recently measured more than 110,000 households in Aotearoa who could not afford to keep their home adequately warm (Ministry of Business, Innovation & Employment, 2022). Our data reinforces that energy affordability is a serious issue for many whānau in Aotearoa.

The median debt for electricity in Client Voices lowered by almost $50 to $453.28, in 2022. MBIE reported that the average residential energy expenditure in Aotearoa for the March 2022 quarter (often the lowest quarterly bill given seasonal variation in usage) was $452 (Ministry of Business, Innovation & Employment, 2023). The comparison points to it being very common for whānau with an energy debt who are seeing financial mentors, to be three months behind on paying for their essential electricity services.

While the proportion of debts to government in Client Voices increased between 2021 and 2022 the proportion of debts for utilities decreased in 2022. This aligns with a finding of FinCap's recent *Put on Hold?* report which found that a common approach for addressing unaffordable energy bills was for electricity retailers to refer whānau to Work and Income for an energy loan (Lilley, 2023).

Through a further dive into debts with the Ministry of Social Development (MSD), we saw that these energy loans were part of many of the largest debts to MSD. The availability of these energy loans is helpful in that they can prevent the immediate risk posed to safety, where energy retailers have disconnection of essential energy services available as a debt collection tool. However, this approach does not solve the underlying issues that are causing energy hardship for whānau.

FinCap has long called for more robust consumer protections so that whānau have ongoing access to the essential energy services they need regardless of whether they can afford them or not. We will engage with the Electricity Authority's upcoming consultation on the Consumer Care Guidelines to make sure decision makers are aware of opportunities to prevent or resolve energy hardship in Aotearoa (Electricity Authority Te Mana Hiko, 2023).

Telecommunication debt

There is often pressure from salespeople and marketing for whānau to purchase more expensive devices. There are many essential services that now require a certain level of smartphone functionality, such as when accessing insolvency services, Work and Income, or IRD, and even at times when paying for parking.

In 2022, the number and the total sum of telecommunication debts decreased. In the same year there was also a lower median amount of debt, at $423.51. Financial mentors see many challenges for whānau with telecommunication debts. Due to inconsistencies in reporting in Client Voices, we expect that the actual number of clients with telecommunication debt is higher than it currently shows. In particular, the type of telecommunication debt that has created complexity for financial mentors reporting, and, for whānau, the long-term payment plans for devices.

Most telecommunication providers offer interest-free long-term lending plans for paying off a phone in instalments (2degrees, 2023). These plans are commonly raised as an issue by financial mentors. Firstly, the payment plans themselves reflect a form of lending, but are currently operating without any safeguards. The payment period for these plans can be 12, 24 or 36 months. The monthly repayments can cost well over $100 when the required 'pay monthly' plans are added. There are no clear hardship arrangements for adjusting or cancelling the plans where hardship occurs. Even when the plans are signed on to, there is very little detail, no clarity on the rights of the whānau and, in some cases, there is no clear summary of the total cost of the phone.

Case study

“A client called Bobby* supports a large household, full of her children and grandchildren. Money is tight, and at times they can’t afford to pay the bills. Even essential costs such as groceries, power and rent are a stretch. Several years ago, Bobby bought an expensive phone on a Mobile Repayment Option (MRO) plan. This plan allowed her to buy a brand-new and top-of-the-range phone instantly. Owning a smartphone enables Bobby to complete tasks at home or on the move. She can access her mobile banking app on her phone and find directions to locations around the city.

When purchasing the mobile phone, the salesperson encouraged Bobby to buy the more expensive phone, advertising its superior camera and speed. However, the repayment plan has become difficult to sustain. The costs each month are significant. She pays $43.58 a month for the phone itself. She is also signed onto an endless data plan, which costs $80 a month and is a condition of the MRO. The total monthly cost is $123.58, or an average of $28.40 a week.

The penalty charges for late payments are also high, which means that paying her phone plan sometimes takes priority over other essential costs.

Further update:

Working with her financial mentor, Bobby identified and took up an option in this arrangement to reduce the plan associated with the handset to $40 per month for less service. However, any monthly plan at a lower cost than that would require Bobby to repay all remaining debt on the handset immediately. Even with payments now at $83.58 a month Bobby still sometimes faces prioritising this payment over other essential costs to avoid late payment penalties.”

*This person’s name has been changed

Whānau are facing challenges at several levels when purchasing and owning mobile devices. From the beginning of the process, in deciding which device to buy, whānau are often met with unclear advice and sales staff that appear to be working on commission. This means that sales staff are incentivised to sell more expensive options and are potentially less inclined to explore whether the proposed purchase is fit for purpose.

Financial mentors have mentioned that, even when a whānau might inform the retailer that they are on a specific budget, it is common for the retailer to attempt an upsell, focusing a buyer’s attention on the greater functions of more expensive devices. This can be a difficult situation to navigate for those that are not familiar with the details of a cellular device, as well as feeling the pressure to purchase a device that will be adequate for the demands it might have for accessing multiple services. This makes it a two-fold challenge, because access to mobile devices is important especially in consideration of the amplified need for digital inclusion. However, in accessing these devices there needs to be greater attention given to assessing ‘fit for purpose’ and ability to repay.

Other utilities

'Other utilities' likely include debts relating to water services which are currently directly billed in some regions. In 2023, FinCap submitted to select committee processes, for a series of bills relating to water services reform. Our submissions recommended there be explicit requirements for water entities to provide consistent and helpful assistance to whānau who are having difficulty paying for water services.

The future governance of water services is currently subject to debate. However, at the time of writing the recently passed legislative framework for water services regulation aligns with many of our recommendations by requiring the Commerce Commission to take the interests of vulnerable consumers into account when making a service quality code for water services (Parliamentary Counsel Office, 2022). The impact of any changes in how the cost of providing water services is recovered from whānau may be an area for more analysis in future Voices reports.

Policy spotlight on credit contracts and consumer finance debt

Since 1 December 2021, our Credit Contracts and Consumer Finance Act (CCCFA) has included robust protections that have required that lenders check they are not giving a loan that is unaffordable from the start. There have already been some revisions of the regulations implemented on 1 December 2021 (Ministry of Business, Innovation & Employment, 2023). Decision makers have also signalled there will be more review or reform in the future.

FinCap is seeing the more robust requirements lead to whānau getting better outcomes. Examples include whānau getting a fresh start at financial wellbeing where unfair loans of tens of thousands of dollars are more easily unwound. That, or unaffordable loans are avoided in the first place. Previously whānau were instead more likely to have proceeded with insolvency procedures or KiwiSaver hardship withdrawals, which can extend their challenges with financial wellbeing across decades.

In 2022, the number of debts owed to consumer lenders lowered. The median amount of consumer debt owed also lowered by $125.86, to $3093.96. However, the data presented in this report shows that more than half of the whānau working with financial mentors are still running a weekly deficit and that debt repayments are pushing them into the red. As shown in a table above, debts to banks, finance companies and other consumer finance companies made up close to four out of 10 debts in Client Voices 2022, which was similar to the previous year. This indicates more regulator enforcement work or more protections may be needed to prevent lender's conduct leading to poverty.

There is a delay in the time it takes for changes or issues with lending practices to be clearly identified by the Commerce Commission for compliance to be enforced. Such delay is reflected in high-cost loans continuing in the Client Voices data for files closed in 2022, as whānau generally start to seek a financial mentor's support a substantial period of time after repayment issues first arise. The Commerce Commission shared in July 2023 that lenders had exited this market following new requirements introduced in 2020 (Commerce Commission New Zealand, 2023).

FinCap urges decision makers to await the findings and results of Commerce Commission investigations into lender's conduct before any action that would remove consumer protections that are preventing dire outcomes from all lenders' conduct. We will continue to take up invitations to be consulted on the direction of credit law in Aotearoa where financial mentors continue to see issues.

Currently, the spotlight needs to be shone on the predatory nature of some motor vehicle lending arrangements, which are regularly noted by financial mentors. We discuss this more in **Part three** of this report.

"Often the processes to challenge debt that has set people up for failure from the beginning lack expediency. Even after decisions are made to work collaboratively with organisations like dispute resolution schemes, the process through frontline staff can be bureaucratic and ponderous. Having numerous schemes to deal with compounds this very frustrating problem."

– Financial mentor specialising in challenging unfair lending

The table below shows the median debt amount per client by consumer debt categories. As seen below, the median debt amount to banks, finance companies, Buy Now, Pay Later lenders and other consumer lenders increased in 2022. An increase in bank debt could be seen as a positive as generally this debt is at lower interest rates. However, we are unable to confirm whether unplanned overdrafts are a factor in this trend. Meanwhile, sales/hire purchase agreements, and mobile shopping truck debt decreased.

Median presenting debt amount for each creditor sub-type (consumer)

Creditor	2021	2022	Change
Bank	$3,734.10	$4,036.61	**+$302.51**
Finance Company	$4,109.20	$4,213.94	**+$104.74**
Sales/hire purchase agreements	$2,994.59	$2,562.52	**-$432.07**
Mobile shopping truck	$1,113.13	$1,084.09	**-$29.04**
Interest free buy now pay later	$150	$188.90	**+$38.90**
Credit union or building society	$6,016.82	$6,016.72	**-$0.10**
Other consumer lender	$1,908.05	$1914.84	**+$6.79**

Debt to credit unions or building societies effectively saw no change. However, debts to these lenders were the highest across all consumer debt types. Credit unions are member-owned co-operative financial organisations that provide savings and loan facilities for their members (New Zealand Companies Office, 2023). Although these lenders typically operate with an intended focus on providing genuine support to whānau, issues still arise with loans from these lenders. As discussed in **Part two**, in the definition of 'productive and hazardous debt,' all debt can cause harm to whānau and therefore it is crucial that the appropriate consumer protections are in place to avoid causing unnecessary financial hardship.

Buy Now, Pay Later loans

Financial mentors are seeing whānau with increasing numbers of Buy Now, Pay Later loans that are fuelling debt spirals. When whānau have many different loans, with repayments going out at varied times and dates, it causes increased stress and creates space for errors that can result in the addition of late payment fees.

Financial mentor's observations are reflected in the data. The number of *Buy Now, Pay Later* debts almost doubled from 2021 to 2022. The median amount of debt per client for this debt type also rose. Financial mentors regularly report the increasing harm that Buy Now, Pay Later lending is causing to whānau.

> "I am seeing people buying groceries from The Warehouse with Zip as they can't afford them and meat from Mad Butcher and other butchers – using zip or afterpay."
>
> – Financial mentor

FinCap will be keeping an eye on developments after the recently confirmed new regulatory settings for *Buy Now, Pay Later* lenders (Webb, 2023). In early 2023, FinCap brought together many financial mentors to respond to the Draft Credit Contracts and Consumer Finance *(Buy Now, Pay Later)* Amendment Regulations 2022 consultation. During this consultation, financial mentors presented countless examples of issues with *Buy Now, Pay Later* lending which demonstrated there are clear systemic issues that are contributing to significant financial hardship for whānau.

Mobile shopping truck and sales/hire purchase debt

While the number of *Buy Now, Pay Later* debts almost doubled in 2022, the number of sales/hire purchase agreements halved. The counts of mobile shopping truck counts of debts remained the same across both years. While it remained the same, we note as referenced in the CCCFA section, the delay in regulatory changes being reflected in our data. FinCap welcomes the Commerce Commission's enforcement action on mobile trading, which has resulted in less harmful debts for whānau. In the Commission's 2022 compliance review into mobile traders, it identified an increasing level of compliance, but still there were businesses falling short of their obligations (Commerce Commission New Zealand, 2022). The Covid-19 lockdowns may also have interrupted mobile trader's model, in addition to the helpful application of the CCCFA protections to their businesses.

Part three: Demographics

Dependent children

At a glance

The median income for whānau with one child in 2022 was $725.72, which was an increase of $51.45 from 2021.

Debt repayments were higher for whānau with children than whānau without children.

Whānau with four or more children had the highest amount of debt, at a median of $19,131.13 in 2022.

Summary

Whānau with children had higher incomes than whānau without children in 2022. However, they also had significantly higher amounts of debt, and a higher percentage of their weekly income going to debt repayments.

Income

Whānau without children had the lowest incomes in both 2021 and 2022. Still, as detailed in following sections of this report, whānau with children had higher numbers and amounts of debt in both years. Incomes went up steadily by the number of children in a whānau, as well as between 2021 and 2022.

Median weekly client income by number of dependent children

Number of children	2021	2022	Change
No children	$459.59	$489.67	+$30.08
One child	$674.27	$725.72	+$51.45
Two children	$787.83	$878.42	+$90.59
Three children	$893.82	$966.71	+$72.89
Four + children	$962.20	$1,071.37	+$109.17

The incremental increases in income by the number of children in a household in 2022 signals that targeted support is reaching whānau with children. Although the targeted support is a step in the right direction, incomes remain low overall, which creates barriers to whānau being able to access the essentials.

Expenditure

In 2022, whānau with children had a lower weekly deficit than whānau with no children. However, whānau with children were spending a higher proportion of their income on debt repayments and groceries. Expenditure on groceries was especially high for whānau with four or more children, with an expenditure of 25.9 precent of income in 2022.

Concerningly, the expenditure on energy was lower for whānau with children than for those with no children. Lower electricity expenditure has the potential to result in cold homes, which cause many health problems, particularly for children. The World Health Organization (WHO) recommends a minimum indoor temperature of 18 degrees Celsius to maintain the health of a household. A study in Wellington in 2022 found that to keep only one child's bedroom in a house heated to an adequate temperature it would cost $58 per month (Shorter et al, 2022).

