

Family Budgeting client debt soars by 25 per cent – NZ Federation of Family Budgeting Services, 7 October 2009

The Federation of Family Budgeting's annual figures revealed clients owed 25 per cent more than a year earlier.

In the year to June 2009 clients receiving in-depth budgeting advice had debts averaging almost \$26,000 each compared with average debts of \$20,600 just 12 months ago. Debt arrears around the country totalled \$57.5 million in overdue payments; this is an increase of almost 19 per cent on last year's figures.

Family budgeting president Maureen Pitman is not surprised. She has heard from many budget services around the country that client cases have become much more complex and that many clients are worse off financially than they were last year.

"Cases are taking much longer to work through, which is really stretching our capacity to deliver," she said.

Excluding debt owed on mortgages the three largest creditor categories were banks (\$51 million), finance companies (\$43 million) and government departments (\$32 million). This debt comes from personal loans, credit and store cards and debt owed to the government and courts. The total client debt figure came to more than \$333 million.

Budget advisers worked alongside their clients to retire a significant portion of the overdue money owed on this burgeoning pile of debt. Using methods, developed over 50 years of delivering free budgeting advice, advisers successfully helped their clients to retire over \$16 million of the \$57.5 million of arrears owed; or almost 30 per cent of the problem debt. This will have a real and lasting positive effect on those families.

One of the more disturbing signs from the Federation's statistical analysis was the dramatic rise in personal insolvencies. Insolvencies, including No Asset Procedures, more than doubled in the year to June 2009. Federation budget advisers assisted a total of 1,105 clients through a personal insolvency.

Raewyn Fox, chief executive of the Federation of Family Budgeting, says her organisation works closely with the Insolvency and Trustee Service to ensure advisers are well placed to cope with the new insolvency procedures and current credit crisis.

"Most of our advisers," she says, "will also receive further training in complex debt issues to combat the increasingly complex cases we have to deal with."

"In the immediate future, what we need are more advisers," said Mrs Fox

Working as a budget adviser with the Federation is a demanding but extremely rewarding volunteer role, she said. Around 70 per cent of their budget services require one or more new advisers in the next six months just to keep up with the demand.