



**PSA Pasefika
submission on the
Credit Contracts
Legislation
Amendment Bill**

14 June 2019

PSA Pasefika submission to the Finance and Expenditure Committee on the Credit Contracts Legislation Amendment Bill

Kia pupuru o vaevae, kia mokora o kaki.

Your legs like the *pupuru* and your neck like the duck's. Be wise, be steady and cool. Be strong and courageous and consider things very carefully. Stand firmly and be alert.

About PSA Pasefika

PSA Pasefika is a network of Pacific people who are members of the New Zealand Public Service Association Te Pūkenga Here Tikanga Mahi (the PSA). PSA Pasefika provides leadership and brings together the collective voice for Pasefika PSA members from across the PSA's areas of coverage.

The PSA is the largest trade union in New Zealand with over 70,000 members. Over 4500 of those members are Pacific people. We are a democratic organisation representing people working in the public service, the wider state sector (the district health boards, crown research institutes and other crown entities), state owned enterprises, local government, tertiary education institutions and non-governmental organisations working in the health, social services and community sectors.

The PSA is an affiliate of the New Zealand Council of Trade Unions Te Kauae Kaimahi. We are aware of the submission of NZCTU Komiti Pasefika on this bill and we support that submission.

This submission

In preparing this submission, the komiti of PSA Pasefika emailed all PSA members who have identified themselves to us as Pacific people and asked for their comments on the bill via an online survey. This submission reflects those comments. The full text of those comments is attached as appendix 1. We have asked to speak to our submission.

Key points

This bill introduces measures that are needed and long due – we support it

PSA Pasefika agrees that this bill is needed to address ongoing issues in the credit market and significant harm to vulnerable consumers from problem debt. We are submitting on this bill because the issues it seeks to address disproportionately affect Pacific people. We see this both within our own families and communities and in our roles as public servants.

Loan sharks trap people in a cycle of debt that keeps many in our communities in poverty. As one PSA Pasefika member said in response to our survey, “Pasifika communities are being taken advantage of by unscrupulous loan sharks. We are being targeted due to our lower socioeconomic status and our cultural customs which involve collectively contributing financially to family and community needs. Loan sharks knowingly take advantage of the situation and financially cripple families for the sake of profit.” We recognise that low wages and lack of other options for finance also contribute.

The main changes proposed by the Bill are:

- A limit on how much interest and fees can accumulate on a loan
- All directors and top executives of lenders offering credit contracts to be required to meet a “fit and proper person” test
- Strengthened enforcement including penalties and damages for breaches of lender responsibility
- Greater prescription about how assessments of affordability and suitability must be conducted
- Debt collectors required to disclose key information about the debt to the debtor at the start of any debt collection action.

PSA Pasefika strongly supports each of these changes and suggests further measures that will strengthen the impact of the Bill.

Further measures are needed

We strongly recommend you consider including an interest rate cap, or a process for setting one, in the legislation, and we support the call of the New Zealand Council of Trade Unions and FinCap for

this. The proposal in the Bill for a limit on the total cost of repayments will not be effective without this.

In addition, in our view the wording of the changes aiming to limit the total cost of repayment need further work to ensure that they do not fail to capture in the total cost of repayment limit situations where there is a single day gap between two loans, or where there are overlapping loans from the lender or a related lender.

We also support FinCap's call for protection of a proportion of borrowers' income from interest payments on high cost loans, to ensure that no matter how large loan repayments get there is always money available to meet basic needs.

We have summarised below some of the further changes proposed by PSA Pasefika members in response to our survey about the Bill. Some of these can be achieved through legislation and others require a coordinated programme of work across public and community services, and we call for such a programme to be developed.