Whānau were spending a significantly greater percentage of their income on debt than on fuel, clothing, or electricity, which are essentials.

The percentage of income spent on rent decreased for most family sizes in 2022. The outlier was whānau with two children, who had an increase of 3.6 percent of income spent on rent. Overall, expenditure trends for whānau with children were reasonably stable across the two years.

Median weekly expenditure as a percentage of median weekly income by number of dependent children in 2021 [4]

Number of children	No children	One child	Two children	Three children	Four or more children
Rent/board	42%	42.2%	39.6%	40%	29%
Groceries	21.3%	21.8%	22.5%	21.9%	25.7%
Electricity	6.9%	5.4%	5.7%	5.1%	4.9%
Fuel	7.9%	7%	6%	6.4%	6.2%
Clothing	0%	0.7%	1%	1%	0.9%
Debt repayments	**15.7%**	**15.5%**	**17.8%**	**18.8%**	**18.4%**
Total weekly expenditure*	**107.2%**	**106.3%**	**106.9%**	**105.5%**	**103%**

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

[4] This data is not suitable for use in affordability assessments or hardship benchmarking.

Median weekly expenditure as a percentage of median weekly income by number of dependent children in 2022 [5]

Number of children	No children	One child	Two children	Three children	Four or more children
Rent/board	39.2%	39.7%	43.2%	38.3%	25.4%
Groceries	20%	20.5%	22.4%	20.6%	25.9%
Electricity	6.3%	5.6%	5.4%	4.8%	5.5%
Fuel	7.4%	6.7%	6.7%	6.2%	6.4%
Clothing	0.4%	0.8%	0.9%	0.7%	0.9%
Debt repayments	**15.3%**	**16.1%**	**16.8%**	**16.5%**	**17.3%**
Total weekly expenditure*	**107.3%**	**105.7%**	**104.2%**	**103.9%**	**102.6%**

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

Debt

The wellbeing of children is determined by the wellbeing of their whānau, and debt can have a significantly negative impact on both the financial and mental wellbeing of a whānau. Data from Client Voices indicates whānau with children have higher levels of debt than whānau without children. Overall, there were almost twice as many clients with children than clients without children in Client Voices. Likewise, there were more than twice the number of debts for whānau with children than for whānau without children. FinCap supports there being strong consumer protection regimes in Aotearoa as robust protections can achieve better financial wellbeing for more whānau.

Financial mentors have reported whānau with children often get into more debt to cover the essentials that are necessary for the wellbeing of their children. Essential school supplies such as uniforms, stationary and required computing equipment are often acquired through a loan with Work and Income. FinCap strongly recommends there be consistency in the provision of non-recoverable grants so that all whānau can access essential school supplies. All children should have access to the equipment that is necessary for school without their whānau getting into debt.

Another common source of debt for whānau with children are loans for vehicle related costs. Vehicle loans are a regularly raised frustration for financial mentors because of regular irresponsible lending. Whānau with children also struggle with the cost of petrol

[5] This data is not suitable for use in affordability assessments or hardship benchmarking.

and vehicle repairs. For most parents, having a car is essential for transporting their children and therefore, despite the costs, it is often a priority for many whānau. In **Part three** of this report, we address the issues with vehicle lending in more detail.

Whānau with four or more children had the highest median number of individual debts. In both years whānau had a median of five debts each, while all other whānau sizes had a median of four debts each. The amount of debt per case increases based on the number of children in that whānau. The amount of debt for clients with one child and clients with four or more children increased in 2022. Meanwhile, those with two and three children had a decrease in median debt per client in 2022.

Median total presenting debt amount for clients by number of dependent children

Includes home loans

Number of children	2021	2022	Change
No children	$10,988.43	$11,540.92	+$552.49
One child	$12,460.88	$13,289.42	+$828.54
Two children	$16,083.22	$15,345.70	-$737.52
Three children	$17,032.73	$15,841.17	-$1,191.56
Four or more children	$17,934.64	$19,131.13	+$1,196.49

There were similar numbers of clients in each category of whānau size, with only minor shifts between 2021 and 2022. In 2022, the biggest increase in the amount of debt was between those with three children and those with four or more children. The next biggest increase was between those with one child and those with two children.

The number of debts for whānau with children rose in 2022 from 2021, despite the stable number of clients in these categories. This rise reflects the increased challenges with cost-of-living rises, and its particular impact on whānau with children. Whānau with four or more children had the biggest increase in the number of debts in 2022.

Across all whānau sizes, except for those with three children, the percentage of clients with a home loan increased. For households with three children there was a decrease of 1.5 percent in 2022. The percentage of clients with a home loan increases around between 2021 and 2022. However, in 2022, those with four or more children had the lowest percentage of clients with a home loan. In the same year those without children had the highest percentage of clients with a home loan.

Percentage of clients with debt who had home loans by number of dependent children

This is not the percentage of the total monetary sum of client debt

Number of children	2021	2022	Change
No children	8.3%	10.4%	+2.1%
One child	7%	7.5%	+0.5%
Two children	9.1%	9.4%	+0.3%
Three children	9.2%	7.7%	-1.5%
Four or more children	3.5%	5.2%	+1.7%

Regions

At a glance

In 2022, the highest median income was in Auckland at $790.42, while the lowest income (and adequate sample size) was Southland at $560.39.

Nelson and Wellington were the only two regions where the median total expenditure was below 100 percent of income in 2022.

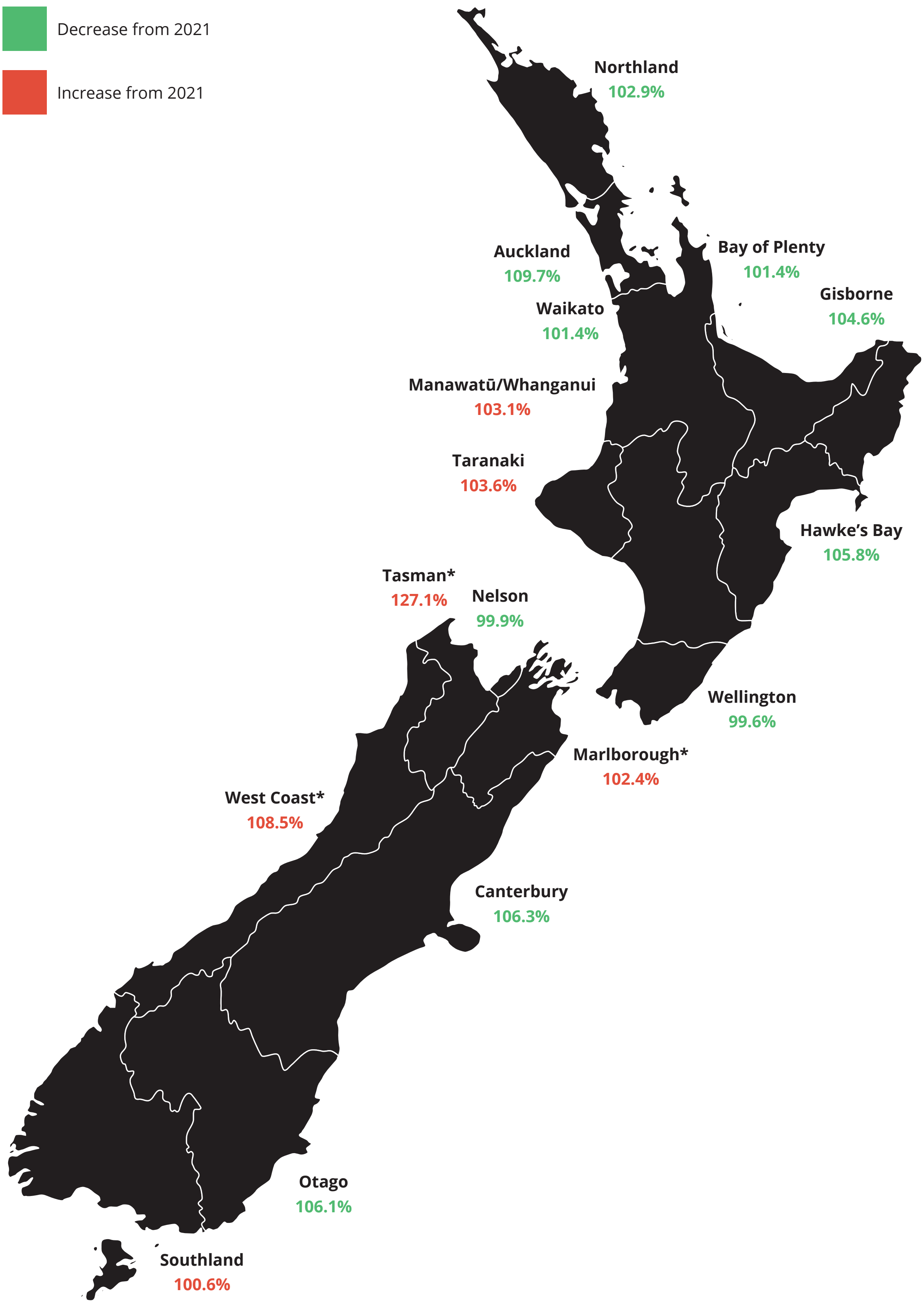
Gisborne had the highest median number of debts per client, at five for both years and the highest expenditure on debt at 21.6 percent of income.

Summary

This section examines regional trends across the three indicators of financial wellbeing: income, expenditure, and debt. In 2022, Nelson and Bay of Plenty had the biggest increases in income compared to 2021. Expenditure exceeded income across the majority of regions, and Auckland had the highest expenditure as a percentage of income overall. Auckland also had the highest median amount of debt per client case at $17,233.61 in 2022.

There is alignment between the regions that have higher amounts and numbers of debt for clients and the regions that measure higher on the deprivation index (Ministry of Business, Innovation and Employment, 2018). The deprivation index presents the socioeconomic deprivation level based on census information and the higher the score the higher the deprivation level.

Total weekly expenditure as percentage of weekly income 2022

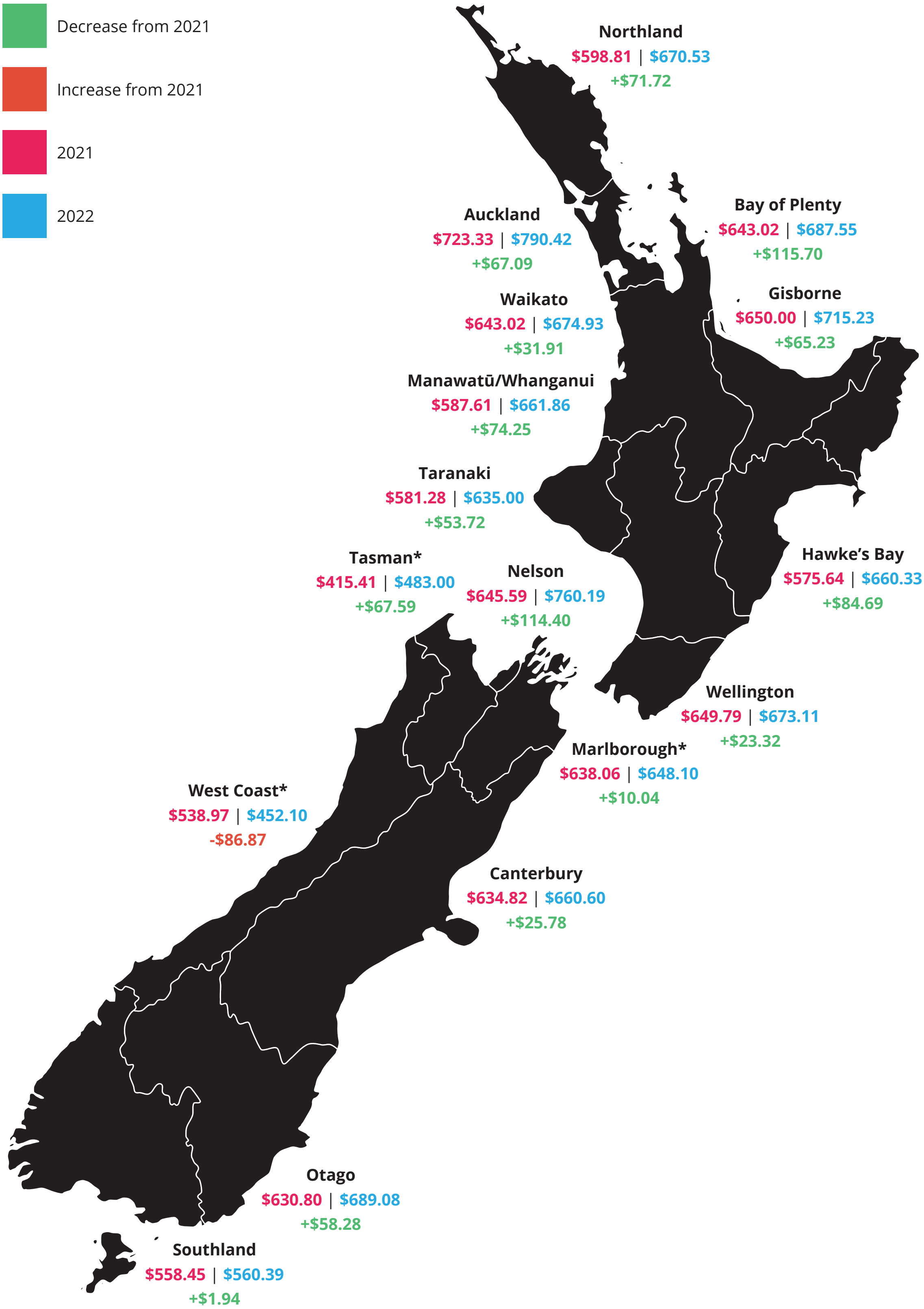


Income

Auckland, Otago, Bay of Plenty and Waikato had the highest median incomes in 2022. Meanwhile, Southland and Taranaki had the lowest incomes out of the regions with substantial sample sizes. In 2022, the median income across all regions, except for Auckland, was below a full-time minimum wage equivalent. The weekly income after tax for a full-time minimum wage worker was approximately $767.95 in 2022.

