New Zealand's debt society and child poverty

Child Poverty Action Group Background Paper

Dr M. Claire Dale

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About Child Poverty Action Group

Child Poverty Action Group (CPAG) is an independent charity working to eliminate child poverty in New Zealand through research, education and advocacy. CPAG believes that New Zealand's high rate of child poverty is not the result of economic necessity, but is due to policy neglect and a flawed ideological emphasis on economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of the poverty they live in.

If you would like to support CPAG's work, please visit our website: www.cpag.org.nz

Acknowledgements

Child Poverty Action Group thanks Nga Tangata Microfinance Trust for providing the data used as a basis for the case studies in this report.

About the Author

Dr M.Claire Dale is founder and a trustee and director of Nga Tangata Microfinance Trust which provides no interest loans to qualifying low income families, with loan funds provided by Kiwibank. This partnership won the supreme award for community innovation in the 2013 NZI National Sustainable Business Awards. She is also a longstanding member of Child Poverty Action Group and editor and contributing author of our flagship publication, *Left further behind: how policies fail the poorest children in New Zealand* (2011).

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1. Introduction

A debt society emerges when the costs of living are high, incomes are low, and access to debt (credit) is easy. Purchasing on credit, thus taking on debt, is normalised not just for large material items like a house or a car. It is now normal to take on debt to pay for tertiary education, meaning most young graduates start working life with large debt that will take years to repay and delays the possibility of saving to purchase a house. Few people do not have credit cards either from a bank or a retailer, and fewer people pay off the balance monthly.[i] In 2011, New Zealanders paid around $650 million in interest on bank-based credit cards.[ii]

Low income families who struggle to find enough money for the weekly household expenses may become trapped in a downward spiral of debt when they borrow from third-tier or fringe lenders (loan sharks) at uncapped interest rates. Income for necessities like food, rent and electricity is squeezed by debt servicing and repayments. Sanctions imposed by Work and Income[iii] impose further severe restrictions on income. The problems of child poverty and family stress are intensified.

The current legal and policy framework associated with consumer credit[iv] is not consumer-oriented or founded on human rights. In particular, unlike most of the rest of the world, New Zealand does not have a legislated 'cap' or maximum rate for interest rates. Proposed changes to consumer protections laws[v] do not address those flaws in the focus or foundation of the legal and economic credit environment.

The consequence of those flaws is that many families, many children, are surviving in grim financial situations from which they may never recover. The vicious cycle must be turned around, beginning with controlling the excesses of loan sharks. There is a need for socially just alternatives, including safe, fair, affordable credit.

2. Problem debt and children

Aotearoa New Zealand is an increasingly unequal society,[vi] with growing numbers of families experiencing financial distress. When a crisis occurs for many low income families, there are no savings to draw on, fewer family members are able to offer assistance, and high rents must still be paid. Once mainstream options and family contacts have been exhausted, many of these families have no option but to borrow from fringe lenders.

Child Poverty Action Group (CPAG) is concerned about the impact of such borrowing practices on the children in these families. Families borrowing from loan sharks who charge excessive interest rates are often forced into an unmanageable and endless cycle of debt.[vii] As well as having negative effects on parents, such enduring debt impacts heavily on the children. Their wellbeing is compromised by reduced access to nutritious food, healthcare, and educational resources. Low disposable income compels families to accept sub-standard and crowded housing conditions which compromise children's health. High mobility arising from unaffordable rents disrupts the children's education.[viii]

Problem debt, unmanageable and increasing debt, can arise from low incomes and easy access to credit. The Families Commission (2012) Report includes other contributing factors: ill health, unemployment, and major life events like having children.[ix]

Whatever the cause:

A great many Kiwi families are struggling financially. Many family and whānau live in circumstances where just a small crisis, such as a car breakdown, a washing machine needing replacement, or a family member's illness, can push a family from just scraping by, into unmanageable (problem) debt. And problem debt is a serious issue for families with serious consequences for family wellbeing and whānau rangatiratanga. The recent tough financial times have compounded this issue for many families.[x]

3. The price of debt

In a debt society, access to credit/debt is easy, but the price of credit varies. New Zealand's wealthier individuals pay around 5% to 15% per annum for bank debt) and 12% to 25% for credit card debt.