- Banning or regulating television and internet advertising of these services which make them seem glamorous.
- Limiting the ability of overseas owned companies to conduct these services in New Zealand as they have no stake in the harm caused.
- Organisations providing these services should be obliged to provide information and access to budgeting services before any contract is signed.
- Funding of free budgeting, tax and investment advice and services specifically shaped for Pacific people.
- There needs to be a requirement that contracts are provided in Pacific languages, that lenders have staff that can speak those languages and explain the contracts, and that there is a check in place to ensure people can't commit to contracts if they cannot adequately read them.
- Provision for further guidelines or criteria to be developed around the assessments of affordability.
- Where applicants are applying for lending due to extreme hardship (and possibly unsatisfactory credit scores), there should also be an independent advisor (independent

of the company) assigned to the loan applicant to help the applicant understand the ramifications of entering into the loan.

- A requirement that client debt needs to be addressed at the earliest point if in arrears, rather than being left in order to maximise the lender's profit.
- Free community programmes/information sessions on how to apply for a loan with a bank, loan companies, etc and what they need to know about the different interest rates and understanding the fine prints in the contracts.
- Churches to take more active role ensuring their congregation have an understanding of what is involved with applying for loans (invite professionals in to run a seminar for their church in their own language).
- Introduce programmes in high schools around loans and interest rates and how they work.
- Something to stop predatory practices, like when people pay off a loan and are then asked if they want another.

We have asked to appear at select committee to present this submission and we look forward to meeting you at that time.

Brian Palalagi

PSA Pasefika Co-Convenor

Ulualoifaiga Mareko

PSA Pasefika Co-Convenor

For administration purposes, please contact:

Kirsten Windelov
Senior Advisor
Policy and Strategy
New Zealand Public Service Association
PO Box 3817
Wellington 6140

Phone: 04 495 7633, email: kirsten.windelov@psa.org.nz

Responses to survey of PSA Pasefika members on the Bill

Interest rates are high; should lower the interest rate - Not to approve loan to low income people who cannot afford to pay back
A lot of our pacific families use this option because they can pay it off over an agreed time but don't actually realise the extra amount that they will have to pay for interest. It seems that they target the lower economic areas. - I think better budgeting skills should be available to people that have used this service, knowing how much they can save if they were to put that money away a week rather than racking up interest and penalties etc. - Good luck.
All of the changes are appropriate. One further change should be banning television and Internet advertising. The number of companies advertising the ease with which you could get a loan is a disgrace. The advertising makes it seem glamorous and a short term easy loan to buy frivolous crap like holidays or an expensive engagement ring. Even if people are using the money lenders for necessities in life it's a vicious circle of debt. They don't call them loan sharks for nothing.
As a Social worker, I have seen a lot of POVERTY arising from our people using Loan Sharks . Most of them are too illiterate to understand the policies/contracts that these Loan sharks use to 'bait' them to low payments BUT yet paying more than they know. - I have come across Loan Companies operating in New Zealand BUT offices in overseas.....WHY are they allowed to do their business here??Why are they allowed to exploit the innocent people ----luring them to extreme lending..!!
Changes are appropriate. Loan sharks are taking advantage of the vulnerable.
'fit and proper person' should include being able to fully understand & speak English. Loan sharks take advantage of our people who can't speak English.
'fit and proper person' test? That sounds like something anyone with a lick of sense could easily pass. I assume these companies are regularly audited, if not, that provision needs to be added. Could they also be forced to promote budgetary advice bureaus? I understand many of our people earn very little and budget as best they can, but some inside knowledge around budgeting could also help.
Free Budgeting, Tax, Financial & Property Investment advice for our Pasifika & Maori people so they can get ahead.
I agree with all of the proposed changes, working within my current job at Ministry of Justice the amount of applications that come across with Pasefika names is quite common, the details of those applications where debtors have received top up after top up or had another loan issued on top of another is very concerning especially when they have defaulted on a previous loan numerous times the opportunity is still provided. - - Limiting how much interest is applied will also assist and work in with the Interest of Money Claims Act 2016 which was changed and became effective on 01 January 2019. Prior to that the issue in my work space was compounding interest, high interest rates for shorter periods or large amounts of interest being claimed over a lengthy period which would amount to be either double or even triple the principal amount. - - In terms of fees I think having this implemented into the Bill will assist Deputy Registrars when making decisions in terms of what fees are deemed reasonable and unreasonable especially when a loan was initiated more than 1 year ago. - - I think further guidelines or criteria need to be developed around the assessments of affordability but also think we shouldn't make them even more strict to stop our people from being able to obtain financial assistance especially when there are adverse events that require finance like Funerals or Weddings etc.
I agree with all these proposed changes, and I believe that a lot of Pasefika people struggle with borrowing money and being adequately able to afford the repayments. as interest is so high and

