



**METHODIST
ALLIANCE**
NGĀ PURAPURA WETERIANA

Feedback on the Proposed Framework for Debt to Government 6 April 2023

This submission is from:

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1. Ko wai tātou | Who we are

The Methodist Alliance is a formal alliance of Methodist Missions, parishes and community based social services and trusts, including cooperating ventures. This grouping constitutes a major provider of a range of services for tamariki/children, rangatahi/young people, and their families/whānau.

The Methodist Alliance brings together a number of large and medium social service providers such as Lifewise in Auckland, Methodist City Action in Hamilton, Palmerston North Methodist Social Services, Wesley Community Action in Wellington, Christchurch Methodist Mission, Methodist Mission Southern in Dunedin, as well as local community services provided by individual parishes. It includes new social service organisations, such as Siaola Vahefonua Tongan Methodist Mission; Puna’Oa - the Samoan Methodist Mission that operates within the Samoan Synod of the Methodist Church; and Te Taha Māori.

Ka whakahōnore mātou i tō mātou whakahoatanga Tiriti – we honour our Tiriti partnership. Te Tiriti o Waitangi is the covenant establishing our nation on the basis of a power-sharing relationship. It is the foundation for social, economic and political equality in Aotearoa New Zealand.

The Methodist Alliance is grounded in our commitment to Te Tiriti o Waitangi and the bi-cultural journey of the Methodist Church of New Zealand - Te Hāhi Weteriana o Aotearoa, where Te Taha Māori and Tauīwi work in partnership. We claim the right bestowed by Article Four of Te Tiriti o Waitangi:

“E mea ana te Kawana ko ngā whakapono katoa o Ingarangi, o ngā Weteriana, o Roma, me te ritenga Māori hoki e tiakina ngatahitia e ia.”

“The Governor says the several faiths of England, of the Wesleyans, of Rome, and also the Māori custom shall alike be protected by him.”

The Methodist Alliance and our member organisations work collaboratively to achieve our vision of a just and inclusive society in which all people flourish, through our commitment to our faith and Te Tiriti o Waitangi.

2. Tirohanga Whānau | Overview

2.1 We commend the work on a proposed framework to manage and prevent debt owed to government. The overarching goal of the proposed framework aligns with the Methodist Alliance’s vision for a just society in which all people flourish.

2.2 We note that there are many hidden benefits that would result from a fairer and consistent approach to debt. Sylvie said:

“Writing off debt would make a huge difference, emotionally and psychologically, and to your wellbeing. And we need less shame. My son has lived with the shame of his mum living on a benefit. I don’t socialise in person – living like this affects every part of your life. I just feel like I don’t have any power, including over my rent.”¹

“Wiping debt to MSD would have made a huge difference for everyone on the benefit, and I think about how if those in power covered everyone’s basics, we’d be an awesome country. We could do the things we really want to do - live, laugh and love!”²

- 2.3 We acknowledge that every day of every week, staff in government agencies, just like staff in our member agencies, work with some of the most vulnerable and challenged individuals and whānau in our communities, and they do this because they care.

3. Tautoko mo te pire | Support for the Proposed Framework

- 3.1. The Methodist Alliance supports the following parts of the proposed framework for preventing and managing debt to government:

- 3.2. We support the overarching goal to:

“reduce hardship for families and individuals and aims to achieve a fairer and more consistent approach to debt. This will contribute to the Government’s priority of improving child wellbeing through the reduction of child poverty.”³

- 3.3. We agree with the summary of the issue being:

“...debt can also become a problem when servicing it becomes an unaffordable or persistent burden. This 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.”⁴

- 3.4. We also agree there is a lack of cohesion and consistency to the way debt to government is administered.⁵

- 3.5. We agree that highly targeted support payments creates more opportunity for debts to arise than universal payments.⁶

¹ Fairer Futures, “Lifting the Weight Report” 2023, p6. Please note names have been changed to protect identity.

² Fairer Futures, “Lifting the Weight Report” 2023, p17. Please note names have been changed to protect identity.