The median income increased for all regions except for the West Coast, where there was a decrease of $86.87. However, the sample size for the West Coast was small in both years and therefore the data is more susceptible to being skewed. Several regions with higher numbers of clients had particularly large increases in income, such as the Bay of Plenty with $115.70 and Nelson with $114.40.

Median weekly client income by region



Expenditure

Across most regions in Aotearoa, the median weekly expenditure totalled more than 100 percent of clients weekly incomes, even after a financial mentor's assistance. The only exceptions were in Wellington and Nelson, where total expenditure used up 99.6 and 99.9 percent of total weekly income respectively.

In 2022, the region with the highest total weekly expenditure, after Tasman which had a low sample size, was Auckland. A clear culprit for the high total expenditure was the expenditure on debt for the Auckland region. The median expenditure on debt was 18.9 percent of weekly income. Meanwhile, expenditure on rent was on the lower end compared to other regions, at 30.8 percent. As addressed in Part two of this report, rent expenditure can be lower for whānau who live in public, transitional or emergency accommodation. The lower rent or board expenditure in Auckland possibly signals that many clients of financial mentors were living in these subsidised and unstable accommodation types.

Generally, across all regions with substantial sample sizes, Otago and Southland had particularly high expenditure on rent or board, at 44.3 percent and 41.5 percent respectively. Grocery expenditure was highest in Northland, Hawkes Bay, Taranaki, and Otago. Expenditure on groceries, rent and debt was also especially high in regions with low sample sizes, such as in the West Coast and Tasman areas. As well as in Auckland, expenditure on debt was particularly high in Gisborne and Northland.

Median weekly expenditure as a percentage of median weekly income by region in 2021 [6]

	Northland	Auckland	Waikato	Bay of Plenty	Gisborne	Hawkes Bay	Taranaki	Manawatū/Whanganui	Wellington	Marlborough*	Tasman*	Nelson	West Coast*	Canterbury	Otago	Southland
Rent/board	38.2%	33.9%	36.8%	39.9%	26.2%	24.8%	29.6%	36.3%	37%	32.8%	53.1%	42.7%	35.5%	38.9%	45%	36.4%
Groceries	21.1%	20%	18.6%	20.1%	21.9%	24.5%	19.1%	18.9%	18%	18.2%	36.1%	19.2%	20.5%	16.8%	21%	19.7%
Electricity	5.2%	4.5%	6%	6.1%	7.8%	6.1%	6.8%	6.5%	5.5%	6.6%	5.9%	5.4%	6.9%	6.1%	7%	7%
Fuel	6%	6.9%	6%	6.4%	5.1%	7.8%	6.1%	6%	6.4%	6.8%	12%	5.7%	6%	7%	7.2%	5.5%
Clothing	0.3%	0.8%	0%	0%	0.5%	1.1%	0.6%	0%	0.7%	0%	0%	0.3%	0.8%	0.9%	0.8%	0%
Debt repayments	**16.3%**	**19.9%**	**17.6%**	**15.7%**	**21.6%**	**16%**	**13.8%**	**15.2%**	**15.5%**	**9.7%**	**7.2%**	**13%**	**7.6%**	**15.9%**	**14%**	**16.3%**
Total weekly expenditure*	**103.9%**	**110.5%**	**104.3%**	**102.9%**	**109.4%**	**107.2%**	**102.1%**	98.2%	**106.5%**	**100.6%**	**118.2%**	**101.4%**	96.7%	**107.5%**	**107.4%**	96.4%

*Low sample size

* The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.

[6] This data is not suitable for use in affordability assessments or hardship benchmarking.

Despite changes in 2022 in several regions, overall, the percentage of income spent on essentials remained stable. In 2022, nine of the sixteen regions had a slight decrease in the percentage of income spent on rent and electricity. The same number of regions had an increase in the percentage of income spent on groceries. The majority of regions had an increase in the percentage of income spent on fuel and a decrease in the percentage of income spent on clothing. Meanwhile, there was an even split of regions that had an increase or a decrease in the percentage of income spent on debt repayments.

Taranaki, Hawkes Bay and Southland had particularly large increases in the percentage of income spent on rent in 2022. Although many regions had a slight increase in expenditure on groceries, there were no significant increases in expenditure on groceries in any regions. We understand that the increase in whānau going to food banks and accessing food support in 2022 influenced the change in grocery expenditure being minor, despite the increased cost of living.

Median weekly expenditure as a percentage of median weekly income by region in 2022 [7]

	Northland	Auckland	Waikato	Bay of Plenty	Gisborne	Hawkes Bay	Taranaki	Manawatū/Whanganui	Wellington	Marlborough*	Tasman*	Nelson	West Coast*	Canterbury	Otago	Southland
Rent/board	35.9%	30.8%	39.2%	39.6%	19.5%	30.6%	36.4%	38.8%	36.6%	34.3%	45.5%	40.9%	37.9%	38.3%	44.3%	41.5%
Groceries	22.3%	18.8%	18.9%	17.5%	17.5%	22.9%	22.1%	19.9%	18%	20.6%	30.6%	19.6%	23.9%	17.7%	21.1%	18.4%
Electricity	5.6%	4.5%	6.1%	5.6%	6.2%	6.3%	6.1%	5.9%	4.7%	6.8%	4.1%	5.7%	11.1%	6.1%	6.9%	7.2%
Fuel	6.7%	7.1%	6.8%	6.6%	6.6%	8.7%	6.4%	6.9%	6.4%	7.4%	11.2%	4.9%	10.7%	7%	6.6%	7.1%
Clothing	0%	1.2%	0%	0%	0.8%	1.5%	0%	0%	0.6%	0%	1.8%	0.4%	0.8%	1.1%	0.7%	0%
Debt repayments	**16.4%**	**18.9%**	**15.5%**	**15%**	**21.6%**	**14.9%**	**13.9%**	**16.6%**	**13.4%**	**12.4%**	**13.7%**	**9.5%**	**22.4%**	**15%**	**14.1%**	**14.3%**
Total weekly expenditure*	**102.9%**	**109.7%**	**101.4%**	**101.2%**	**104.6%**	**105.8%**	**103.6%**	**103.1%**	99.6%	**102.4%**	**127.1%**	99.9%	**108.5%**	**106.3%**	**106.1%**	**100.6%**

**Low sample size*

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

[7] This data is not suitable for use in affordability assessments or hardship benchmarking.

Debt

A higher number of debts for a whānau results in more creditors to deal with and more repayments to keep track of. Across most regions in Aotearoa, the median number of debts per client was four in both 2021 and 2022. The significant exceptions were in Gisborne, where the median number of debts per client was five for both years. Gisborne had the highest number of debts per client case and financial mentors in Gisborne noted that:

> "We have a changing dynamic of clients with more mortgages than we've seen before. I think $800,000 was the highest I'm aware of, but $500,000 and $300,000+ are more usual."
>
> "We have more workers, more homeowners, more men, more superannuants, and more people in general who are motivated to solve their financial problems... so, therefore, more meaningful engagement. The balance of one-off vs ongoing is 30/70 which is quite a change from previous years. People are coming and disclosing all their debt (getting it all out on the table) because they want to get on top of it."
>
> – Financial mentor

There was also a notable change in Manawatu/Whanganui, with an increase from a median of four debts per client case to five in 2022. Otago had a median of three debts per client in 2021 and increased to a median of four in 2022. We will seek to further analyse whether a common creditor type is behind such trends, in future reports.

The majority of regions had an increase in the median amount of debt per client between 2021 and 2022. Although Auckland remained the region with the highest median amount of debt per client, Auckland was one of the few regions that had a drop in the median amount of debt between the years.

Median total presenting debt amount for clients by region

Includes home loans

Region	2021	2022	Change
Northland	$11,222.68	$11,461.30	+$238.62
Auckland	$18,005.41	$17,233.61	-$771.80
Waikato	$11,026.73	$11,313.80	+$287.07
Bay of Plenty	$11,224.65	$12,336.78	+$1,112.13
Gisborne	$8,332.88	$13,455.60	+$5,122.72
Hawke's Bay	$14,581.58	$13,775.71	-$805.87

Region	2021	2022	Change
Taranaki	$11,100.62	$12,097.30	+$996.68
Manawatū / Whanganui	$12,781.40	$15,219.84	+$2,438.44
Wellington	$11,126.16	$12,609.28	+$1,483.12
Marlborough*	$5,709.00	$11,000.00	+$5,291.00
Tasman*	$7,355.50	$7,008.57	-$346.93
Nelson	$10,352.05	$7,912.05	-$2,440.00
West Coast*	$9,099.37	$12,294.40	+$3,195.03
Canterbury	$14,006.32	$15,655.56	+$1,649.24
Otago	$9,312.22	$10,891.72	+$1,579.50
Southland	$11,201.29	$12,967.17	+$1,765.88

**Low sample size*

Home loans

Most regions had an increase in home loan holders in 2022. The biggest increases were had in Nelson, at 6 percent, and in Auckland, at 2.8 percent. Gisborne had the biggest decrease in the proportion of clients with a home loan, with an 8.4 percent decrease.

The regions with the highest proportion of clients with a home loan, as well as a substantial sample size, were Gisborne, Canterbury, and Manawatū/Whanganui in 2022. The regions with the lowest proportion of clients with a home loan were Hawke's Bay, Waikato, Auckland, and Nelson.

Percentage of clients with debt who had home loans by region

This is not the percentage of the total monetary sum of client debt

Region	2021	2022	Change
Northland	10.3%	11.7%	+1.4%
Auckland	7%	9.8%	+2.8%
Waikato	6.9%	9.5%	+2.6%
Bay of Plenty	8.8%	10.1%	+1.3%
Gisborne	27.3%	18.9%	-8.4%

Region	2021	2022	Change
Hawke's Bay	5.4%	8%	+2.6%
Taranaki	14.2%	10.6%	-3.6%
Manawatū / Whanganui	12.4%	15.4%	+3%
Wellington	12.2%	11.5%	-0.7%
Marlborough*	16.9%	9.7%	-7.2%
Tasman*	0%	8.3%	+8.3%
Nelson	3.9%	9.9%	+6%
West Coast*	0%	22.2%	+22.2%
Canterbury	15.4%	16.7%	+1.3%
Otago	11.1%	13.5%	+2.4%
Southland	11.8%	13.2%	+1.4%

**Low sample size*

Zooming in on motor vehicle loans in Auckland

Auckland had the highest median debt per client at $17,233.61 in 2022. This was a drop of $771.80 from 2021. Financial mentors regularly report an elevated need for essential transport such as cars, in Auckland. Further, social pressures can influence decisions to purchase vehicles because a new car is a tangible symbol of success.

> "We see much bigger purchases being made by men, such as for big trucks. Often men buy new cars as a way of making them feel like they're doing okay."
>
> – Financial mentor

Unfortunately, acquiring a vehicle often results in the accrual of an unaffordable debt due to the repeatedly reported irresponsible lending practices of some vehicle lenders in the region. Overall, across Aotearoa, the percentage of debts in Client Voices for motor vehicle loans in 2022 was 18.8 percent. This was a 2.4 percent increase from 2021. Simultaneously, the median amount of debt for motor vehicle loans increased by $509.32 in 2022, to $9,509.32.

Loan type	2021	2022	Change
Motor vehicle loan	$9,000.00	$9,509.32	+$509.32

"Good news one of my disputes has been settled with [a vehicle lending]. My clients no longer owe [the vehicle lender] $8k but own their own car outright (no more [vehicle lender] turning off the car [with an Immobiliser]) and they are getting a refund of $5k!!

[The vehicle lender] finally agreed to write off all interest and fees without waiting for [their external dispute resolution provider's] investigation.
This client was originally declined hardship relief from [the vehicle lender] ..."

– Financial mentor

Financial mentors have reported excessively large debts for car lending, with the car value often being much lower than the loan amount. Mentors are also frustrated with the repeated poor practices of many vehicle loan providers. Mentors regularly report these lenders for breaching the CCCFA, as they lend irresponsibly to whānau and often use manipulative and high-pressure selling tactics. In May 2023, Consumer NZ released a warning about dangerous car finance deals, highlighting the story of a consumer who had been ripped off (Consumer NZ, 2023).

Strong protections are needed in Aotearoa to ensure that whānau are not exploited when in need of a vehicle. The CCCFA and accompanying regulations restrict most of the irresponsible lender behaviour. However, financial mentors report that certain car lenders are causing significant harm to their clients and are breaching the CCCFA. There needs to be strong enforcement to ensure that the protections provided through this legislation achieve their full potential and purpose.

Age range

At a glance

In 2022, the median weekly income was highest for the 26 to 35-year-old and 36 to 45-year-old age ranges.

The 46 to 65-year-old age group had the highest overall expenditure as a percentage of income in 2022, at 108.3 percent.

In both years, those in the 36 to 45 age range had the highest median amount of debt per client at $16,162.78.

Summary

This section of the report analyses income, expenditure, and debt data for different age ranges. Across all age ranges, income levels increased in 2022 and the overall total expenditure as a percentage of weekly income decreased. However, the median amount of debt per client increased for every age group. Throughout this section, the 26 to 35-year-old and 46 to 65-year-old age ranges stood out as having the highest percentage of income spent on debt repayments in 2022.