For poorer citizens, the cost of credit is higher. Those on lower incomes may have a credit card, and access to 'shop' credit (e.g. The Warehouse, Harvey Norman etc) at 12% to 25%, but inadequate income means constant financial juggling to meet weekly expenses.

And if a bad credit rating occurs after defaulting on, for example, a power bill, lower income individuals cannot access bank credit at all.[xi] A bad credit rating is very difficult to expunge, even after the debt has been repaid in full, and a default can stay on a person's credit record for five years.[xii]

Once access to mainstream lenders is lost, and friends and family are unable to assist, people on low incomes may resort to loan sharks. Because they will be charged an annual interest rate of 25% to 500% or more, plus administration, they may be trapped forever by the debt.

4. International approaches to a legal 'cap' or limit on interest rates

Unlike New Zealand, most developed countries have laws preventing lenders from charging an exorbitant amount or rate of interest (usury) on loans. In Australia, new Federal legislation caps interest rates and other charges within bands, (still around the 48% maximum annual rate, including other fees and charges) as part of the Responsible Lending policy changes. Consumer protection is supported by the Australian Securities and Investments Commission, one of three Commonwealth government bodies who regulate financial services.[xiii]

In the UK, while there is currently no interest rate cap, the Government announced in March 2013 that responsibility for regulating consumer credit will transfer from the Office of Fair Trading (OFT) to the new Financial Conduct Authority (FCA) in April 2014. The FCA will be a dedicated and focused conduct regulator, with a substantial toolkit to identify and tackle misconduct in the credit sector. It will have greater powers than the OFT to take action against behaviour that harms consumers, and will be flexible in adapting to changing markets because of its ability to make binding rules quickly.[xiv]

In the USA, each state has its own usury laws that distinguish between commercial and consumer transactions which come under civil and criminal law respectively. Payday lending (generally $100 to

$4,000, short term, high interest) is legal and regulated in 37 states, for example, in Washington state, the maximum commercial rate of interest is 12% and the maximum rate for consumer loans is 25%,[xv] with a clearly specified maximum administration fee.[xvi] In South Carolina, the maximum consumer rate is 18%, and associated finance charges cannot exceed 12%.[xvii] In the other 13 states, payday and fringe lending is either illegal or not feasible.

Usury exists as a legal concept in the criminal and/or the civil codes of 21 European Union states. Denmark, Finland, Latvia, Romania, Slovenia, and Malta have incorporated usury within their criminal codes; Estonia, France, Hungary, Bulgaria, and Spain have incorporated usury within their civil codes; the Czech Republic, Belgium, Austria, Germany, Greece, Portugal, Slovakia, Poland, Sweden, and Italy have incorporated usury within both their criminal and civil codes.[xviii] In 2013, Finland has gone further with MPs agreeing to cap interest rates on quick loans in the new parliamentary term: a one-month loan of a hundred euros will cost the borrower a little over four euros in interest, with separate charges for text messages banned.[xix]

In 2009, Japan lowered the maximum interest rate for consumer lending to 20%, and in 2007, South Africa repealed the obsolete Usury Act and introduced a unified framework of consumer credit regulation making provision for differential caps based on loan size and usage, for example, a monthly cap at 5% for short term loans,[xx] a maximum of 60% per year. The Canadian Criminal Code also makes it illegal to charge more than 60% annually.[xxi] The interest rate ceiling that exists for money lending in Ireland, currently just below 190% annually, is the rate at which the highest charging moneylender is licensed to trade by the Financial Regulator.[xxii]

Despite this international recognition of the need for consumer protection against usury and loan-sharks, in New Zealand there is no cap on interest rates and charges. Legally, fringe lenders are charging 50% to 500% interest and more.[xxiii] As the references cited in this paper and the Case Studies below demonstrate, excessive interest rates on loans contribute to and entrench child poverty by creating inescapable family debt.

Remarkably, despite multiple submissions for inclusion of an interest rate cap, the *Credit Contracts and Financial Services Law Reform Bill 2013*[xxiv] currently before Parliament does not include an interest rate cap. This is a missed opportunity to protect families, and their children, from excessive, enduring debt.

5. Five case studies of income and debt effects

These case studies demonstrate that small costs, barriers, and mistakes, as well as crises like illness, accident or death in the family, can destroy families on low incomes. They are composites of real cases, with invented names to protect the privacy of the families the stories are based on. The debt problems are factual.