³ 1.4 in the IRD Consultation Document, February 2023

⁴ 1.6 in the IRD Consultation Document, February 2023

⁵ 1.7 in the IRD Consultation Document, February 2023

⁶ 3.8 in the IRD Consultation Document, February 2023

- 3.6. We support the recommended default write-off of debt that is an overpayment of government support arising from an administrative error. In these circumstances the debt has arisen due to the failure of the government agency to act on information provided, or another administrative error, and is no fault of the individual. Therefore the individual should not be held accountable for this error, as any “overpayment” was beyond their control. We agree that in these circumstances:
- “many recipients will have limited ability to make repayments at the time the debt arises or in the future.”⁷
- 3.7. We agree that penalties should not be applied to overpayments of government support.⁸
- 3.8. We support the person-centred approach to debt prevention and management. Placing individuals and whānau at the centre of decision-making when debt is both created and/or collected will ensure a holistic view and reduce risk of hardship or exacerbating hardship.⁹
- 3.9. We support the person-centred approach that includes a comprehensive hardship assessment.¹⁰ We note that if a single centralised Crown debt agency was established there would not be the need for information sharing agreements with other agencies.
- 3.10. We agree that consideration should be given to referring people to financial capability support services,¹¹ however Methodist organisations that provide strengths based financial support and mentoring services report that a common issue for many individuals and whānau they see is insufficient income to meet their needs. Most often people in receipt of a benefit are very good at stretching their very limited income to meet their needs as far as it can.

“The money Igor owes MSD stems from several things. A few fines, loans to help him get by, loans for surprise bills, and then there’s the loans he’s taken out for dental work.

With no interest and no new debt, it will take him around 390 weeks or seven and a half years to be debt free.

⁷ 3.7 in the IRD Consultation Document, February 2023

⁸ 3.8 in the IRD Consultation Document, February 2023

⁹ 4.1 - 4.3 in the IRD Consultation Document, February 2023

¹⁰ 4.4 c) in the IRD Consultation Document, February 2023

¹¹ 4.4 d), 4.21, & 4.22 in the IRD Consultation Document, February 2023

Igor says that he doesn't mind paying the money back. What bothers him is that whenever benefits go up, he gets less in the hand. "My benefit went up, my rent went up, and the amount I had to repay went up. I wasn't even much better off. I can never win," he says.

He says he doesn't live day to day, dollar to dollar anymore, but the money he receives is barely enough."¹²

- 3.11. We support the person-centred approach that includes "an assessment of whether or not debtors are receiving their full and correct entitlements from government agencies."¹³ In our experience, people are not always aware of what supports they are eligible for and many struggle to negotiate the complexity of the support system. This complexity often leads to people not receiving all the help they need and that could make a significant difference in their lives.
- 3.12. We agree with the range of factors the assessment should consider as set out in 4.6 of the consultation document and have suggested some refinements in our recommendations.
- 3.13. We agree that any loan should not create or exacerbate hardship¹⁴ and that alternatives such as non-recoverable grants be considered.¹⁵

4. Taunakitanga | Recommendations

- 4.1. The Methodist Alliance supports the Tax Working Group's recommendation to establish a single centralised Crown debt agency with consistent rules for treatment of debtors. We concur with the Tax Working Group that this would achieve economies of scale and more equitable outcomes across all Crown debtors. We believe that this would provide a holistic view that is needed when considering debt owed to government.
- 4.2. We note that the Welfare Expert Advisory Group (WEAG) also recommended a cross-government approach to managing debt to government agencies.¹⁶
- 4.3. By rejecting the WEAG and Tax Advisory Group recommendations to establish a single cross-government debt collection agency, the proposed framework risks perpetuating the current siloed and agency-centric approach, rather than a holistic person-centred approach. Even small repayments from multiple agencies often

¹² Fairer Futures, "Lifting the Weight Report" 2023, p13. Please note names have been changed to protect identity.

¹³ Ibid

¹⁴ 4.9 in the IRD Consultation Document, February 2023

¹⁵ 4.10 in the IRD Consultation Document, February 2023

¹⁶ Welfare Expert Advisory Group Report, "Whakamana Tāngata, Restoring the Dignity to Social Security in New Zealand," February 2019, Recommendation 16, p22

add up to an unsustainable repayment regime for people living in material hardship. Unless a robust mechanism is established that considers total debt owed to all departments as a single liability it will not be possible to develop a fair and sustainable repayment process. This is because experience shows us that individual departmental drivers always trump joined up cross-government agreements.

