

Recession Sees Personal Debt Grow – NZPA, 7 October 2009

The recession is largely responsible for a 25 percent increase in the amount of debt clients at the Federation of Family Budgeting Services owe, the organisation says.

Figures released by the federation today showed its clients had debts averaging almost \$26,000 in the year to June 2009, compared with an average debt of about \$20,600 a year ago.

Family Budgeting chief executive Raewyn Fox told NZPA the effects of the recession were clear in the figures.

"A lot has to do with the recession -- changes in circumstances, lost jobs, reduced hours," she said.

"Our services are just saying `whoa, this is so different'."

Excluding debt owed on mortgages, the three largest creditor categories were banks, finance companies and government departments, with debt coming from personal loans, credit and store cards and debt owed to the government and courts.

The total debt from the federation's 29,500 clients amounted to more than \$333 million.

Of particular concern to the federation was the number of personal insolvencies, which more than doubled to 1105 within the year.

Ms Fox said the federation was under increasing pressure and clients were having to wait a lot longer for help.

Although the number of clients had not increased dramatically, the cases the federation was dealing with had become a lot more complex, she said.

"The number of different debts, the amount of debt, and the client's situation and how much money they've got available to solve their indebtedness problems mean we're having to spend a lot more time with each client."

Labour MP Annette King said the rise showed the Government's "promise to blunt the sharp edges of the recession" has not eventuated.

"Budgeting services are stretched and struggling to cater for desperate families as a result.

"Labour believes the Government could be doing a lot more to stimulate job creation," she said.