The 46 to 65-year-old age group held the second highest number of debts altogether and a median of four debts per client. They were also the second most likely age group to have a home loan. This age group had one of the lowest weekly income levels, at $580.56 and had the highest overall expenditure as a percentage of income.

Income

The median weekly incomes increased for all age groups between 2021 and 2022. The 26 to 35-year-old and 18 to 25-year-old age groups had the biggest increases in income between the years. In 2022, the median weekly income was highest for the 26 to 35-year-old and 36 to 45-year-old age ranges. In the same year the median income was lowest for the over 65-year-old age group.

Median weekly client income by age range

Age range	2021	2022	Change
18-25	$595.35	$670.92	+$75.57
26-35	$716.27	$801.14	+$84.87

Age range	2021	2022	Change
36-45	$737.66	$800.18	+$62.52
46-65	$524.07	$580.56	+$56.49
Over 65	$527.33	$541.12	+$13.79

Expenditure

In 2022 those in the over 65-year-old age group were spending the most on rent or board, followed closely by the 46 to 65-year-old age group. The 46 to 65-year-old age group had the highest overall expenditure as a percentage of income in 2022, at 108.3 percent. This was a 3.5 percent decrease from 2021. The same age group had some of the highest expenditure across groceries, electricity, fuel and debt.

Median weekly expenditure as a percentage of median weekly income by age range 2021 [8]

	18 - 25	26 - 35	36 - 45	46 - 65	Over 65
Rent/board	31.3%	34.4%	38%	44.3%	40.6%
Groceries	19.5%	20.4%	19.7%	18.5%	18.7%
Electricity	5.8%	5.3%	5.9%	6.4%	5.9%
Fuel	7.7%	6.4%	6.1%	6.7%	6.1%
Clothing	0.9%	0.7%	0.7%	0.4%	0.4%
Debt repayments	**14.3%**	**16.8%**	**16.8%**	**18%**	**17.5%**
Total weekly expenditure*	99%	**103%**	**106.1%**	**111.8%**	**103.7%**

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

[8] This data is not suitable for use in affordability assessments or hardship benchmarking.

Median weekly expenditure as a percentage of median weekly income by age range in 2022 [9]

	18 - 25	26 - 35	36 - 45	46 - 65	Over 65
Rent/board	28.7%	33.2%	37.7%	42.5%	43.3%
Groceries	20.7%	18.2%	18.3%	20%	18.4%
Electricity	4.9%	5.2%	5.3%	5.9%	7.1%
Fuel	7.1%	7.1%	6.9%	7.6%	7.2%
Clothing	0.7%	0.7%	0.6%	0.6%	0.4%
Debt repayments	**14.2%**	**16.5%**	**15.7%**	**16.5%**	**16%**
Total weekly expenditure*	97.1%	**103.7%**	**104.9%**	**108.3%**	**102.4%**

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

Debt

The only two age groups to have an increase in the number of debts in 2022 were the 26 to 35-year-old range and the over 65-year-old group. Comparatively, all other age groups had a decrease in the overall number of debts between 2021 and 2022. At all ages, the clients of financial mentors were navigating several different debts. The median number of debts per client case remained the same for both years for all age groups. Most age groups had a median of four debts per client. The exception was the over 65 age group which had a median of three debts per client across both years.

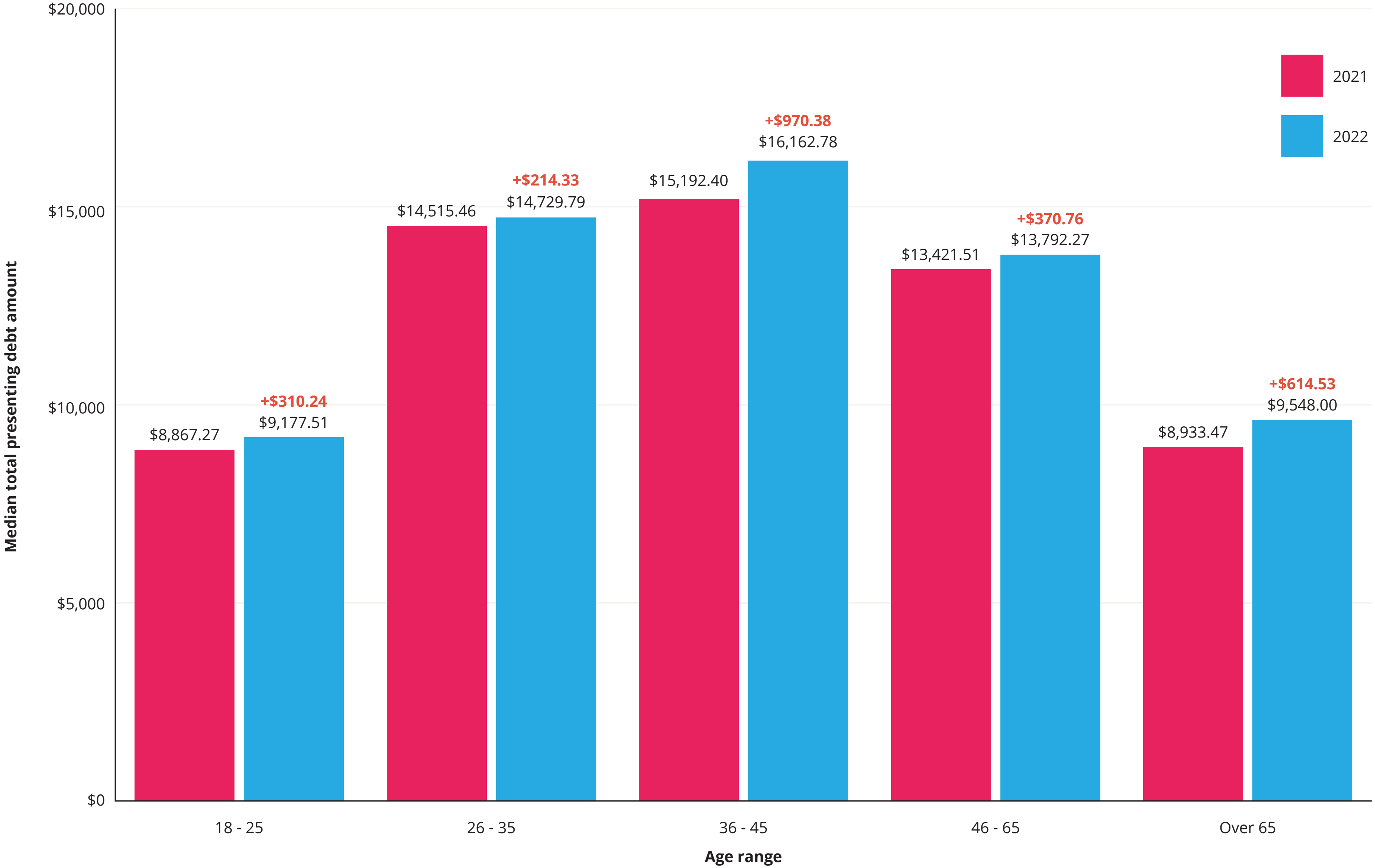
In both years, those in the 36 to 45 age range had the highest amount of debt per client. The age range with the second highest amount of debt for both years was the 26 to 35-year-old age range. Further comparison in future reports would be useful, to interrogate whether the number of dependent children for this age range is driving the trend of high amounts of debt.

In 2022, the median amount of debt for clients increased across all age ranges.

[9] This data is not suitable for use in affordability assessments or hardship benchmarking.

Median total presenting debt amount for clients by age range

Includes home loans



As could be expected, the percentage of clients with home loans increase with the older age groups. The percentage of clients that had a home loan increased in the same pattern between 2021 and 2022. The only age group that had a decrease in the percentage of clients that had a home loan was the 18 to 25-year-old age group.

Percentage of clients with debt who had home loans by age range

This is not the percentage of the total monetary sum of client debt

Age range	2021	2022	Change
18-25	1.5%	1.4%	-0.1%
26-35	4.5%	5.3%	+0.8%
36-45	7.6%	9.1%	+1.5%
46-65	11.4%	13.8%	+2.4%
Over 65	11.4%	16.8%	+5.4%

The significant increase in the percentage of clients with a home loan in the over 65-year-old age group suggests that this age group substantially contributed to the overall increase in clients with home loans in 2022. This age group is also less likely to have dependent children and therefore also contributed to the increase in home loans for whānau without children in 2022.

Zooming in on young people

In this report we have excluded the under-18-year-old age group from the tables. This is because of a low sample size for the age group. However, from what we can see in the data that we do have, and from what we hear from financial mentors, there are some key issues that are causing financial hardship for this age group.

In both 2021 and 2022, under 18-years-olds had the lowest incomes out of all age groups. In 2022 this age group had a median weekly income of $542.10. The low income indicates that a high number are either on a benefit or potentially in work that is part-time and poorly paid. At times, those in this age group are employed under training or starting-out wages which are lower even than minimum wage. There is no minimum wage for employees under the age of 16, and young employees aged 16 to 19 can be paid the starting-out wage if it applies, which was $16.96 in 2022 (Employment New Zealand, 2022).

Through further analysis, we verified that this age group also held significant levels of debt. In both 2021 and 2022, young clients in Client Voices held a median of three debts each and the median amount of debt per client was $3,472.64 in 2022.

Typically, lenders do not lend to under 18-year-olds because contracts with minors are not legally binding (Ministry of Business, Innovation & Employment, 2023). This means that the only grounds for enforcement of contracts with minors are based on whether the contract was fair and reasonable. Further, it is unlikely that any debt is affordable for this age group, because as identified above, the incomes for this age group were extremely low.

“We don’t see that many young people, but we do see some young men in particular coming in and getting car loans. We also see young people when they’ve got a credit card, or setting up for a new flat so they start to have debts with telecommunication and power providers. We also see some young people being guarantors for their parents when their parent has a bad credit rating, or getting long-term payment plans for phones.”

– Financial mentor

Financial mentors have reported that the majority of debts for this age group are typically owed to government departments. In particular, financial mentors mentioned that debts were often owed to the Ministry of Social Development (MSD) and in relation to housing. This is particularly the case for those in emergency or transitional housing. There are many requirements and obligations that emergency housing tenants need to meet. Where tenants are not able to meet these obligations, they can be penalised.

Another creator of housing related debt to government for young people is moving houses. Moving costs can add up, and often they are able to get loans from Work and Income to get necessary household items such as a washing machine or bunkbeds for their children. Although these loans are a much better option than getting into interest accruing debt, FinCap has recommended that Work and Income provides grants for essential items. This is especially important for whānau with children or young people. Further, we have made recommendations for the quality control of the appliances and items that are provided for whānau. If these items are constantly needing to be replaced or are not fit for purpose, then the debt that whānau are getting into is especially unnecessary.

Case study

“A client was granted a fridge-freezer through work and income through the Fisher and Paykel whiteware relationship in March 2021. On April 2nd the fridge-freezer started playing up. A technician visited and said that a part was required but will not be available until June. The client was not sure whether it was an electrical fault or not. If it was an electrical fault, it may have been harmful to their family and possibly cause a fire.

The client is now paying off a faulty fridge-freezer to W&I. This appliance should have been replaced as it was less than 30 days old. The financial mentor sent an email to the regional W&I contact but also spent 38 minutes on hold and then was hung up on by Fisher and Paykel. The client was told not to contact W&I but has still not had any success with Fisher and Paykel.

This issue was resolved, and the client received a replacement fridge, thanks to the intervention from the financial mentor supporting this client.”

As financial mentors have said, how are young people ever supposed to get ahead if they are starting out adulthood with high levels of debt to the government departments that were meant to support them?

Another likely cause of debt for young people is student loans for those that start tertiary study when they are sixteen or seventeen. A student loan is typically regarded as a productive debt. However, people can get trapped by not withdrawing before the census date when fees are charged, and this is a heavy financial burden for a young person.

As recognised above, there are many costs associated with moving and setting up in new housing. Those that are leaving home for the first time, or moving to a new area for university, are often in the position of making significant financial decisions. Student loans in themselves are a considerable undertaking. Further, there can be upfront costs for furniture, study tools and accommodation, either for a private rental or a hall of residence.

Zooming in on 26 to 35-year-olds

The age group with the most debts in both 2021 and 2022 was the 26 to 35-year-old age range. This age group also had the greatest increase in the number of debts between the years. There was also a considerably lower proportion of clients to have a home loan in this age group. In 2022, only 5.3 percent of clients had a home loan, which was an increase of only 0.8 percent from 2021. However, this age group had the second highest median amount of debt at $14,729.79 in 2022, which was an increase of $214.33 from 2021. They also had a median of four debts per client in both years.

The increased number of clients and debts, combined with the low percentage of clients with a home loan suggests that the 26 to 35-year-old age range has a particularly high level of hazardous debt (as defined in **Part two**). This aligns with research about the uptake and use of Buy Now, Pay Later lending in similar age groups and the increased cost of living pressures that are encouraging the use of this loan option.

A 2019, report found that 80 percent of Buy Now, Pay Later lending was being used by the under 45 age group. Further, a Consumer NZ report in 2021 showed that Buy Now, Pay Later was used most by customers in the 18 to 29-year-old age group, with clothing and footwear being the top purchases (Consumer, 2021).

Additionally, we surmise that student loan debt could be a significant contributor to the amount of debt for the 26 to 35-year-old age group. We are unable to separate student loan debt in the Client Voices database and will address in future Voices reports.