The first case study draws on the experience of a couple earning average incomes, and precedes their decision whether or not to have children. This is a story of ‘good’ debt. The second case study describes the experience of a grown child helping her parents when the need is dire. The next three case studies include young children in the families. The final case study relates the effect of sanctions imposed under the recent legislative changes. Sometimes families cannot recover from problem debt without assistance.

Case Study 1: A couple without children

Jill and Rewi are graduates, and both are employed full-time, earning the average annual individual gross income of $40,533 each, making a household total of $81,067 before tax.

- Weekly income gross: $1,559
- Weekly income after tax: $1,297

They can repay their student loans, and pay the regular bills for power, food, transport, health, clothing, rent, etc.

They can also afford to save.

Eventually they take on a $300,000 bank mortgage (debt) at low interest of 5% to buy a house, repayable over 20 years. This debt helps to create a significant asset, and a happy family!

Access to credit isn’t always a bad thing, and debt isn’t always ‘problem debt’.

Case Study 2: A single person

Anna is in full-time minimum wage employment: 35 hours @ $13.75 ($25,025 annual gross):

- Weekly income gross: $481.25
- Weekly income after tax: $407.70

She has a student loan, has taken an overdraft to purchase a TV and stereo, and purchased an i-phone and some work-clothes on her credit card. Re-paying those debts, and meeting rent, power, food and transport costs leaves little surplus for saving.

Then her father died.

Her mother needed help urgently to pay for the funeral (and therein lies another story: the funeral director had Anna’s distraught mother sign an agreement to pay the $6,000 cost of the funeral within one week or an administration fee of $500 and ongoing weekly interest charge of 5% would be incurred.)

Anna went to the only place she could to find the extra $2,000 her mother needed: **the local fringe lender**. Base interest rate: 39% (on loan amount plus administration charges), and the loan was to be repaid at $70 per week over 18 months.

3 years later…. Although she had moved back into her mother's rented home to reduce her outgoings, Anna was occasionally unable to make the weekly $70 loan repayment. Every missed repayment incurred a $400 administration charge, and a 55% penalty rate

After 3 years paying $70 nearly every week on her $2,000 loan, Anna owed just under $2,400.

Without help, she will never escape from this debt.

Case Study 3: A couple with children

Mihi and Mark are finding it hard to get work but are jointly employed for a total of 30 hours per week at minimum hourly wage of $13.75. Their combined annual earnings are $21,450 gross, and $17,997 after tax, or $346.10 weekly.

They have 2 children under 18 years and they work the minimum of 30 hours a week, so they qualify for Working for Families tax credits.

Weekly income and outgoings (after tax)		
Income	**$**	**$**
Combined wages	346	
Family tax credit (2 children)	156	
Minimum Family tax credit	91	
In Work tax credit	60	
Accommodation Supplement	134	
Total Income		**787**
Outgoings		
Rent (2 bedroom flat)	300	
Power	50	
Phone	30	
Food	200	
Sky TV	25	
Transport (inc. children)	80	
Doctor (asthma)	50	
School fees, uniforms	40	
Total Outgoings		**775**
Balance/Surplus		**12**

Then disaster strikes:

The youngest child has 2 bad attacks of asthma – visits to emergency services at $120 = $240

Power bill isn't paid. Reconnection fee = $65

Mark's jeans are torn at work. New jeans = $50

They call the fringe lender.

Mihi and Mark borrow $400 at 10% per week. Administration cost is 10%. Total loan = $440. They reduce the food spend to $150 so they can repay the loan at $50 per week

Loan Repayment and Interest Schedule for $440			
Week	**Repayment**	**Interest @ 10% per week**	**Balance**
1	$50	$44.00	$434.00
2	$50	$43.40	$427.40
3	$50	$42.74	$420.10
4	$50	$42.10	$412.11
5	$50	$41.21	$403.32
6	$50	$40.33	$393.65
7	$50	$39.36	$335.65
8	$50	$38.30	$371.31
9	$50	$37.13	$358.44
10	$50	$35.84	$344.28

In 10 weeks, they repay $500 on the $440 loan. They still owe $344.28

- Then the child has another severe asthma attack. After Hours service $120
- They miss a repayment on the loan, incurring a $50 administration charge, and penalty interest…..