<p>loan sharks- companies always suggest that you can spread out the repayments over a lengthier period, our people are preyed upon by this tactic, as they suggest the repayments as little as \$15 weekly etc..</p>
<p>I agree with the amendments proposed. The disproportionate effect on Pacific people may be the result of a power imbalance that is not being properly addressed. The loan sharks need to be held accountable for the vulnerable not to take advantage of their situation or profit from them. These changes are an appropriate way of holding them accountable.</p>
<p>I agree with the proposal as my family growing up struggled with loan sharks taking advantage of my parents who could not read in English and they did not know what struggles that were to come once they signed the contract. I'm sure there are many pasifika families in the community who find that easy money and not realise the interest rates and payments were going to be horrendous. I know my family was always in financial hardship and my parents were constantly fighting because they were worried their bills could not be paid for on time and sometimes we were left without food for a couple days until the extended families stepped in to support our family. So yes please let this proposal go through.</p>
<p>I believe that there needs to be additional legislative support to reduce the harm happening in our vulnerable communities</p>
<p>I disapprove of these loan sharks and van shops that are taking advantage of our people. Please speed this process up before more people succumb to this demise.</p>
<p>I have seen too many clients go to WINZ for food grants and advances due to struggling financially because of credit cards, loan sharks easy access to money, even if they have bad credit rating, car dealers offering this type of deal to those with bad credit rating for their financial gain, it's not about the 'people', its more about the profit. You see the advertising on TV e.g instant finance, finance now, Q card etc. They prey on the vulnerable, the weak, the needy, the struggling, the culture. I have seen it all too many times, people are struggling, cost of living is too high, expectations from different cultures to support extended families, send money overseas, clothing trucks target the needy and vulnerable, also causing domestic violence, family issues, repossession, eviction, crime.</p>
<p>I personally strongly agree with all the above. Once I experienced indirectly the effect of Loan sharks as my partner's previous employer dealt with a Cash Loan Finance Agent. In order for staff to access cash loans that end up in paying double the loan amount plus fees charged on top of it. Cocky dealings should never happened put a stop will eliminate poverty within our NZ families.</p>
<p>I think all of the above is appropriate for people of NZ.</p>
<p>I think the pacific people are targeted because of the lack of education behind loans and the hidden costs that go with loans and interest rates etc. More education is required for our P.I Community so they're better equipped to deal with stressful times and when pressure hits to come up with funds they don't have or cant afford to take on.</p>
<p>Lenders to have staff who speak the different languages and explain interest rates and total amount being paid for the duration of loan so people understand what they are signing up for. - - Lenders to be accountable for ensuring that contact has been made through all forms available to them (Text, email, phone, mail) if client debt needs to addressed at the earliest point if in arrears - - Free Community programmes/information sessions of how to apply for a loan with a bank, loan companies, etc and what they need to know about the different interest rates and understanding the fine prints in the contracts. - - Churches to take more active role ensuring their congregation have an understanding of what is involved with applying for loans. (invite professionals in to run a seminar for their church in their own language). - - Introduce programmes in High schools around loans and interest rates and how they work.</p>
<p>Pacific Families value extended families, communities and church more than the money they are currently earning. This influences and pushes a lot of Pasifika Families to borrow more so they are able to contribute, donate or give something to a cultural, family and church event or obligation. Loan Sharks love to take advantage of this vulnerable side of our people and approve more loans with high interests because they know, Pasifika people have no nowhere else to go to. Rarely, we</p>