Zooming in on the 65-years and older age group

Those in the over 65-year-old age group had the next lowest incomes in 2022, at $541.12. The majority of those in the over 65 age group would have been receiving pensions, of around $477.52 a week after tax, if they are living alone. There are typically additional entitlements and income supports available for this age group too, such as the Accommodation Supplement, Winter Energy Payment, and Disability Allowance. With the addition of such supports, the income for this age group mirrors the income data that we have collected from Client Voices. Further, there is an increasing number of people aged over 65 who are working as well as receiving their NZ Superannuation (Age Concern New Zealand, 2023).

In 2022, the over 65-year-old age group had a median of 102.4 percent of weekly income being spent, which was a 1.3 percent decrease in expenditure from 2021. Similar to children, it is crucial that elderly people have adequately heated homes. Independent valuation has found interventions like the *Healthy Homes Initiative* was effective at reducing hospitalisation (Pierse, White, & Riggs, 2019).

Those aged over 65 were the most likely to have a home loan in both years. This age group had the biggest increase in the percentage of clients with a home loan and were also the age group with the lowest median number of debts per client. This age group was also the least likely to see a financial mentor, with a significantly lower number of client cases in this age group than other age groups. Financial mentors have mentioned that those in this age group tend to have debts to banks, the Ministry of Social Development, and finance companies.

Financial mentors have reported particular challenges for those over 65. They noted that staff at Work and Income are often bad-mannered to this age group, their medication costs can be a financial burden, and they can become reliant on their family members. A financial mentor outlined a particular issue of debt to Kāinga Ora for this age group. They had identified a pattern where clients that had hearing loss would not hear when someone had come by for maintenance. When they do not answer the door, it is reported that the tenant did not respond, and the tenant then gets charged for the call-out. Financial mentors said that this happens quite often and creates a call-out charge debt for the client.

Gender

At a glance

Women had a slightly higher weekly income than men in 2022, at $748.27.

Men had the highest total expenditure as a percentage of income in 2022, at 110.2 percent.

Women had the highest median amount of debt per client in 2022, at $13,783.17.

Summary

Visiting a financial mentoring service is typically a sign that hardship is currently being experienced or is expected. In both 2021 and 2022, there were twice as many women engaging with a financial mentor than men. While women had a higher income than men in 2022, they also had a higher median amount of debt per client. In 2022, men had a higher total expenditure as a percentage of total weekly income than women. The weekly percentage of income going to debt repayments was particularly high for men.

The number of gender diverse clients in Client Voices was low in both 2021 and 2022. We have noted the trends for this group in this section of the report. However, further analysis is needed to ensure that reporting can reflect trends accurately.

Income

In both 2021 and 2022 women had a higher median income than men. While the income for women was higher than for men and gender diverse clients, it was still lower than minimum wage for both years. There are several factors that impact the income that women receive. Financial mentors have noted that women are more likely to be the carers for their whānau. Therefore, they are more likely to be receiving the Government supports that are available to whānau with children.

The increase to supports for whānau with children over recent years may have in turn contributed to a slight positive shift in the incomes of women. The median income for women increased by $76.15 in 2022, reflecting the increases that were given to Working for Families and main benefits, as well as the increase in the amount of money that whānau can earn before benefits were affected (Community Law, 2023). The difference between the incomes of men and women also increased in 2022, with women having an income that was $197.67 higher than men, compared to a difference of $156.13 in 2021.

The increase in median income for women could also reflect that there were more women with children working with financial mentors. The increase in median income in 2022 mirrors the amount that is available through the In-Work Tax Credit. There was an increase in the number of clients with children in 2022, despite an overall decrease in clients in the same year. There was a slight decrease in the number of women, however this was the same for men because of the overall slight decrease in clients.

Median weekly client income by gender [10]

Gender	Median weekly income 2021	Median weekly income 2022	Change
Female	$672.12	$748.27	**+$76.15**
Gender diverse*	$613.35	$669.60	**-$56.25**
Male	$515.99	$550.60	**+$34.61**

**Low sample size*

[10] This data is not suitable for use in affordability assessments or hardship benchmarking.

Expenditure

In 2022, men had a higher total expenditure than women, at 110.1 percent of weekly income. Men had higher expenditure across rent or board, fuel, clothing and debt costs. Women had slightly higher expenditure on groceries and electricity.

Median weekly expenditure as a percentage of median weekly income by gender in 2021 [11]

	Female	Male	Gender diverse*
Rent/board	36.9%	38.4%	28.7%
Groceries	21.6%	18.4%	18%
Electricity	5.9%	5.8%	3.3%
Fuel	6.8%	7.7%	7.1%
Clothing	0.6%	0.7%	0.6%
Debt repayments	**16.7%**	**17.1%**	**10.5%**
Total weekly expenditure*	**104.2%**	**110.2%**	90%

**Low sample size*

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

[11] This data is not suitable for use in affordability assessments or hardship benchmarking.

Median weekly expenditure as a percentage of median weekly income by gender in 2022

	Female	Male	Gender diverse*
Rent/board	37.2%	40.3%	31.7%
Groceries	19.6%	19.5%	22.8%
Electricity	5.6%	5.4%	4.1%
Fuel	6.3%	7.4%	8.2%
Clothing	0.6%	0.7%	1.4%
Debt repayments	**15.9%**	**16.8%**	**9.1%**
Total weekly expenditure*	**102.9%**	**110.1%**	**119.6%**

**Low sample size*

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

There was little change between 2021 and 2022 for men and women across expenditure. The total expenditure as a percentage of income lowered by 1.3 percent for women in 2022. For women, expenditure on fuel, electricity, and groceries lowered in 2022, while expenditure on rent increased. There was little change for men overall, but while expenditure on rent and groceries increased, expenditure for fuel and electricity lowered slightly and clothing expenditure remained the same.

Debt

In both 2021 and 2022 there were twice as many women with debt engaging with a financial mentor than men. Financial mentors have long been reporting that this is the case, that the majority of their clients are women. Financial mentors noted inequities for women and stigma around men seeking support, as primary reasons for there being so many more women seeking financial mentoring support. Further, they note that:

> "When couples separate, women often end up with the kids most or all of the time, sometimes with little or no financial contribution from their ex. Men are also more likely to be working longer hours and therefore harder to make appointments with."
>
> – Financial mentor

> “Men are not ready to accept help, especially when it’s from a woman.”
>
> – Financial mentor

Women are also overrepresented among people with benefit overpayment and recoverable assistance debt to the Ministry of Social Development (MSD), and among people with Working for Families overpayment debt to IRD).

In both 2021 and 2022 the median number of debts for women was four. Meanwhile, both men and gender diverse clients had a drop in the median number of debts in 2022, from four in 2021 to three. In 2022 women had a larger median amount of debt per client than men, at $13,783.17. This was a $782.08 increase from 2021. Meanwhile, for men the median amount of debt per client decreased by $40.79 between the years.

Median total presenting debt amount for clients by gender

Includes home loans

Gender	2021	2022	Change
Female	$13,001.09	$13,783.17	**+$782.08**
Gender diverse*	$9,450.00	$11,442.54	**+$1,992.54**
Male	$13,472.36	$13,431.57	**-$40.79**

**Low sample size*

The number of gender diverse clients that were seeing financial mentors was low for both 2021 and 2022. Although there was a minor increase in 2022, it appears that gender diverse clients have not been finding their way to financial mentoring services. In Client Voices the median amount of debt for gender diverse people was lower than for women and men.

However, gender diverse people in Aotearoa tend to experience high rates of financial exclusion and difficulty accessing financial support. This was exacerbated during 2020 and 2021 with the effects of Covid-19 and lockdowns (Poupard, 2021). This is an area for further research to ensure that financial mentoring services can adequately support clients of all genders.

Overall in Aotearoa, men had higher rates of bankruptcy in 2021. At the same time, more women than men were going through a Debt Repayment Order or a No Asset Procedure (New Zealand Insolvency and Trustee Service, 2021). The threshold for bankruptcy is higher than for a No Asset Procedure, indicating that men tend to have higher amounts of debt in Aotearoa than women. Although this was the case in Client Voices in 2021, the data for 2022 shows a change with women holding higher amounts of debt.

"Women often look after the finances for a family. Women are often doing the invisible tasks that the working partner does not see."

– Financial mentor

Home loans

In Client Voices, there was a higher percentage of women with a home loan than men. In 2022 the percentage of women in Client Voices with a home loan increased by slightly less than for men at 0.5 percent.

Percentage of clients with debt who had home loans by gender

This is not the percentage of the total monetary sum of client debt

Gender	2021	2022	Change
Female	8.6%	9.1%	+0.5%
Gender Diverse*	13.3%	13.8%	+0.5%
Male	8%	8.7%	+0.7%

**Low sample size*

Zooming in on economic harm

Another issue impacting the number of debts held by women can be economic harm (Jury, Thornburn, & Weatherall, 2017). Economic harm is a legally recognised form of psychological abuse that is defined as behaviour towards a person that controls, restricts or removes their access to money, economic resources or participation in financial decisions (Good Shepherd, 2023). Financial mentors regularly report cases where economic harm has impacted women and burdened them with debt after a relationship breakdown.

"We get calls from men saying that their wife needs to learn to budget better."

– Financial mentor

Economic harm disproportionately impacts women in Aotearoa. *The Good Shepherd Economic Harm Support Service Pilot Evaluation*, released in July 2023, highlighted some issues that cross economic harm over with debt to government (McCauley, 2023). One quote in the report referred to the need for support from MSD for those that are escaping family violence. However, the loans from MSD for essential items when moving are usually recoverable (McCauley, page 13).

FinCap has made recommendations for the implementation of family violence policies across essential services such as banks, government departments, water and electricity providing companies, and their regulators. The recommendations included the requirements for all essential service providers to implement clear and consistent policies that ensure they:

- → Are informed about the complexities and signs of family violence and seek advice to tailor their approach to best support their customers.
- → Avoid requiring evidence of family violence, so that responses are timely and prioritise the safety of the survivor-victim.
- → Avoid repeat disclosure of circumstances. This can be traumatising and potentially creates a barrier to further support being sought. Some examples of solutions for this are referral arrangements and a dedicated phone line to flag the situation.
- → Implement systems for smooth referrals to expert support services.
- → Safely separate debt between the perpetrator and victim-survivor and implement processes for waiving debt for people affected by family violence.
- → Have effective processes for safety and protection of victim-survivors information. Ensure that information is kept confidential between account holders when it is requested.

"Women may not be able to access the finances and are reporting what money their partner gives them to pay bills as total income."

– Financial mentor

Zooming in on challenges for current and ex-prisoners

One important factor in the lower incomes for men is that there are higher rates of incarceration for men in Aotearoa (Ara Poutama Aotearoa Department of Corrections, 2023). Many financial mentors work with clients who have just left prison or are still in prison.

"Part of my portfolio is currently helping six prisoners right now and these men have no income, just debts." [male only prison]

– Financial mentor

As this quote from a financial mentor illustrates, current prisoners do not typically have any income. Those that are exiting prison can also find it more difficult to get well-paid work and can therefore be stuck on low incomes for extensive periods. The incomes for men recorded in Client Voices suggests that they are on benefit incomes, such as Jobseeker or the Supported Living Payment which are especially low paying forms of income.

There are many barriers to reintegrating into society and achieving financial wellbeing for those exiting prison in Aotearoa. One key issue is the barriers to accessing a bank account due to a lack of identification documents, permanent address, or financial history, such as having gone through an insolvency procedure (Stace & Sibanda, Paying the price – *A report* *into issues prisoners face around access to banking,* 2023). Without a bank account it is near impossible to go about your daily life. Receiving income and purchasing any items or services is impossible, without relying on the bank accounts of others. While these barriers to accessing a bank account are in place, unbanked clients must rely on friends, whānau and financial mentoring services. Where clients rely on the bank account of a friend or member of their whānau there is room for economic harm issues to arise. The unbanked client has little control over their money, and this can cause significant harm.

The higher rates of incarceration for men in Aotearoa than women also impact the level of debt that men have, as prison can be a cause of increased debt (Ara Poutama Aotearoa Department of Corrections, 2023). Financial mentors report issues where clients on remand are unable to notify creditors that they cannot make payments. This can result in the accrual of large debts with late payment penalties and accumulating interest. This causes difficulties for the client in prison, as well as for their whānau who might be trying to sort these issues while the whānau member is incarcerated or on remand.

Ethnicity

At a glance

In 2022, just under one in 200 Māori had debt and were seeing a financial mentor, who used Client Voices, in Aotearoa.

Māori clients had the lowest median income compared to all other ethnicity groups, at $651.37.

the median debt for Pākehā was $13,968.36, which was an increase of $791.00 from 2021.

Summary

In 2022, just under one in 200 Māori had debt and were seeing a financial mentor, who used Client Voices, in Aotearoa. This compared to one in 1000 Pākehā who had a debt and were seeing a financial mentor, who used Client Voices.

In 2022, Māori had the lowest median income compared to all other ethnicity groups, at $651.37, and the total expenditure as a percentage of weekly income in 2022 was 100.3 percent for Māori. Māori had a decrease in expenditure on electricity, fuel, clothing, and debt in 2022 and a slight increase in expenditure on rent and groceries.

Debt expenditure for Māori was 15.2 percent of income in 2022, and the median number of debts per client was four. The median amount of debt per client was $12,109.49, which was an increase of $717.61 from 2021. While 18.9 percent of Pākehā clients had a home loan in 2022, 9.2 percent of Māori clients had a home loan.

Pākehā clients had the second lowest income in Client Voices, at $660.47 in 2022. Pākehā had a median total expenditure of 104 percent and a lower expenditure on debt than Māori, at 14.5 percent of income. The median debt for Pākehā was $13,968.36, which was an increase of $791.00 from 2021.

