

NEW ZEALAND FEDERATION OF FAMILY BUDGETING SERVICES

SUBMISSION TO THE OFFICE OF THE PRIVACY COMMISSIONER RE: DRAFT AMENDMENTS TO THE CREDIT REPORTING PRIVACY CODE 2004

SUBMITTED: FRIDAY 13 AUGUST 2010

INTRODUCTION

The New Zealand Federation of Family Budgeting Services Inc (the Federation) is a collective of community organisations sharing a common code of ethics, philosophy, and commitment to delivering top quality, free budgeting advice to family/whanau and individuals. The current membership comprises 148 budget services nationwide that employ more than 1200, mostly volunteer, staff.

Federation services field over 280,000 enquiries each year, well over a call a minute during the working week; Federation services will deliver more than 700 community education programmes to schools and community groups this year; and annually throughout Aotearoa-New Zealand, Federation services will support a family through debt crisis every 5 minutes.

Last year alone, over 28,000 clients saw a Federation budget adviser and more than 17,000 families were provided with ongoing and in-depth support, education, and advice. The clients seen by Federation advisers have overdue debts (arrears) of well over \$200 million!

The community organisations outlined above are all budget services in various forms. Some members deliver budgeting help only, others are holistic organisations providing multiple services, still others are iwi-based or client-specific services providing support to their own communities. There are no rules about what constitutes a budget service, however the following common attributes bind member organisations together.

Budget services are legal entities in some form and all are predominantly volunteer organisations providing free, confidential, and non-judgemental budget advice to family/whanau and individuals in Aotearoa-New Zealand.

The Federation is a national, non-government organisation (NGO) and is the umbrella body for family budgeting in Aotearoa-New Zealand. The Federation national office provides training, support, and resources to its members and offers advocacy and advice. The office is run by a small, yet highly devoted staff of eight national office staff and four field staff. National office is in Wellington where it has good access to many Government departments and corporate head offices. The Federation is governed by an experienced Board of dedicated volunteers.

OVERVIEW OF PROPOSED CHANGES TO THE CODE

The Federation's response to the proposed changes is underpinned by four fundamental principles. These are:

1. Ease of understanding – whatever changes are agreed must be clear and uncomplicated.
2. Consumer protection – changes need to keep the consumer in mind at all times.
3. Adequate resourcing – resources must be made available to support any changes with publicity and education – otherwise changes are rendered ineffective.
4. Federation support – the Federation will support the Privacy Commissioner and the financial sector to implement the changes with insight and advice.

SPECIFIC ISSUES

1. Implementation date/dates

Clause 2 states that “The proposed amendment comes into force on 11 April 2011 with the exception of some changes which come into force either six months or 12 months later. Additional categories of positive information are to be considered for a ‘second’ phase of implementation to be determined once proposed Australian law changes are available.”

For the people that the Federation works with change is frequently complicated and difficult. Phased changes are even more complicated and have in the past often been misrepresented by interested parties.

It is for this reason that the Federation urges the OPC to have a single implementation date. This will allow for a single publicity and education round and will ensure a straight forward message to concerned people.

2. Number of additional fields of positive information

The Federation has strong views on this.

Clauses 3(2) and 4 (1) state that “these proposed amendments permit credit reporters to collect and report on an individual's current credit accounts.”

The additional fields of data are; type of credit account; the credit limit; the credit provider and the status of the account as open or closed.

These four additional fields of data are good. But it is the Federation's view that the four fields are “facts” but do not tell the “story.” It is the telling of the financial story of individuals that is important for the people the Federation deals with.

The Federation wants to see fields of data included which will allow people to rehabilitate. These are people who have had a default, have got themselves back on their financial feet but are still left with a default and no way of showing a creditor they have turned their life around.

We also want to see fields of data included which protect people against making unwise decisions under pressure. This can be achieved by including data fields which allow a creditor to see how in-debt a person is and for how long they have been in arrears. This information will mean a creditor does not advance credit to a person who clearly cannot afford to meet repayments at this time. For example, it will stop people getting a credit card to pay off another credit card etc.

It is the Federation's view that additional fields of data are required but that the additional data must actually "say" something – it must inform. For this reason we strongly urge the Privacy Commissioner to include 24 month payment history and account balance in the additional fields of information included on credit reports.

The inclusion of the above new fields of data should not be delayed. They are urgently needed now, post credit-crunch, to stop people getting further into debt while at the same time allowing others to rehabilitate.

3. Resources to publicise and educate about changes

The Federation has witnessed time and again law and regulation changes that come into force which are not publicised nor supported with an education campaign. This frequently means the very people the measures are designed to support know nothing about them and fail to act in their best interests.

Should, for example, the Privacy Commissioner include the additional two fields of data detailed above, this would allow people to rehabilitate and get back on their financial feet faster. Taken further it could assist people back into work by allowing them for example, to borrow funds for a vehicle required in some employment. But people would need to know that changes to regulation had allowed that to happen.

It is in the interests of informing that the Federation strongly recommends a single implementation date. Phased in changes serve only to confuse and often render the change ineffective.

4. Support for the OPC and financial sector

The Federation has limited resources but can offer the OPC and the financial sector its support by way of advice and insight. It is in the interests of the people that the Federation members support by way of budgeting advice that we ensure

any changes is implemented smoothly and with quality and targeted publicity and education.

Thank you for the opportunity to make this submission on the draft amendments to the Credit Reporting Privacy Code 2004.

Yours Sincerely,

Raewyn Fox
Chief Executive Officer
New Zealand Federation of Family Budgeting Services (Inc.)