<p>save money. The little income we earn on a weekly basis is spent on high rent, food, energy, petrol, schooling etc. Because our families are on average have at least two or more children, cost of daily livelihood and schooling is on the rise. Families have no choice but to use loan sharks as a mean to get the extra money.</p>
<p>Perhaps this could also extend to the trucks that covet the poor areas and allow our people to run into major debt by purchasing merchandise including food to our already struggling and vulnerable Pasefika fanau</p>
<p>Sadly this has come too late for some of my Pacific families but I sincerely hope that it will bring stronger and real change to the control and management of all lenders including the big banks! My 80 year old father was offered a \$5000 credit card limit by ANZ lord only knows how he was going to pay for it!</p>
<p>Specific care/focus on ensuring applicants understand (the terms explained in their own language - perhaps certified interpreters made available) Quite often lenders claim the borrower understood, but no justification/ nothing in writing etc.</p>
<p>Thanks, this will be helpful for the all the families who will be rushing into signing up with loan sharks.</p>
<p>The Bank services could support our community by being part of the lending service to assist</p>
<p>The reason why is, all of the changes mention above is absolutely right. It involves lots of people especially Maori and Pacific Islanders. Loan sharks and problem debt, charge way more interest,so people hardly afford to feed their families, pay bills and have a better life. As a result of that it cost lots of problem between families, and cause lots of mental health issues in our people and community. I can honestly say I am one of it.</p>
<p>There should also be legislation against debt collecting agencies and their terms of reference in 'fine print' where people can seize goods to the value of the debt but also in terms of people ringing and harassing clients of their debt at work, personal mobile etc. - - I believe that people become desperate however if someone is not able to afford loans and are given money then ownership should fall on the loan sharks to lose at a cost because they willingly gave this person money knowing that they could not afford to pay this back with a view to receive more money in return.</p>
<p>These are all appropriate and I would also like something to stop predatory practices, like when people pay off a loan and are then asked if they want another. Loan sharks trap people in a cycle of debt. However, I also recognise that low wages and lack of other options for finance contribute.</p>
<p>These changes are appropriate, important, and long overdue as pasikifa communities are being taking advantage of by unscrupulous loan sharks. We are being targeted due to our lower socioeconomic status and our cultural customs which involve collectively contributing financially to family and community needs. Loan sharks knowingly take advantage of the situation and financially cripple families for the sake of profit.</p>
<p>These changes are needed as Pasifika peoples are often taken advantage because their English is not as good to get a full understanding of what they are signing up for esp if the dealer is European. - None the less, despite ethnic origins, some kind of process should be in place when English is their 2nd language and not just tick off boxes on the agreement. - - -</p>
<p>These changes are needed. It is too easy for people to go to loan sharks and getting approved without knowing what the expectations are, or the hidden costs.</p>
<p>These changes are very long over due and glad that we can be part of pushing these changes through for our people.</p>
<p>This is a very long time coming, there have been too may sharks benefiting and too many broken families caused by the their harm.</p>
<p>This is long overdue !! - However where applicants are applying for lending due to extreme hardship (and possibly unsatisfactory credit score), there should also be an independent advisor assigned to the loan applicant to help the applicant understand the ramifications of entering into the loan. - Most people in a dire hardship situation are generally 'emotionally and financially blind' and only see the quick fix money solution as a means to an end. This is where and independent advisor, outside of</p>

the loan company and not related to the applicant, could be engaged.
This should have been done a long long time ago
Too many pacific islanders are being taken advantage of by Loan Sharks. In obtaining a loan - I don't feel they fully understand what they're entering in and what the repercussions are if they default on their loan payments.
Totally agree with the above proposals. The interest rates imposed by these loan sharks are absolutely sucking up person's income and on top of that are other fees, so a weekly/ fortnightly repayment will do very little to your balance. People are also asked to come and top up when their balance gets lower. That should be stopped too. cheers - Thank you for the good work for our Pacific community.
Wholly agree with all these changes.
Yes I formally submit on the credit contracts Legislation Amendment bill of dealing to the significant harm caused by loan sharks and problem dept that are affecting our Pasefika people. - - -
Yes! I 100% support all of the above!