Income

In 2022, Māori had the lowest median income across Client Voices at $651.37 a week, which was a $69.57 increase from 2021. Pākehā clients had the next lowest median income, which was $660.47, and there was a smaller increase from 2021 for Pākehā clients, of $49.44.

Chinese, Southeast Asian, Fijian, Latin American/Hispanic, Pākehā and Māori clients had the smallest increases in income between 2021 and 2022. However, the biggest negative change was for African clients who had a decrease of $154.26 in income between the years. There were only 71 African clients in Client Voices in 2022, and therefore further research is necessary to understand this trend of decreased incomes.

This highest incomes in 2022 were for Indian, other Asian and other Pacifica ethnicity groups. The biggest increases in income between 2021 and 2022 were for Indian clients, at $172.64, other Asian clients, at $146.61, and Niuean clients, at $124.99.

Median weekly client income by ethnicity

Ethnicity	2021	2022	Change
African*	$854.26	$700.00	**-$154.26**
Chinese*	$743.75	$771.00	**+$27.25**
Cook Island Māori	$572.97	$673.28	**+$100.31**
Fijian*	$831.13	$850.20	**+$19.07**
Indian	$784.17	$956.81	**+$172.64**
Latin American / Hispanic*	$765.00	$831.27	**+$66.27**
Middle Eastern	$643.05	$716.76	**+$73.71**
Māori	$581.80	$651.37	**+$69.57**
NZ European / Pākehā	$611.03	$660.47	**+$49.44**
Niuean*	$712.79	$837.78	**+$124.99**
Other	$696.63	$801.21	**+$104.58**
Other Asian*	$808.53	$955.14	**+$146.61**
Other European	$627.15	$713.78	**+$86.63**
Other Pacifica	$820.81	$904.60	**+$83.79**
Samoan	$811.37	$896.60	**+$85.23**
Southeast Asian	$773.00	$800.00	**+$27.00**
Tongan	$805.82	$876.57	**+$70.75**

**Low sample size*

Expenditure

In 2022, Fijian clients had the highest total expenditure, at 114.6 percent, which was an 8 percent increase from 2021. A major contributing factor to the particularly high expenditure appears to be the 26.3 percent expenditure on debt repayments, which increased by 5.9 percent in 2021. Expenditure across other categories was within the same range as other ethnicities for Fijian clients, although expenditure on groceries was on the lower end at 17.2 percent.

Samoan and Tongan clients also had high expenditure on debt repayments, at 21.9 percent and 22.5 percent respectively. The total expenditure for Samoan and Tongan clients was 109.4 percent and 109.9 percent respectively, and signals that without debt repayments the median weekly expenditure would not be in deficit.

Māori clients had a 1.6 percent decrease in total expenditure as a percentage of income in 2022. Across most categories of expenditure, for Māori clients, the percentage of income spent on essentials and debt remained similar. However, there was an increase of 0.9 percent for expenditure on rent or board and a 2 percent increase in grocery expenditure. Meanwhile, expenditure on electricity, fuel, clothing and debt dropped slightly in 2022.

Overall, NZ European/Pākehā clients had a decrease of 1.1 percent in total weekly expenditure in 2022. Pākehā clients had a slightly lower expenditure on debt repayments than Māori clients, at 14.5 percent in 2022, which was a minor decrease from 2021. This ethnicity group had a 0.3 percent increase in the percentage of income spent on rent or board and a 1 percent increase in expenditure on fuel. Expenditure across all other categories decreased slightly or saw no change in 2022.

Median weekly expenditure as a percentage of median weekly income by ethnicity in 2021 [12]

	African*	Chinese*	Cook Island Māori	Fijian*	Indian	Latin American / Hispanic*	Middle Eastern	Māori	NZ European / Pākehā	Niuean*	Other	Other Asian*	Other European	Other Pacifica	Samoan	Southeast Asian	Tongan
Rent/board	37.2%	49.3%	33%	35.8%	48.5%	49%	34.1%	32.3%	42.1%	42.1%	44.6%	38.7%	45.3%	26%	26.8%	46%	31.3%
Groceries	17.3%	20.2%	23.5%	16.9%	16.7%	22.1%	31.5%	20.5%	19%	21%	20.8%	19.7%	19.9%	23.4%	21.5%	18.1%	24.8%
Electricity	3.9%	5.1%	5.4%	4.2%	5.2%	5.9%	6.6%	6.7%	5.7%	3.7%	5.8%	3.3%	5.6%	3.1%	4.8%	5.6%	4.8%
Fuel	5.6%	5.7%	6.3%	7%	6.2%	5.2%	7.6%	7.1%	5.8%	8.3%	6.5%	6.2%	7.5%	7%	7.2%	6%	7.5%
Clothing	1%	0.8%	1%	1.1%	1.2%	1.2%	1.5%	0.4%	0.6%	0.7%	0.6%	0.9%	0.6%	0.7%	0.9%	1.3%	0.5%
Debt repayments	**18.9%**	**17.4%**	**17.2%**	**20.4%**	**23.4%**	**26.2%**	**11.5%**	**15.8%**	**14.9%**	**16.8%**	**15.5%**	**19.2%**	**16.9%**	**22%**	**25%**	**32.7%**	**19.9%**
Total weekly expenditure*	**112%**	**122.7%**	**109.6%**	**106.6%**	**113.1%**	99.5%	**121.7%**	**101.9%**	**105.1%**	**104.3%**	**108.7%**	**112.2%**	**111.3%**	**107.7%**	**111.6%**	**128.1%**	**108.5%**

**Low sample size*

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

[12] This data is not suitable for use in affordability assessments or hardship benchmarking.

Median weekly expenditure as a percentage of median weekly income by ethnicity in 2022 [13]

	African*	Chinese*	Cook Island Māori	Fijian*	Indian	Latin American / Hispanic*	Middle Eastern	Māori	NZ European / Pākehā	Niuean	Other	Other Asian*	Other European	Other Pacifica	Samoan	Southeast Asian	Tongan
Rent/board	41.7%	44.7%	33.4%	40%	43.6%	45.3%	25.6%	33.2%	42.4%	41%	39.1%	35.6%	42.1%	34.4%	26.9%	37.5%	28.5%
Groceries	23.8%	17.4%	22.3%	17.2%	16.7%	22.9%	34.4%	22.5%	18.3%	18.6%	17.1%	20.4%	21.3%	22.5%	20.2%	16.8%	23.1%
Electricity	5.1%	4.7%	5.9%	5.8%	4.1%	5%	6.8%	6.3%	5.4%	5.3%	5.3%	3.4%	5.3%	5.2%	4.9%	5%	4.7%
Fuel	8%	5.9%	6.9%	5.9%	6.7%	5.3%	8.1%	7%	6.8%	6.8%	6.6%	5%	6.4%	8.5%	7.8%	5.3%	9.1%
Clothing	1%	0.6%	0.9%	1.1%	1.1%	0.9%	1.4%	0.3%	0.6%	0.5%	0.7%	1%	0.9%	0.7%	1.1%	0.4%	1.2%
Debt repayments	**15.7%**	**15.4%**	**19%**	**26.3%**	**16.8%**	**15.9%**	**8.8%**	**15.2%**	**14.5%**	**16.6%**	**15.8%**	**15.8%**	**11.3%**	**18%**	**21.9%**	**10.5%**	**22.5%**
Total weekly expenditure*	**107.6%**	**109.4%**	**105.7%**	**114.6%**	**109.9%**	106.1%	**110.5%**	**100.3%**	**104%**	**96.6%**	**101.6%**	**104.1%**	**101.8%**	**107.1%**	**109.9%**	88.4%	**109.4%**

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

[13] This data is not suitable for use in affordability assessments or hardship benchmarking.

Debt

Māori and Pacifica peoples were disproportionately represented in the Client Voices database in 2021 and 2022. In both years there were more Māori clients than Pākehā clients in Client Voices. Just under one in 200 Māori had debt and were seeing a financial mentor, who used Client Voices, in Aotearoa in 2022. This is compared to one in 1000 Pākehā who had debt and were seeing a financial mentor, who used Client Voices, in 2021.

In 2022, the number of debts per client varied between two and four across ethnicity groups. Tongan, Samoan, Pākehā, Niuean, Māori, Indian, Fijian, and Cook Island Māori clients had a median of four debts per client. African clients had a median of three debts each, and Chinese, Hispanic, Middle Eastern, and Southeast Asian clients had a median of two debts per client.

In 2022, Māori clients had a median of $12,109.49 of debt each. Pākehā clients had a higher median level of debt at $13,968.36. Both Māori and Pākehā clients had an increase in the median amount of debt in 2022.

Median total presenting debt amount for clients by ethnicity

Includes home loans

Ethnicity	2021	2022	Change
African*	$11,050.89	$10,477.50	**-$573.39**
Chinese*	$6,311.49	$10,408.98	**+$4,097.49**
Cook Island Māori	$10,869.94	$14,968.34	**+$4,098.40**
Fijian*	$14,477.32	$21,034.60	**+$6,557.28**
Indian	$34,528.05	$25,000.00	**-$9,528.05**
Latin American / Hispanic*	$12,556.50	$13,701.45	**+$1,144.95**
Middle Eastern	$7,848.85	$7,000.00	**-$848.85**
Māori	$11,391.88	$12,109.49	**+$717.61**
NZ European / Pākehā	$13,177.36	$13,968.36	**+$791.00**
Niuean*	$19,151.11	$14,673.02	**-$4,478.09**
Other	$13,054.32	$13,872.00	**+$817.68**
Other Asian*	$16,475.35	$20,780.00	**+$4,304.65**
Other European	$16,432.17	$13,010.57	**-$3,421.60**
Other Pacifica	$16,230.00	$12,302.60	**-$3,927.40**

Ethnicity	2021	2022	Change
Samoan	$20,803.87	$20,644.95	**-$158.92**
Southeast Asian	$23,158.19	$9,930.17	**-$13,228.02**
Tongan	$16,176.81	$19,849.21	**+$3,672.40**

**Low sample size*

Both Māori and Pākehā had a much lower median amount of debt than Indian, Other Asian, Fijian, and Samoan clients. Indian clients had a particularly high median amount of debt with $25,000 in 2022, but a smaller number of clients in the database. This signals that Indian people are not finding their way to financial mentoring services until they hold a large amount of debt. Indian clients also had one of the highest median incomes and had a total weekly expenditure of 109.9 percent in 2022.

As highlighted below, most ethnicities had an increase in the percentage of clients that had a home loan in 2022. However, there was a decrease in the percentage of African and Southeast Asian clients that had home loans in 2022, although, both ethnicity groups had a small sample size.

Percentage of clients with debt who had home loans by ethnicity

This is <u>not</u> the percentage of the total monetary sum of client debt

Ethnicity	2021	2022	Change
African*	8.9%	4.6%	-4.3%
Chinese*	11.9%	36.8%	+24.9%
Cook Island Māori	4.7%	8.6%	+3.9%
Fijian*	7.7%	12.1%	+4.4%
Indian	17.1%	20%	+2.9%
Latin American / Hispanic*	7.1%	40.9%	+33.8%
Māori	6.6%	9.2%	+2.6%
Middle Eastern*	2.7%	8%	+5.3%
Niuean*	5.7%	7.9%	+2.2%
NZ European / Pākehā	13.5%	18.9%	+5.4%
Other	8.9%	13.1%	+4.2%

Ethnicity	2021	2022	Change
Other Asian*	20%	20.3%	+0.3%
Other European	15.1%	19.2%	+4.1%
Other Pacifica	7.5%	8.1%	+0.6%
Samoan	6.1%	7.4%	+1.3%
Southeast Asian	12.3%	10.9%	-1.4%
Tongan	6%	7.8%	+1.8%

**Low sample size*

The table also shows that the ethnicity groups with the lowest percentage of home ownership, and that had significant sample sizes, were Tongan, Samoan, Other Pacifica, Māori, and Cook Island Māori. These groups also had smaller increases in 2022 compared to other ethnicities, except for Cook Island Māori clients as this group had a more significant increase of 3.90 percent.

We anticipate that this data can assist organisations that are thinking about targeted approaches to develop responses and actions that support the growth of financial wellbeing for whānau Māori. As previously mentioned, financial mentors are working extra hours to meet demand for their support. Given the disproportionate number of whānau Māori that are working with financial mentors, sustainable funding for all financial mentors would ensure ongoing access for whānau Māori looking to achieve financial wellbeing.

Income brackets

At a glance

The median income per income bracket increased across all, except the $1000 plus, income brackets.

The $0 to $249 weekly income bracket had a total weekly expenditure of 132.1 percent of income.

The income bracket with the lowest median amount of debt per client was the $0 to $249 bracket, with a median debt of $7,450.86.

Summary

Across all income brackets income increased in 2022, while the median amount of debt per client decreased. However, those in the two lowest income brackets are still experiencing reasonably high numbers of debts, at a median of three debts per client.

While the cost-of-living increases contributed to an increase in clients seeing financial mentors that were in higher income brackets, many whānau have been experiencing barriers to financial wellbeing for a long time. The cost-of-living increases are only exacerbating already present challenges for these whānau.

The total expenditure as percentage of income was highest for the $0 to $249 income bracket, which also had a median of three debts per client. Later stages of this section explore the trends for this lowest income bracket.

Income

In 2022 there was an increase in the median income across all income brackets, except for the $1000 plus group, which had a decrease of $3.12. The income bracket of $249 and below saw an increase of only $0.49 in 2022. Meanwhile, the increases to the $250 to $499 and $750 to $999 income brackets were similar, at $15.78 and $15.61 respectively. The $500 to $749 income bracket had an increase of $9.54.