The $400 loan ballooned into a debt of nearly $2,000.

Case Study 4: A single person with children

Selena left her husband. After he was made redundant on two occasions, he became violent. She is now receiving the Domestic Purposes Benefit (DPB) of $335.18 gross, $295.37 after tax each week. She is in rented accommodation with her three children aged 5, 7 and 9. Her middle child has chronic bronchitis.

Selena is not working 20 hours per week so she does not qualify for the child-related payment: *In Work Tax Credit* of $60 per week.

Weekly income and outgoings (after tax)		
Income	**$**	**$**
DPB	295	
Family tax credit	156	
Accommodation Supplement	134	
Total income		**585**
Outgoings		
Rent (2 bedroom flat)	300	
Power	50	
Phone	30	
Food	145	
Doctor (bronchitis)	40	
School fees, uniforms	20	
Total outgoings		**585**
Balance/Surplus		**0**

Then disaster strikes

Selena is depressed. All her children are unwell.

She refuses to attend job training, and refuses to attend a job interview. She is 'sanctioned' – her Domestic Purposes Benefit (DPB) is halved.[xxv]

She now has no way of making ends meet. Who is she going to call? The fringe leader.

- ***And so it goes on***

Case Study 5: A single person with children, sanctioned by WINZ

Mary's husband left her after their second child was born less than 2 years after their first. She is in rented accommodation with her two children aged 7 and 8. Her youngest child has contracted rheumatic fever, after a throat infection. She could not afford the fee for him to see her doctor.

Mary had a job a couple of years ago. Although working three 12 hour shifts a week, the wage was very low, and she had to sell her car for food money, and to buy a bicycle to get to work. While cycling to work she fell off and sustained a broken arm. She applied for a received the DPB. When her arm was almost healed, she came under pressure to start seeking work. She was depressed and was unable to face two job interviews. She was sanctioned, and her benefit was halved.[xxvi] During that time, in desperation, when extended family and friends were not able to lend her any more money, she borrowed $500 from a loan shark to pay for food and rent.

Now the arm has healed and she has a part-time job. She is now receiving the DPB of $295.37 per week after tax. Mary is not working the minimum 20 hours per week so she does not qualify for the child-related *In Work Tax Credit* of $60 per week. She is working 18 hours a week at the minimum wage of $13.75 an hour, so $247.50 gross per week. This means her Family Tax Credit of $156 has $63.25 abated. She no longer qualifies for the Accommodation Supplement.

Weekly income and outgoings			
Income	**Gross**	**Net**	**Net**
DPB		$295	
Earnings: 18 hrs @ $13.75	$247.50	$166	
Family tax credit after abatement		$93	
Total income			**$554**
(does not qualify for Accommodation Supplement)			
Outgoings			
Rent (2 bedroom flat)		$320	
Power		$ 40	
(no phone)			
Food		$125	
Doctor (rheumatic fever)		$ 40	
School fees, uniforms		$ 20	
Loan shark: $500 @ 5% pw for 1 year		$ 19	
Total outgoings			**$564**
Balance/Surplus (Shortfall)			**($ 10)**

Then disaster struck.

She and the children were coping, barely, when her bike was stolen. If she has no bike, she can't get to work.

Who is she going to call? The fringe lender

And so it goes on

Resolution: There are happy endings to Case studies 2, 3, 4, and 5. These families were approved for no interest loans from Nga Tangata Microfinance Trust (see Appendix 2). The high interest loans were repaid, and the no interest loans from Nga Tangata Microfinance were paid off over two years.

6. Median income and child poverty

There is a wide gap between average incomes and median or mid-point incomes. Research in 2011 by CPAG,[xxvii] and Every Child Counts,[xxviii] and in 2012 by the Children's Commissioner's Expert Advisor Group on Solutions to Child Poverty[xxix] found that in New Zealand approximately 270,000 or 25% of children live in poverty. Almost half the children in poverty are in Māori and Pasifika families.[xxx]

Although New Zealand doesn't have an official poverty line, the poverty threshold is usually set relative to 60% of the median disposable household income adjusted for family size, after housing costs.[xxxi] For those living below 60% of this line, there is high probability of chronic debt, with harmful consequences in the present and the future for the children in these families.