- 4.4. We **recommend** that a single centralised Crown debt agency is established to have a holistic view of debt and to apply consistent treatment of debt.
- 4.5. A single centralised Crown debt agency would prevent inconsistencies that would probably arise if individual agencies were tasked with establishing methods to assess someone's financial circumstances, their ability to meet repayment, and clear guidance around what constitutes hardship, as suggested in 4.8 of the consultation document.
- 4.6. We agree with the concept of the principles however, the right for the individual to be heard is missing. This is an essential principle of natural justice. We strongly **recommend** that the principles are expanded to include the debtor's right to provide their view on the debt owed, how it arose, what they can afford to repay, and what they believe is fair in all their surrounding circumstances.
- 4.7. In addition, we **recommend** including a principle specifically relating to Te Tiriti o Waitangi as Māori comprise 44% of those with debt to all three agencies.¹⁷
- 4.8. We note that the types of debt defined in the document is limited to that owed to central government and does not include debt owed to local government. It is not uncommon for people to owe debt to central, and local government, as well as many other agencies.¹⁸ We **recommend** that a wider view of debt is taken when considering the ability of the individual to repay debt to ensure their income is sufficient to meet their needs and does not create further hardship.
- 4.9. Different government agencies have different legislative powers to forgive debt, or to take all practical steps to recover debt.¹⁹ Payments under the Social Security Act 1964 are debts due to the Crown.²⁰ We **recommend** a more consistent approach to debt across government agencies.

¹⁷ Chapter 5 of the IRD Consultation Document, February 2023, p19

¹⁸ This includes payday loans, third tier lenders, mortgage, personal loans, etc.

¹⁹ MSD has limited powers to forgive debt and has a legislative duty under the Social Security Act 1964 to take all practical steps to recover debt and has only limited exceptions to forgive debt set out in s86(9A) and 9(B), and S132G.

²⁰ S85A Social Security Act 1964

- 4.10. Further consideration needs to be given to how debt is formed. It is not fair or reasonable for an individual to incur debt if the government agency has failed to act when notified within time about a change in circumstances. We **recommend** that the first line of inquiry should be how the debt was formed.
- 4.11. We **recommend** that when “debt” arises due to an “overpayment of Government Support” which is wholly or in part the result of a government agency failing to act, or an administrative error, this debt should always be written off.
- 4.12. Working for Families, and other targeted support payments are very complex and difficult to understand and navigate, and we **recommend** there is further consideration of universal payments to simplify the welfare system and promote transparency and clarity for both people accessing support and those administering them.
- 4.13. We **recommend** and support the person-centred approach to debt prevention and management.
- 4.14. We **recommend** a grace period is provided for debt to be repaid before interest is incurred.
- 4.15. People are often eligible for additional support, but don’t receive this for a variety of reasons including trying to navigate the complexity of social support systems. We **recommend** that a reporting system is established to provide feedback to departments where debt has been incurred, so remedial action can be taken to address and close the gaps between eligibility and the support people actually receive.
- 4.16. We **recommend** this reporting includes the number of incidents where it is found that people were not in receipt of their full entitlement, and the quantum of the difference between what the person received and their full entitlement.
- 4.17. We **recommend** Work & Income includes a procedural step where staff confirm in writing that the person is receiving all the supports they are entitled to. This would provide reciprocity, as the recipients of support have to confirm that all the information they have provided to Work & Income is true and correct. It would also build up trust and confidence in the process of accessing social support services.
- 4.18. We understand that Work & Income look at the gross amount when assessing income. We **recommend** that this is changed to considering the net amount, as

this is the actual amount of money in the hand that people in receipt of a benefit have as income.

- 4.19. We **recommend** that the assessment of hardship²¹ should include the whānau in the assessment. In particular, this is necessary when there are tamariki and rangatahi in the whānau, to ensure the government's goals to reduce child poverty are met.
- 4.20. Where dependent tamariki are present in the whānau, we strongly **recommend** the needs of the tamariki are taken into account. Often tamariki will not attend school if they do not have the correct uniform, books etc. This is often viewed as truancy, when in reality it is a poverty issue. While it is possible to get funding from Work and Income for school costs, this is a debt that needs to be repaid. The assumption is that there is an adequate income to repay debt, when often the income derived from social security support is not enough to live on and cover all the needs of the whānau.
- 4.21. We **recommend** the assessment of financial hardship should also include consideration of whether the person's income is secure or "casual" - where the income varies week to week. Insufficient and insecure income is a cause of high stress and a frequent cause of hardship and debt. This is especially so in relation to the benefit abatement system. If a person receives income that is higher than normal, and their benefit is abated, there are often delays in their benefit being restored to the normal level, which may result in the person and their whānau in situation where they do not have enough income to cover rent, power and kai, and also can create a new debt.
- 4.22. We **recommend** investment in kaupapa Māori and Pasifika financial wellbeing services to ensure culturally safe and supportive services for whānau and fono that promotes independence, and resilience. We further **recommend** that government agencies work in close partnership with kaupapa Māori and other culturally specific services, to reduce barriers to accessing support for those most in need, and to address the primary drivers of debt.
- 4.23. Kathleen Tuai-Taufo'ou, CEO of Siaola, Vahefonua Tonga Methodist Mission, summarises the financial wellbeing service this Pasifika organisation provides as:
- ["Siaola offers Pacific families a strength-based, holistic financial wellbeing service \(GREI\) that results in debt elimination and wealth creation through home ownership. Through debt consolidation to banks, employment services to increase income in the household and services to support the children's](#)