Median weekly client income by income bracket

Income bracket	2021	2022	Change
$0-$249	$219.50	$219.99	**+$0.49**
$250-$499	$376.82	$392.60	**+$15.78**

Income bracket	2021	2022	Change
$500-$749	$624.60	$634.14	**+$9.54**
$750 - $999	$857.86	$873.47	**+$15.61**
$1000+	$1,235.54	$1,232.42	**-$3.12**

Expenditure

The income bracket of $250 and below a week, had a total weekly expenditure of 132.1 percent of income, which was an increase of 16.3 percent from 2021. Expenditure across all categories was high for this income bracket. Expenditure on rent was 48 percent, which was an increase of 3.6 percent from 2021. Expenditure on debt was also particularly high in 2022, at 30.7 percent.

Median weekly expenditure as a percentage of median weekly income by income bracket in 2021 [14]

	$0 - $249	$250 - $499	$500 - $749	$750 - $999	$1000 +
Rent/board	44.4%	42.2%	33.6%	40.6%	37.1%
Groceries	37.4%	21.4%	22.5%	19%	16.2%
Electricity	13.8%	7.7%	6.3%	5.6%	4%
Fuel	18.6%	10.5%	8%	5.9%	5.3%
Clothing	0%	0.5%	0.6%	0.7%	0.8%
Debt repayments	**20.9%**	**14.8%**	**16.1%**	**17.4%**	**21.4%**
Total weekly expenditure*	**115.8%**	**111.7%**	**102.9%**	**102.4%**	**102.6%**

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

[14] This data is not suitable for use in affordability assessments or hardship benchmarking.

Median weekly expenditure as a percentage of median weekly income by income bracket in 2022 [15]

	$0 - $249	$250 - $499	$500 - $749	$750 - $999	$1000 +
Rent/board	48%	38.5%	38.3%	38.5%	38%
Groceries	40%	23.3%	21.1%	18.5%	17.9%
Electricity	12.7%	7.5%	6.4%	5.3%	4.1%
Fuel	19.9%	10.2%	7.9%	6.9%	5.8%
Clothing	0%	0.1%	0.6%	0.7%	0.8%
Debt repayments	**30.7%**	**13.7%**	**14.7%**	**17.4%**	**19.9%**
Total weekly expenditure*	**132.1%**	**107.8%**	**103.4%**	**103%**	**102.4%**

**The percentages of expenditure for each category do not equal the total weekly expenditure. Each expenditure category displays a separately calculated median percentage.*

Debt

This section looks at the number and amount of debt that clients in different income brackets have. To provide context to the information in this section, the weekly income after tax for full-time minimum wage workers was approximately $767.95 in 2022. This highlights that most of the whānau in the income brackets identified in the tables below were living on incomes below the full-time minimum wage.

Those in the two lowest income brackets are still experiencing reasonably high numbers of debt, at a median of three debts per client. The tension between servicing that many debts and having a very low-income signals severe challenges to financial and overall wellbeing for these whānau. The other of the lowest income brackets, of $250 to $499 had a median of three debts per client. The two next income brackets of $500 to $749 and $750 to $999 had a median of four debts, while the $1000 plus bracket had a median of five debts.

As highlighted below, the median amount of debt decreased for almost all income brackets in 2022. The smallest decrease was for those in the $750 to $999 income bracket, and the biggest decrease was for those in the $1000 plus income bracket.

[15] This data is not suitable for use in affordability assessments or hardship benchmarking.

Median total presenting debt amount for clients by income bracket

Includes home loans

Income bracket	2021	2022	Change
$0 - $249	$6,179.03	$7,450.86	**+$1,271.83**
$240 - $499	$8,425.20	$7,999.25	**-$425.95**
$500 - $749	$11,299.49	$10,568.72	**-$730.77**
$750 - $999	$16,586.89	$16,054.94	**-$531.95**
$1000+	$27,931.94	$26,635.41	**-$1,296.53**

As shown in the tables above, those in the $500 to $749 income bracket had a median debt amount of $9,896.69 in 2022 and a median of four debts over both years. Every client in the $500 to $749 income range had an income below a full-time minimum wage equivalent for 2021 and 2022 (before tax). This provides perspective to the overall levels of income compared to levels of debt for the whānau who work with financial mentors.

In 2019, the Welfare Expert Advisory Group completed a report on the social security system in Aotearoa (Welfare Expert Advisory Group, 2019). The report analysed the adequacy of income support in Aotearoa and made recommendations for the level of income increase needed for whānau to receive an income sufficient for an adequate standard of living. The report found that an adequate income for a single person on a supported living payment would be $598. A work ready person on JobSeeker would need income to be $588 for it to be adequate. A sole parent with one child would need $802 and a couple with two children would need $1,225. The report showed that there were significant shortfalls across all of these benefit types and family sizes.

The data that we have from Client Voices is from the years 2021 and 2022 and, therefore, the adequate incomes for these years would need to be much higher with inflation considered. However, from what can be seen in Client Voices, whānau are clearly below any form of adequate income and set-up to fail. This is especially true for those in the lowest two income brackets, who still also have high levels of debt. As expected, the highest income group is most likely to have a home loan. However, surprisingly, the lowest income bracket is the second most likely bracket to have a home loan. This is potentially an indication that life events have led to a change of income and potential housing stress.

Percentage of clients with debt who had home loans by income bracket

This is not the percentage of the total monetary sum of client debt

Income bracket	2021	2022	Change
$0 - $249	2.6%	5.9%	+3.3%
$240 - $499	3.7%	4.5%	+0.8%

Income bracket	2021	2022	Change
$500 - $749	5.9%	5.9%	-
$750 - $999	8.3%	7.6%	-0.7%
$1000+	16.5%	17.5%	+1%

Zooming in on low-income brackets

In 2021, there were a significant number of clients in the $0 to $249 weekly income bracket with a median debt amount of $6,023.80 per client and a median of three debts per client. The $0 to $249 income bracket is lower than the lowest rate of benefit that was available in both 2021 and 2022. Whānau may be on these extremely low incomes for several reasons, such as relationship status, having no trust in engaging with Work and Income due to previous negative experiences, and other barriers to accessing financial support when it is needed. This report addresses reasons for such low incomes in the 'income' section and explains what financial mentors are seeing as causes.

In 2021, the median income in the $0 to $249 income bracket was $219.50, and in 2022 the median income was $219.99. As discussed in the debt section of this report, any income in this bracket is clearly an unliveable income. Further, the whānau in this income bracket have a median of three debts each. There are several reasons for such a significant number of clients with extremely low levels of income.

One reason can be when Work and Income takes the income of a partner into account when assessing the other partners eligibility for support. This can result in a barrier to accessing financial support. According to the outline on the Work and Income website, when a couple is "emotionally committed to each other for the foreseeable future, and financially interdependent" then Work and Income will take the partners income into account when assessing eligibility. If one partner is receiving a high income, then the other is likely to not be eligible for any income support. This approach assumes that income would be shared between partners, which can create interdependence. It can also provide a space where economic harm issues may develop.

"There is still a feeling of big brother and judgment from MSD. Clients can feel that when in appointments with staff, they must justify themselves all the time as staff come across as it's their money that's being given away."

– Financial Mentor

Another reason for these extremely low incomes that financial mentors report on, is where there have been past experiences with Work and Income that have caused harm and trauma for a client. This may mean that some clients will not enter or approach Work and Income for the financial support that they need, even when they are eligible for it. Financial mentors have explained that some of the reasons for clients having incomes below the lowest benefit amount is because clients are fearful to go to Work and Income due to past experiences.

"There are physical boundaries with the security guards at the door. This limits people wanting to walk in a feel safe and welcome."

– Financial Mentor

"Some people reluctantly apply as there is shame attached to seeking help from a government agency."

– Financial Mentor

"When using the call centre, clients have found the delay in answering is now beyond a joke and getting worse, which means asking for support has become even harder."

– Financial Mentor

Zooming in on cost-of-living trends

In 2021, there were more debts held overall by those on lower incomes. However, in 2022 this shifted and the number of clients with debt and the number of debts overall in the higher income brackets significantly increased. In 2022, the highest number of debts were held by the $1000 plus income category.

The change to higher numbers of debt for those in higher income brackets in 2022, reflects what financial mentors have reported about the rising cost of living resulting in more high-income clients experiencing financial difficulty than in previous years.

However, as evidenced earlier in this report, the levels of debt for whānau on extremely low incomes are high. No matter what the external influences are, many whānau in Aotearoa have been experiencing long-term persistent disadvantage across generations (The New Zealand Productivity Commission, 2021). The increased cost-of-living creates additional barriers, on top of already present and long-term challenges for these whānau.

Part four: What’s next?

FinCap plans to release the Voices report annually. We welcome collaboration with other organisations, government departments and services to provide further analysis and insights as to trends that we can see through Client Voices.

Where it can inform more robust policy making, FinCap will promote the insights from this report to policy experts and decision makers towards enabling greater financial wellbeing for whānau.

This report and any further work related to it will continue to inform FinCap's policy priority areas. These include reform to ensure fair debt-collection, the ongoing development of effective safe-lending laws and ensuring that operational policy around the creation and collection of debt to government is achieving the intended outcomes.

FinCap may progress analysis of more complex issues in Client Voices and release smaller discussion papers between the regular full year reports. Client Voices is in ongoing development to ensure that it best assists the work of financial mentors. The limitations identified throughout the research behind this report will feed into any projects to update coding options for financial mentors.

FinCap will also be sharing these aggregated insights with financial mentoring services. The report shows how much their hard work supporting whānau is contributing to our communities.

Works cited

2degrees. (2023, July). Shop mobile phones. Retrieved from 2degrees: https://www.2degrees.nz/shop/browse?filterKey2=itemCategory&filterValue2=Mobile%20Phones

Age Concern New Zealand. (2023). Employment over 65. Retrieved from Age Concern New Zealand He Manaakitanga Kaumātua Aotearoa: https://www.ageconcern.org.nz/Public/Public/Info/LifeStyle/Employment_over_65.aspx

Ara Poutama Aotearoa Department of Corrections. (2023, June). Prison facts and statistics - June 2023. Retrieved from Ara Poutama Aotearoa Department of Corrections: https://www.corrections.govt.nz/resources/statistics/quarterly_prison_statistics/prison_stats_june_2023

Ardern, R. H., Robertson, H., & Woods, H. (2022, March 14). Government cuts 25c a litre off fuel excise in cost of living relief package. Retrieved from Beehive.govt.nz: https://www.beehive.govt.nz/release/government-cuts-25c-litre-fuel-excise-cost-living-relief-package

ASB Bank Limited. (2023). Support Finder. Retrieved from ASB: https://www.asb.co.nz/banking-with-asb/support-finder.html

Centrix. (2023, May). Centrix Credit Bureau of New Zealand. Retrieved from Centrix Credit Indicator Report May 2023: https://www.centrix.co.nz/wp-content/uploads/2023/06/Centrix-Credit-Indicator-Report_May-2023.pdf

CivicTheme. (2022). My Story. Retrieved from BenefitMe: https://benefitme.nz/get-started/my-story

Commerce Commission New Zealand. (2022). Disclosure for Lenders Guidelines. Retrieved from https://comcom.govt.nz/__data/assets/pdf_file/0016/62008/Disclosure-for-lenders-Guidelines-April-2022.PDF

Commerce Commission New Zealand. (2022). Door-to-door trader banned from providing credit. Commerce Commission New Zealand. Retrieved from https://comcom.govt.nz/news-and-media/media-releases/2022/door-to-door-trader-banned-from-providing-credit

Commerce Commission New Zealand. (2023, July 17). High-cost lenders cutting interest rates or exiting the market, ComCom review shows. Retrieved from Commerce Commission New Zealand Te Komihana Tauhokohoko: https://comcom.govt.nz/news-and-media/media-releases/2023/high-cost-lenders-cutting-interest-rates-or-exiting-the-market,-comcom-review-shows

Commerce Commission New Zealand. (2023, July). High-cost lenders cutting interest rates or exiting the market, ComCom review shows. Retrieved from Commerce Commission New Zealand: https://comcom.govt.nz/news-and-media/media-releases/2023/high-cost-lenders-cutting-interest-rates-or-exiting-the-market,-comcom-review-shows

Community Law. (2023). Benefit rates. Retrieved from Community Law Free Legal Help Throughout New Zealand: https://communitylaw.org.nz/community-law-manual/chapter-23-dealing-with-work-and-income/benefit-rates-how-much-youll-get-and-how-much-you-can-earn

Community Law. (2023). Jobs, benefits & flats. Retrieved from Community Law: https://communitylaw.org.nz/community-law-manual/chapter-23-dealing-with-work-and-income/trouble-with-work-and-income-penalties-investigations-and-overpayments/overpayments-when-youre-paid-too-much-by-mistake/

Community Law. (2023). Qualifying for social housing. Retrieved from Jobs, benefits & flats: https://communitylaw.org.nz/community-law-manual/chapter-24-tenancy-and-housing/social-housing-tenants-in-state-and-community-housing/qualifying-for-social-housing/

Consumer. (2021, September). Buy-now, pay-later costing shoppers $10m+ in fees. Retrieved from Consumer.: https://www.consumer.org.nz/articles/buy-now-pay-later-costing-shoppers-10m-in-fees

Consumer NZ. (2023, May 9). Consumer NZ warning about dodgy car finance deals. Retrieved from consumer.: https://www.consumer.org.nz/articles/consumer-nz-warning-about-dodgy-car-finance-deals

Department of the Prime Minister and Cabinet (DPMC). (2022). [Proactive Release] Reducing impact of debt to government. Department of the Prime Minister and Cabinet. Retrieved from https://www.dpmc.govt.nz/sites/default/files/2022-02/proactive-release-reducing-impact-of-debt-to-government-3feb22.pdf

Electricity Authority Te Mana Hiko. (2023). Consumer care guidelines. Retrieved from Electricity Authority Te Mana Hiko: https://www.ea.govt.nz/projects/all/consumer-care-guidelines/

Employment New Zealand. (2022). Young employees. Retrieved from Employment New Zealand: https://www.employment.govt.nz/starting-employment/rights-and-responsibilities/young-employees/

Employment New Zealand. (2023). Current minimum wage rates. Retrieved from Employment New Zealand: https://www.employment.govt.nz/hours-and-wages/pay/minimum-wage/minimum-wage-rates/

Employment New Zealand. (2023). Previous minimum wage rates. Retrieved from Employment New Zealand: https://www.employment.govt.nz/hours-and-wages/pay/minimum-wage/previous-rates/

FOODBANK. (2023). Find a foodbank - Wellington. Retrieved from FOODBANK.co.nz: https://www.foodbank.co.nz/wellington

Good Shepherd. (2023). Economic Harm Explained. Retrieved from Good Shepherd New Zealand: https://goodshepherd.org.nz/economic-harm/economic-harm-explained/

Inland Revenue. (2022). Family Tax Credit Bill passed. Retrieved from Inland Revenue: https://www.taxpolicy.ird.govt.nz/news/2021/2021-11-25-family-tax-credit-bill-passed

Inland Revenue Department. (2022, June). Cost of Living Payment. Retrieved from Inland Revenue: https://www.ird.govt.nz/-/media/project/ir/home/documents/cost-of-living-payment/ir1153-cost-of-living-payment.pdf

Jury, A., Thornburn, N., & Weatherall, R. (2017). "What's his is his and what's mine is his": Financial power and the economic abuse of women in Aotearoa. Aotearoa New Zealand Social Work, 14.

