

How the Commission works with consumer advocates and what we are hearing from them

Good morning everyone. I am Lezanne Gibbs and my role at the Commission is working with consumer advocates such as financial mentors. My talk today will cover three aspects of this work:

- Firstly I'll cover off our community engagement work in relation to credit, including how we engage and for what purpose;
- I'll share what we do with the information we receive; and
- Thirdly, what we are hearing about in relation to financial hardship.

For many years now the Commission has worked to raise awareness and provide clarity about our role in the credit landscape, especially around the difference between making a complaint to the Commerce Commission, as opposed to a dispute resolution scheme.

The primary purpose of our community engagement is to hear about the issues affecting borrowers, especially vulnerable borrowers. It's vital that we seek this information proactively as vulnerable borrowers are likely to be in situations that present barriers to raising the issues themselves to the right authorities. When we understand types of issues they are facing, it means we can prioritise where we focus our engagement and education efforts for borrowers, their advocates, and lenders.

We work with a wide variety of community organisations such as FinCap, Citizens Advice Bureau, Salvation Army, Christians Against Poverty, Good Shepherd, Community Law and many others with the aim of building and maintaining relationships so there is a continuous flow of meaningful trend data and specific information.

We also work closely with the financial mentoring sector because of their role in assisting and advocating for people struggling with debt, and particularly vulnerable borrowers.

The relationship we have with consumer advocates is important. We create resources and provide education and guidance about borrowers' rights, including what to look out for and how to notify us about what they are seeing. We engage with them in a variety of ways including running online sessions like this for financial mentors and other advocates called Korero with the Commerce Commission, which covers topics of interest.

We do not provide legal advice to the sector or to anyone for that matter and we do not get involved in communications and interactions between financial mentors' clients and lenders. Mentors come to us with questions, and we provide general guidance. We refer financial mentors to the written guidance on our website or to the responsible lending code or even sections in the legislation where appropriate. It is up to them to decide how to apply it. If you are interested in the questions financial mentors ask us, and the answers we provide, you can find them in the FAQs section of the Consumer Advocate Panui available on our website: <https://comcom.govt.nz/consumers/resources-for-consumer-organisations/credit-panui-for-consumer-advocates>

It is important that the Commission receives questions and notifications as they provide us with anecdotal insights into emerging issues and trends. It is also important that we receive

complaints with actual examples and evidenced information regarding what we are hearing about more broadly.

I'll now cover my second point about we do with all the information we receive from community groups. Information from all sources helps to inform our engagement and education work, including our priorities and enforcement approach.

If we receive a complaint from a financial mentor, it will go to our screening panel to be assessed like every other complaint we receive. We may seek further information and supporting documentation if necessary.

We communicate what we do with all the complaints we receive, including where they come from, on a quarterly basis through our panuis for lenders and consumer advocates.

Thirdly, and lastly, I'll now share what are we hearing about in relation to financial hardship. Carolyn will later give you some specific examples from our complaints data, but tying into that is the underlying flow of information from the sector that is gathered in a variety of ways.

For instance, at a korero session on the topic of financial hardship we asked financial mentors - at what point are people coming to them regarding unmanageable debt, and what is the cause of their hardship?

With 113 participants, we conducted a single-choice poll and 59% of mentors said that borrowers first came to them when they were already in arrears, 34% said that borrowers were at the debt collection stage, 5% of mentors said borrowers were about to have their goods repossessed, and 2% said that borrowers were about to miss a loan repayment.

That poll provided some useful insights into the stage at which borrowers are seeking help from advocates.

In another poll about the causes of hardship, 67% of financial mentors told us that the main cause of financial hardship arose from an unforeseen event that led to hardship of a persistent or permanent nature. While that may not be a surprise to most of you, it may be one of the more difficult situations for lenders to deal with.

We hear about, and get complaints about early and aggressive debt enforcement action, and onerous and inflexible hardship application processes, that tend to take a one size fits all approach.

Carolyn will talk to you about what lenders' obligations are, including the guidance in Chapter 12 of the Responsible Lending Code. Depending on the circumstances, lenders may need to go beyond the minimum statutory obligations to help borrowers in situations where an unforeseen event has caused persistent financial hardship.

In wrapping up, I'd like to finish with a good news story – it's not all about complaints and what's going wrong. We also ask financial mentors about what is going right. Recently, we

have noticed a shift in the dynamic between lenders and the financial mentoring sector. We are hearing about the desire to create better working relationships with lenders, so mentors can better understand lenders' processes and requirements, to enable them to raise issues in a non-confrontational way.

We are hearing about the willingness of lenders to engage with the sector to explore ways of working more cooperatively together. And also happening in parallel to that, which may come as some welcome news for lenders, is that we understand MSD - that fund the sector - are seeking to professionalise the role of the financial mentor, and we are hearing from the sector itself that higher standards and ongoing professional development, especially in the way they communicate with lenders, is sorely needed.

I hope that has given you an insightful overview about our work with consumer advocates and if you have any questions, please put them in the chat, and there will also be some time after Carolyn's talk to answer live questions.

Thank you