²¹ 4.5 in the IRD Consultation Document, February 2023

education, we not only see the decrease in debt to government, but we empower the whole family to live successful thriving lives. These alternative models of care allow for government clients to be referred to financial wellbeing services that suit each client's need.”

- 4.24. We **recommend** a direct phone line for financial wellbeing mentors to access the single centralised Crown debt agency.
- 4.25. We seek further clarification of what “competing policy considerations that must take priority over this principle”²² might be that would override the effect the repayment rate would have on the ability of the person to support themselves and any dependents.
- 4.26. We **recommend** that debt related communications are written in plain **language** - rather than plain English, as these communications will need to be available in a variety of languages to ensure understanding by the debtors. Having information provided in the appropriate language is part of a person-centred approach and would ensure people have a better understanding of how the debt was caused, the repayment obligations, and their rights.
- 4.27. It may be useful to collect statistics which provide clarity on the numbers of individuals that owe debt to government for whom English is a second language. This would give clarity to the need for information in other languages.
- 4.28. The ability to repay debt assumes that the individual is receiving a liveable income. People in receipt of welfare support find that the level of financial support is insufficient to meet their needs. We **recommend** that core benefit levels are increased to the standard of liveable incomes and to overhaul relationship rules.

“The rules on relationships in the welfare system need to be updated. You should be allowed to co-parent, or live with whānau, without being treated as being in a relationship in the nature of marriage.

The processes are too slow and there is no accountability for decisions that can drive already vulnerable people into deeper suffering and hardship.

...

Transforming our welfare system would be just a start towards addressing these broader problems.”²³

²² 4.13 second bullet point in the IRD Consultation Document, February 2023

²³ Fairer Futures, “Lifting the Weight Report” 2023, p20

- 4.29. We **recommend** non-monetary repayment options to repay debt and fines could include the option for people to work within accredited community development and/or iwi organisations to ‘work off’ their debt. This would provide a supported work experience environment that would have potential benefits not only for the individual, but also their local community. These benefits include increased social connectedness and cohesion, skill development and valuable work in local communities. It would also help people to clear debts in ways that would be mana enhancing and be seen to be fair for all citizens. There are non-government agencies that have existing programmes that would be suitable for this type of arrangement.
- 4.30. We **recommend** the inclusion of the Fonofale Pasifika wellbeing framework as Pasifika communities are disproportionately represented in lower socio-economic groups and the latest child poverty statistics show an increase in the percentage of Pasifika children living in a household with a low income, and 25.6% living in households in material hardship.²⁴
- 4.31. We understand the percentage of disabled children living in a household with a low income has increased.²⁵ In addition, the percentage of children living in a disabled household with a low income has also increased and is significantly higher than children in non-disabled households.²⁶ A number of families/whānau are unable to arrange safe, accessible and affordable childcare. In addition, families/whānau are continuing to care for family members when it is beyond their resources. We **recommend** further consultation with the disability sector to ensure that any debt framework does not further disadvantage those living with a disability and those caring for those with a disability.
- 4.32. We **recommend** strong links between this high level framework and policies and procedures for Crown agencies to follow. This would ensure that the principles are embedded into practice.

3. Whakarāpopototanga | Summary

The Methodist Alliance supports the intention of the proposed framework to manage and prevent debt owed to Government. We commend the Government for consulting with social services and to ensure that valuable input is available to refine the proposed framework to address inequalities created by the current policies and practices.

We are willing to meet to further discuss this, if you consider this would be of assistance.

²⁴ <https://www.stats.govt.nz/information-releases/child-poverty-statistics-year-ended-june-2022/>

²⁵ Ibid

²⁶ Ibid



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