The following statistics on gross incomes are taken from the June 2013 *Household Economic Survey* and *New Zealand Income Survey.*[xxxii]

Average and median incomes

(all sources) (see Appendix 1 for current tax rates)

- Average household income 2013: $85,588 (1,645.92 weekly) gross
- Median household income 2013: $70,616 ($1,358 weekly) gross
- Average individual income 2013: $44,426 ($854.35 weekly) gross
- Median individual income 2013: $29,900 ($575 weekly) gross

The wide gap between average and median wages is explained by very high incomes at the top which lift up the average. For median incomes, increases in wages and salaries, self-employment, and government transfers were offset by a greater proportion of people receiving no income, particularly people aged 15–24.

Importantly, very low incomes are partially ameliorated by the Accommodation Supplement and, for families with children who are working the minimum required hours, by Working for Families tax credits.

Accommodation Supplement

On weekly rental of $300, the Accommodation Supplement could be $134.[xxxiii]

Working for Families tax credits[xxxiv]

Family tax credit has no minimum required work hours in order to qualify, and provides $92 for the first child (under age 15, or $101 if over 15 and not in work), and $64 for the subsequent child.

Work-tested families tax credits: If a couple works at least 30 hours per week, and a single parent works at least 20 hours per week, they qualify for:

In Work Tax Credit of at least a further $60 a week

Minimum Family Tax Credit topping up after-tax family income to $437 weekly,[xxxv] abated at 100% against extra earned income.

The abatement rate for the Family Tax Credit, Parental Tax Credit and the In-Work Tax Credit is 20%, over the abatement-free threshold of $36,350. Income over the Minimum Family Tax Credit "top-up" payment (currently $434 after tax), is abated at 100%, and based on same work requirement.

For those on the sole parent payment, the part-time abatement regime allows earnings of up to $100 per week without affecting the benefit. Income before tax over $100 per week reduces benefit payments (after tax) by 30c for every dollar of income, and above $200 gross per week reduces benefit payments by 70c per dollar.[xxxvi]

7. Income and wealth distribution

This Table from Treasury,[xxxvii] (also published in the New Zealand Herald 17 May 2013), emphasises how much tax the top earners pay. The analysis includes New Zealand Superannuation and major welfare benefits; covers all those aged 16+; and excludes ACC levies, Working for Families tax credits and Independent Earner tax credits.

Who pays income tax... and how much?				
Annual individual taxable income ($)	**Number of people (000)**	**Number of people (%)**	**Tax paid ($m)**	**Tax paid (%)**
Zero	260	8	0	0
1 - 10,000	374	11	171	1
10,001 - 20,000	704	21	1,234	5
20,001 - 30,000	469	14	1,539	6
30,001 - 40,000	341	10	1,756	7
40,001 - 50,000	293	9	2,001	8
50,001 - 60,000	234	7	2,232	8
60,001 - 70,000	188	6	2,340	9
70,001 - 80,000	138	4	2,138	8
80,001 - 90,000	95	3	1,791	7
90,001 - 100,000	65	2	1,427	5
100,001 - 125,000	99	3	2,689	10
125,001 - 150,000	42	1	1,488	6
150,001+	75	2	5,590	21
All	**3,375**	**100**	**26,397**	**100**

For the year ended 31 March 2012, the top 8% of taxpayers in New Zealand (281,000 people earning more than $90,000 a year) paid 42% of all income tax ($11.19 billion). The bottom 80% of taxpayers (2,675,000 earning less than $60,000 a year) paid 35% of all income tax ($8.93 billion).[xxxviii]

The article did not report that the top 20% of the population receive over 50% of all household income, and share at least 70% of the total wealth. It is not unreasonable, therefore, that they pay a higher proportion of the tax. Nor did the article point out that the bottom 70% of the population share only 20% of total wealth, and the poorest 30% of the population have almost no wealth.[xxxix]

Net worth is more unequally distributed in New Zealand than in the UK and Italy, though less than in the USA. For example, the top 10% in New Zealand hold around 50% of all wealth; in the UK they have 44% of total wealth;[xl] 42% in Italy; and up to 71% of total wealth in the USA.[xli]

Internationally, the gap between the top and lowest deciles of income and wealth is increasing.[xlii] The evidence in New Zealand shows that a corollary of increasing inequality is greater numbers of families and their children in poverty. It is also disturbing that almost half of those children in poverty are in 'working' families.[xliii]

8. Some consequences for children of problem debt

For families with inadequate incomes, rising costs of food, utilities and rents, mean lower quality of life, and less money for children's needs. Combine this with escalating debt repayments and disposable income is even further squeezed. Moreover the standard income-based poverty measures are not adjusted to allow for this fall in true disposable income because of debt costs.