Justice Connect. (2023). Being judgement proof. Retrieved from Homeless Law in Practice: https://hlip.justiceconnect.org.au/practice-areas/credit-and-debt/first-steps-to-take/being-judgment-proof/

Li, F., & Anastasiadis, S. (2022). Patterns across debt and debtors to government:

Connections between debt to IR, MSD, and MoJ . Social Wellbeing Agency.

Lilley, J. (2023). Put on hold? FinCap. Wellington: Consumer Advocacy Council.

Maurice, T. (2023, August). 'Proxy debt collector': budgeting services call for end to benefit attachment orders. Retrieved from RNZ: https://www.rnz.co.nz/national/programmes/ninetonoon/audio/2018902687/proxy-debt-collector-budgeting-services-call-for-end-to-benefit-attachment-orders

McCauley, L. (2023). Economic Harm Support Service Pilot Evaluation. Good Shepherd. Good Shepherd. Retrieved from https://goodshepherd.org.nz/wp-content/uploads/2023/07/Good-Shepherd-NZ-Economic-Harm-evaluation-July-2023.pdf

Ministry of Business, Innovation & Employment. (2021, December 3). Phasing-out the Low Fixed Charge Tariff regulations. Retrieved from Ministry of Business, Innovation & Employment: https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-consultations-and-reviews/electricity-price/phasing-out-low-fixed-charge-tariff-regulations/

Ministry of Business, Innovation & Employment. (2022). Report on energy hardship. Te Kāwanatanga o Aotearoa New Zealand Government. Retrieved from https://www.mbie.govt.nz/assets/measures-of-energy-hardship-june-year-2022-report.pdf

Ministry of Business, Innovation & Employment. (2023). Retrieved from Electricity cost and price monitoring: https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/energy-prices/electricity-cost-and-price-monitoring/

Ministry of Business, Innovation & Employment. (2023). Contracts and sales agreements. Retrieved from Consumer Protection: https://www.consumerprotection.govt.nz/general-help/guide-to-buying-smart/contracts-and-sales-agreements/#:~:text=You%20must%20be%20legally%20capable,unsound%20mind%2C%20including%20drunk%20people

Ministry of Business, Innovation & Employment. (2023, June 27). New analysis shows 110,000 households unable to afford to heat their homes. Retrieved from Ministry of Business, Innovation & Employment: https://www.mbie.govt.nz/about/news/new-analysis-shows-110000-households-unable-to-afford-to-heat-their-homes/

Ministry of Business, Innovation & Employment. (2023). Review of December 2021 credit law changes. Retrieved from Ministry of Business, Innovation & Employment: https://www.mbie.govt.nz/business-and-employment/consumer-protection/review-of-consumer-credit-law/review-of-december-2021-credit-law-changes/

Ministry of Business, Innovation and Employment. (2018). Regional Economic Activity Web Tool. Retrieved from Deprivation index in New Zealand: http://webrear.mbie.govt.nz/theme/deprivation-index/map/timeseries/2018/new-zealand?accessedvia=bay-of-plenty&right-transform=absolute

Ministry of Social Development. (2020). Summary of Total Money Mangement Review Phase One. Retrieved from Ministry of Social Development: https://www.msd.govt.nz/documents/what-we-can-do/providers/building-financial-capability/tmm-summary-of-phase-one.pdf

Ministry of Social Development. (2023). Check what you might get. Retrieved from Work and Income Te Hiranga Tangata: https://www.workandincome.govt.nz/online-services/eligibility/index.html

Ministry of Social Development. (2023). Total Incomes Annual Report - 2023. Ministry of Social Development. Retrieved from https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/benefit-system/total-incomes-annual-report-2023.pdf

Minsitry of Social Development . (2023). Calculating your rent payments. Retrieved from Work and Income: https://www.workandincome.govt.nz/housing/live-in-home/live-in-public-housing/calculating-rent-payments.html

Minsitry of Social Development. (2023). Who can get public housing. Retrieved from Work and Income Te Hiranga Tangata: https://workandincome.govt.nz/housing/find-a-house/who-can-get-public-housing.html

New Zealand Companies Office. (2023). About credit unions. Retrieved from New Zealand Companies Office: https://www.companiesoffice.govt.nz/all-registers/credit-unions/about/

New Zealand Insolvency and Trustee Service. (2021). Insolvency Statistics and Debtor Profile Report - 1 July 2020 to 30 June 2021. New Zealand Insolvency and Trustee Service.

Parliamentary Counsel Office. (2022). Water Services Economic Efficiency and Consumer Protection Bill. Retrieved from New Zealand Legislation: https://legislation.govt.nz/bill/government/2022/

Pennington, P. (2023, August 11). Sample reveals half of beneficiaries paid wrongly by MSD - 'What happens next?'. Retrieved from RNZ: https://www.rnz.co.nz/news/national/495567/sample-reveals-half-of-beneficiaries-paid-wrongly-by-msd-what-happens-next

Pierse, N., White, M., & Riggs, L. (2019). Healthy homes initiaitve outcomes evaluation service: initial analysis of health outcomes. University of Otago. Retrieved from https://www.motu.nz/assets/Documents/our-work/urban-and-regional/housing/Healthy-Homes-Initiative-Outcomes-Initial-Evaluation.pdf

Poupard, J. R. (2021). Experiences of covid-19 for takatapui, queer, gender diverse and intersex young people aged 16-24. Point Associates. Retrieved from https://www.myd.govt.nz/documents/young-people/youth-voice/experiences-of-covid-19-for-takat-pui-queer-gender-diverse-and-intersex-young-people-aged-16-24-report.pdf

Salaries.co.nz. (2023, April). The Adult Minimum Wage. Retrieved from Salaries: https://www.salaries.co.nz/cd/tax-calculator/minimum-wage

Sepuloni, H. C., & Wood, H. (2022, March 31). Government delivers income increases for over 1.4 million New Zealanders. Retrieved from Beehive.govt.nz: https://www.beehive.govt.nz/release/government-delivers-income-increases-over-14-million-new-zealanders

Shorter, C., Crane, J., Barnes, P., Kang, J., Honeywill, C., Robertson, O., . . . Howden-Chapman, P. (2022). The cost of achieving healthy temperatures in children's bedrooms: Evidence from New Zealand. Energy Policy. Retrieved from https://www.sciencedirect.com/science/article/abs/pii/S0301421522000866?via%3Dihub

Social Wellbeing Agency. (2022). Children and debt to government. Social Wellbeing Agency. Retrieved from https://swa.govt.nz/assets/Children-and-debt-Insights-report.pdf

Stace, V., & Gordon, L. (2021). Debt collection in Aotearoa from the perspective of financial mentors. FinCap. Retrieved from https://www.fincap.org.nz/wp-content/uploads/2021/09/Debt-collection-in-Aotearoa-from-the-perspective-report.pdf

Stace, V., & Sibanda, J. (2023). Paying the price - A report into issues prisoners face around access to banking. FinCap/Victoria University of Wellington Te Herenga Waka. Retrieved from https://www.fincap.org.nz/wp-content/uploads/2023/07/FinCap-Paying-the-Price-Final-25-June.pdf

Stace, V., Croskery, E., Harward, M., Tracey, A., & Chan, E. (2021). Working Towards a Fairer Consumer Credit Market: A study of the issues in New Zealand's consumer credit market and proposals for reform: Debt Collection. Wellington: FinCap.

Stats NZ. (2022, December). Labour market statistics: December 2022 quarter. Retrieved from Stats NZ: https://www.stats.govt.nz/information-releases/labour-market-statistics-december-2022-quarter/

Stats NZ. (2023, March 23). Housing affordability more challenging for renters than homeowners. Retrieved from Stats NZ Tatauranga Aotearoa: The percentage of income being spent on rent is lower than might be expected because many clients may be in social, emergency, or transitional housing with lower and subsidised housing costs compared to market rate private rental or mortgage amounts.

Stats NZ Tatauranga Aotearoa. (2020, September). 2018 Census ethnic group summaries. Retrieved from Stats NZ: https://www.stats.govt.nz/news/ethnic-group-summaries-reveal-new-zealands-multicultural-make-up/

Stock, R. (2023, July 17). Commerce Commission seeks fines against Christchurch lender, warns four others. Retrieved from Stuff: https://www.stuff.co.nz/business/132557640/commerce-commission-seeks-fines-against-christchurch-lender-warns-four-others

The New Zealand Productivity Commission. (2021). A fair chance for all: breaking the cycle of persistent disadvantage. Retrieved from http://www.productivity.govt.nz/

Webb, H. D. (2023, August). Government acts on consumer credit protection. Retrieved from Beehive.govt.nz: https://www.beehive.govt.nz/release/government-acts-consumer-credit-protection

Welfare Expert Advisory Group. (2019). Whakamana Tāngata - restoring dignity to social security in New Zealand. Welfare Expert Advisory Group. Retrieved from https://www.weag.govt.nz/assets/documents/WEAG-report/aed960c3ce/WEAG-Report.pdf

Wellington City Council. (2022, June). Wellington City Libraries end overdue fines. Retrieved from Absolutely Positively Wellington City Council: https://wellington.govt.nz/news-and-events/news-and-information/our-wellington/2022/06/library-fines-removed

Appendix A

List of known limitations and technicalities with Client Voices data

- Improved engagement with whānau facing challenges to their financial wellbeing by financial mentors could influence trends where more complete data sets are included in the sample analysed.
- The data in this report is reliant on the accuracy of data entry by financial mentors. There may be varied practices with data entry in Client Voices across financial mentoring services and we have addressed this below in this Appendix.
- Our analysis is limited to the information that financial mentors have inputted into the Client Voices database.
- Our analysis of the Client Voices database is limited to the years 2021 onwards, as previously the database was not at a consistent standard for analysis.
- In 2021, debt to Inland Revenue was not separated out from the category of 'other government department' debt. We surmise that student loans make up a large portion of the debt to Inland Revenue, which would be included in the 'other government department' category. We cannot separate this debt out at this stage.
- Home loans have been included in most of the tables of debt amounts in this report. Where home loans have been excluded from the data, this is clearly labelled. The nature of home loans is different to other loans. The length of home loans is typically over decades. Despite this, we have included home loans because currently we are unable to exclude the debts without excluding the clients. By excluding all the clients with home loans, we lose the data on all the other debts that the clients hold. This data is integral.
- There are some other loan types that might cause the same issue, such as StudyLink debts, but we are currently unable to exclude these debt types from our analysis.
- There are likely to be errors in the amount of telecommunication debt that is shown in Client Voices. There are currently different practices for inputting certain types of telecommunication related debt. In particular, financial mentors regularly report that clients have long-term phone payment plans, which FinCap considers to be a form of debt. However, there are different practices across financial mentors as to whether they include this debt in the debt schedule or in the budget only. From our understanding, most financial mentors only put this information in budgets. Therefore, it is likely that there is a higher amount of telecommunication debt than what is detailed in this report.
- There might be differences in practice that mean different amounts are shown for grocery expenditure. For example, some financial mentors include all of the spend at a supermarket including items such as cleaning supplies. Meanwhile, some may include all expenditure on anything food related in the groceries category, including shops at local dairies or petrol stations while others may split these shops out into different categories on the budget worksheet.
- In the expenditure section, where we refer to the percentage of income spent on debt, we have included home loans.
- In the sections that analyse debt trends, the data excludes all cases with zero debts.

When we refer to the total number of clients in each demographic or category, we are referring to the total number of clients that hold any debt.

- → In the sections of this report that analyse expenditure trends, the data is based on the last budget the financial mentors complete with their client.
- → Throughout this Voices report we use the words 'whānau' and 'clients' interchangeably. While both individual clients and families can work with a financial mentor, we recognise that the financial situation of one whānau member likely impacts or reflects the whole whānau.

Compiled by: Janeka Rutherford-Busck

Registered charity number: CC54862

September 2023