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**PATRON : David Russell**

13 June 2001

Insolvency Law Review  
Ministry of Economic Development  
PO Box 1473  
WELLINGTON

Attention Martin Fowke

Dear Mr. Fowke

**Insolvency Law review: Tier Two**

This submission is confined to one aspect only of the review and that relates to the role of the State as educator.

The questionnaire asks:

“19. Should the State provide financial counselling services to consumer debtors (paragraph 211). Should the State fund providers of financial counselling services to consumer debtors? What other options may exist?”

I would suggest that the way to answer this question is to pose the question – “Does the State have a role in educating its citizens?” Clearly it does. Education investment by the State is one of the most significant expenditure commitments that successive Governments have made. In addition there are pockets of Government funding delivered through both Child, Youth and Family and Ministry of Economic Development for community consumer education. To explain this further, one of the funding pools operated by Child, Youth and Family that budget services access is that for community education. The budgeting approach adopted by all affiliated budget services is that of education of client families in preference to intervention in decision making.

The next question then is “Should the consumer education be delivered through mainstream programmes, viz. Vote: Education?”. To some extent this is occurring now as high schools purchase the Pathways for Financial Literacy Programme produced by Enterprise New Zealand Trust. However as stated by the Retirement Commissioner, Colin Blair, (one of the sponsors of that programme) “it is of concern that close to 50,000 students are leaving school without the benefit of this programme”. This situation is caused largely by attitude and priorities adopted by decision-makers within the traditional education sector. Much work needs to be done to convince these decision-makers that real time and commitment needs to be put into life skills, including budgeting and consumer rights. That could be a key task for the proposed Inspector-General.

The New Zealand Federation of Family Budgeting Services Inc. has among its member services 46 dedicated community education officers and another 84 budget services that have other staff delivering community education. The target audiences are schools, groups in communities (churches, mothers groups, adult life skill programmes and commercial enterprises undergoing restructuring), prisons and other institutions. For two years the Federation has attempted to raise

project funds to develop a community education programme with the first priority being schools. We hit a wall of resistance from Vote: Education, Lottery Youth and a number of charitable trusts that claim as their purpose the education of young people. Basic life skills were not seen as a priority for these funders. The Federation has since diverted a sizeable amount of core funding and will have produced by September 2001 a Resource Kit for use by budget service community educators when delivering consumer and budgeting awareness in high schools. The programme, which is tailored to fit within the Pathways to Financial Literacy Programme, if desired, or as a stand-alone product alternatively, comprise optional sessions on:

- Budgeting
- Deciding Spending Priorities
- Telecommunication Basics
- Power and Other Utilities services
- Tenancy Agreements
- Guarantors
- Repossession
- Insurances
- Hire Purchase
- Loans and Credit
- Scams
- Bank Account fees
- Fines, and
- Motor Vehicles

Once this package is released we intend to produce other series aimed at:

1. People making the transition from benefit to work and vice versa
2. People adjusting to a fall in incomes
3. Young mothers
4. Prison releasees, and
5. Mental Health consumers entering the community

Returning to the main question 19 then – Yes, the State should provide financial counselling to all consumer debtors and potential consumer debtors. It currently funds providers of financial counselling services to consumer debtors (through budget services, and indirectly Enterprise New Zealand Trust) and should continue to do so.

Finally, poor decisions on priorities and ignorance on consumer rights is not confined to beneficiaries and low income earners. Some of the worst instances arise from families with high and double disposable incomes with access to high credit levels. The difference between these and the low-income earners is the ability of the trained budget adviser to influence a re-prioritising of spending patterns and acceptance of responsibility for better personal management of financial affairs. It is these high earners that present our budget advisers with some of the best challenges but also the best encouragement that they are making a difference.

Yours faithfully

Raewyn Nielsen  
Executive Officer