The indicators listed below are likely to be the worst for children in these families.

Mental Health: New Zealand has the highest child and youth suicide rates in the OECD.[xliv]

Physical Health: New Zealand has some of the worst health statistics for children in the OECD: rheumatic fever, bronchiectasis, school sores and boils.[xlv] All are associated with poverty, all are preventable, and some have life-long effects.[xlvi]

Housing: Cold, un-insulated houses have adverse effects on children's health,[xlvii] and contribute to a high burden of preventable diseases in our children.[xlviii] High rents cause overcrowding, and exacerbate mobility, meaning many children move frequently and attend a number of different schools in the course of each year. This compromises their education, and diminishes their social networks and sense of community.[xlix]

Education: Children from low income families are less likely to succeed educationally than children from low income families in other countries. The link between parents' socioeconomic status and a child's educational outcome is very high in New Zealand when compared internationally. This suggests that our education system does not mitigate socioeconomic background as much as the education systems of other countries.[l]

Lifetime prospects: Between 20% and 25% of children in New Zealand are in poverty, with bleak future prospects for them, so for us all.

9. How do we protect children from the poverty associated with problem debt?

On 9 December 2013, a TV3 News investigation revealed an unregistered south Auckland finance company the Twenty Fifty Club (TFC) is operating openly without fear of law enforcement, despite a Government crackdown. TFC is charging up to 450% interest on loans to those who want to borrow money short-term, and threatens to "get dirty" if you don't pay. The Government says it isn't illegal for companies to charge exorbitant interest rates on loans.

If New Zealand implemented a legal and policy framework for credit that was consumer-oriented and founded on human rights and social justice, we would introduce a cap on interest rates (Australia's cap is 48%). We would also establish partnerships between government, bank, and non-government organisations to promote financial inclusion with qualified access to low and no interest loans, and have Work and Income provide this information to their clients.[li] We would repeal the sanctions legislation for beneficiary families with children. We would also commit to improving financial literacy in communities and introducing it to the school curriculum.

The social returns from protecting families from insurmountable debt are vast, and the cost of implementing such protections is negligible.[lii] The economic returns are also potentially vast: Good Shepherd Microfinance research suggests that GDP would increase by 2% even if only a quarter of those who are financially excluded made one small progression from hardship to stability.[liii] Introducing an interest rate cap would protect low income families and their children from being trapped in high-interest debt. Ensuring access to safe, fair, affordable loans supports that path toward social justice.

Appendices

Appendix 1: Tax rates for tax year 2012-2013

Taxable income	Income tax rates for every $1 of taxable income (exc ACC earners' levy)	PAYE rates for every $1 of taxable income (inc ACC earners' levy*)
up to $14,000	10.5 cents	12.20 cents
from $14,001 to $48,000	17.5 cents	19.20 cents
from $48,001 to $70,000	30 cents	31.70 cents
$70,001 and over	33 cents	34.70 cents

*** ACC Earners' levy 1.70%** ($1.70 per $100)

http://www.ird.govt.nz/how-to/taxrates-codes/itaxsalaryandwage-incometaxrates.html

Personal income tax (decreased on 1 October 2010)

10.5c per $1 on income up to $14,000 (down from 12.5c)

17.5c per $1 on income between $14,001 and $48,000 (down from 21c)

30c per $1 on income between $48,001 and $70,000 (down from 33c)

33c per $1 on income over $70,000 (down from 38c)

see Treasury: http://www.treasury.govt.nz/budget/2013/taxpayers/02.htm#_whopaystax

Appendix 2: Nga Tangata Microfinance Trust

Nga Tangata Microfinance Trust, Trustees represent Child Poverty Action Group, Dr M.Claire Dale; New Zealand Federation of Family Budgeting Services, CEO, Raewyn Fox; New Zealand Council of Christian Social Services, EO, Trevor McGlinchey. They work in collaboration with Kiwibank, General Manager Corporate Responsibility, Murray Wu, and Australia's Good Shepherd Microfinance Deputy CEO Development & Innovation, Michelle Crawford.

Nga Tangata Microfinance Trust (Manurewa) Ltd Directors represent: CPAG Management Committee, Dr M.Claire Dale; Presbyterian Support Northern, GM Community Initiatives, Nicola Brehaut; Methodist Mission's Lifewise, Auckland Synod and Sinoti Samoa, Ronnie Matafeo; Whanau o Tumanako (Maori Women's Welfare League) Manurewa, Georgina Kupe; Mangere East Family Service Centre CEO, Peter Sykes; and as part of the Advisory Committee, Mangere Community Law Centre Senior Solicitor, Andrew Lawson.

In late 2013, the J.R. McKenzie Trust awarded funds to Nga Tangata Microfinance to support administration and thus to assist in extending the provision of safe, fair, affordable loans throughout New Zealand.

The Nga Tangata Microfinance vision is to alleviate poverty within New Zealand by building a more just and equitable society through promoting the economic and social inclusion of all New Zealanders. This vision will be achieved by advocating for and assisting in the provision of safe and fair affordable finance options that strengthen financial independence, and by critiquing structural and economic forms of exclusion.

Nga Tangata Microfinance loans are currently available in Auckland and Waikato through participating NZ Federation of Family Budgeting Services.

Free phone: 0508 283 438 to find the nearest budgeting service.

Endnotes

i Maslin, J. (2013) Beware lure of bank credit cards. Wanganui Chronicle DOI: http://www.wanganuichronicle.co.nz/news/beware-lure-of-bank-credit-cards/1905922/ ; Meadows, R. (2013) Planning ahead to avoid a holiday hangover. Sstuff.co.nz Business Day DOI: http://www.stuff.co.nz/business/money/8229746/Planning-ahead-to-avoid-a-holiday-hangover

ii NZCity (2011) Wise up to clear credit card debt. DOI: http://home.nzcity.co.nz/news/article.aspx?id=133037&cat=1054

iii 9 April, 2013, PR: Social Development Minister Paula Bennett welcomes the passing of the Social Security (Benefit Categories and Work Focus) Amendment Bill into law. "The changes we're introducing will modernise and simplify the welfare system," Mrs Bennett said. "They will also ensure work expectations and social obligations are balanced with the right incentives and support." This Bill is the second stage of a comprehensive package of welfare reforms. Three new benefit types will replace the seven current benefit categories, in addition to the new Youth Payment and Young Parent Payment introduced in August last year. The new categories this Bill creates are: Jobseeker Support for those actively seeking and available for work; Sole Parent Support for sole parents with children under 14 years; and Supported Living Payment for people significantly restricted by sickness, injury or disability. "The legislation also introduces new social obligations to ensure children in benefit-dependent homes get quality Early Childhood Education, are enrolled with a doctor, get their Well Child checks and are in school if they are school-age". The law also requires Jobseekers to be drug-free, and allows benefits to be stopped for outstanding arrest warrants. http://www.beehive.govt.nz/release/welfare-reforms-pass-law.

iv A consumer credit contract can involve purchase of gods or services, or a guarantee in respect of a credit contract, or can provide for security over consumer goods, and can include an agreement for credit-related insurance.

v The Credit Contracts and Financial Services Law Reform Bill, and the Consumer Law Reform Bill.

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xvi Title 208 WAC. FINANCIAL INSTITUTIONS, DEPARTMENT OF. Regulation of check cashers and sellers and small loans (payday lenders). 208-630-466 What fees can I charge on a small loan? (1) You may charge interest or fees for small loans not to exceed in the aggregate 15% of the first $500 of principal. (2) If the principal exceeds $500, you may charge interest or fees not to exceed in the aggregate 10% of the portion of the principal in excess of $500. [2010 WAC Supp—page 31] http://www.leg.wa.gov/CodeReviser/WACArchive/Documents/2010/WACSupplementTitle208.pdf xvii Consumer Protection Code Revision Act 1982 requires all creditors who wish to charge an Annual Percentage Rate in excess of 18% to file a Maximum Rate Schedule with the Department. Section 37-3-201 specifies a finance charge not exceeding 12% per annum http://www.consumer.sc.gov/business/licensing_registration/max_rate/Pages/default.aspx

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