

29 January 2026

Submitted via: <https://www3.parliament.nz/>

Finance and Expenditure Committee
Parliament Buildings
Wellington

Re: Budget Policy Statement 2026

"The words "Thank you", just doesn't seem enough for what [this financial mentor] has done, to change, and lighten the stress and burden my client was going through for such a long time, on top of her disability, young family, and other debt.

My client was so excited as she has had money for food, she wanted to show me her fridge and freezer full of food!!"¹

Financial mentors offer free and vital support to their communities which prevents financial difficulty from spiraling into issues with physical health, mental health or social dysfunction. Supplementing government funding with a levy on the industries that refer to, or create work for, our sector would be the best way to ensure everyone can see a professional financial mentor when they need one.

FinCap welcomes the opportunity to comment on the Budget Policy Statement 2026. Following half a decade of cost of living challenges many households are facing financial difficulties. As KiwiSaver hardship applications continue to increase,² the time needed with financial mentors to support potential applicants to explore this alongside other hardship relief alternatives grows too.³ We need government support to maintain and increase current funding levels for our sector and the establishment of small levies on industry towards the sustainable funding of financial mentors.

We also take the opportunity to flag an issue with the scale of government spending occurring due to debt collector's use of attachment orders in the expanded comments of our submission below.

About FinCap

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 184 local, free financial mentoring services across Aotearoa. These services supported tens of thousands of whānau facing financial hardship in 2025. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and encourage collaboration between services. We advocate on issues affecting whānau to influence system-level change to reduce the causes of financial hardship.

¹ Excerpt of an email to FinCap sharing how an experienced financial mentor had helped another achieve a debt waiver from a lender with questionable practices and supported a family out of financial hardship.

² There were 11,000 more withdrawals in 2025 compared to the previous 2024 record numbers:
<https://www.rnz.co.nz/news/business/585131/kiwisaver-withdrawals-surge-in-2025>

³ A financial mentor comments further at the end of this article: <https://www.rnz.co.nz/news/business/581061/kiwisaver-hardship-withdrawals-worried-where-i-will-be-in-two-weeks>

Financial mentors need more sustainable funding while professionalising

Financial mentors are beginning a process of professionalisation, co-ordinated through FinCap, in response to the increased complexity of issues entangled with household finances.⁴ The Ministry of Social Development provides \$19.5 million of sustainable funding for 181.5 FTE financial mentoring roles. However, there are currently 762 financial mentors registered with FinCap.

The previous volunteer-based sector workforce is no longer viable. Several modelling methods have all suggested a figure of around \$50 million per annum is needed for financial mentors to meet demand. Increased mental health challenges of those who present for support with finances as well as the more complex negotiation with creditors required to get outcomes are just two examples of why workers supporting households to balance a budget are professionalising.

FinCap has previously worked with Price Waterhouse Coopers to model potential pathways for industry contribution to sector funding based on our 2023 data. The United Kingdom levies financial services to match government funding⁵ and Australia is also working towards a levy system in light of variable voluntary industry contributions.⁶ Australia has however recently announced \$22.65m AUD in grants from industry funding over three years⁷ and several of the businesses contributing also trade here.

FinCap is currently producing updated analysis on potential industry contribution with our 2025 data and will have this available soon. We are calling for increased government funding to be matched by small levies on financial services, energy providers, telecommunications providers, KiwiSaver providers and the gaming industry that refer to, or create work for, financial mentors.

Funding for financial mentoring can help realise thriving communities and aligns with the Government focus for Budget 2026 and the Government's overarching goals for this term of office.

Overarching goal: Build a stronger, more productive economy that lifts real incomes and increases opportunities for New Zealanders.

Financial difficulty constrains peoples' potential contributions to a productive economy; without support a growing number will increasingly be stuck in a cycle of either going without or increasing their unmanageable debt. Financial mentors help people create goals and identify all the options available for fixing finances so opportunities for pursuing their potential and opportunities to lift income can be realised.⁸

Financial challenges exist regardless of the state of the economy but financial mentors are more in demand right now. We've seen the wave of hardship anticipated post COVID 19 disruption. We can keep the expertise mentors have built over the last five years of disruption with sufficient, sustained government and industry levy funding.

Financial mentors are also a vital part of the financial services system and the consumer protection 'eco-system.' Financial mentors spot and bring trends of non-compliance or systemic issues to regulators, especially those monitoring the extensive harm created by breaches of credit laws. Financial mentors are also a canary in the coal mine who can raise issues with parliament such as our

⁴ More details on the Te Tāpapa development framework for financial mentor professionalisation are available here: <https://www.fincap.org.nz/te-tapapa/>

⁵ Succinctly explained by the Scottish Government here: <https://www.gov.scot/publications/debt-advice-levy-funding/pages/introduction/>

⁶ Succinctly outlined in this piece from FinCap's Australian equivalent: <https://www.financialcounsellingaustralia.org.au/financial-counselling-sector-industry-funding/>

⁷ See: <https://www.fcif.org.au/announcing-our-2025-expansion-grant-recipients>

⁸ See the analysis on page 44 of a previous FinCap *Voices* report which found incomes median incomes increased by \$200 when someone was supported by a financial mentor: <https://www.fincap.org.nz/images/files/FinCap-Voices-report-2023.pdf>

current focus on the need to modernise our debt collection laws because of the harm occurring from unreasonable conduct. Resolving such issues helps the public have confidence in markets which helps our economy.

Overarching goal: Deliver more efficient, effective and responsive public services to all who need and use them – in particular, to restore law and order and improve health outcomes and educational achievement.

Sustainable funding for financial mentoring is money well spent. Increased funding will allow greater returns, especially with the professionalisation of our sector. Effective assistance to manage debt and access the essentials is funding at the top of the cliff to prevent avoidable health issues, ensure people are able to focus on engagement in education and prevent social dysfunction or financial hardship leading to crime.

Businesses also benefit from being able to refer those facing hardship to expert financial mentors. This may see the business paid or able to better administer doubtful debt. We need industry contributions to funding. A very small levy on financial services, energy providers, telecommunications providers, KiwiSaver providers and the gaming industry would be the best way to increase funding for financial mentors who are responsive to financial challenges in their communities.

Overarching goal: Get the government's books back in order and restore discipline to public spending.

Legislated support for small industry levies is a way to suitably fund vital financial mentoring services without a very significant increase in government funding.

Separate to the main focus of this submission, FinCap also seeks to highlight a systemic issue where the scale of attachment orders against income support to pay private debt is causing hardship and likely imposing significant costs on taxpayers. In response to information requests, the Ministry of Social Development revealed that as at August 2025, \$802,105 per week of payments were being taken from income support and sent to private creditors. This was an increase from \$554,331 per week in January 2021. FinCap believes this will be causing more requests for benefit advances or non-recoverable grants to relieve hardship at a cost to the taxpayer.

Debt collection business models have been established to make the most of the current settings which provide them with ongoing income from Ministry of Social Development payments. An information request to the Ministry of Justice revealed that 88.2 per cent of civil attachment orders are being applied against benefits rather than wages. FinCap is concerned by the hardship being caused and recommends intervention through a Judgement Proof Debtor policy.⁹ We also recommend a forum between community organisations, the Ministry of Justice and Ministry of Social Development to discuss the issues.

Budget 2026: Supporting the delivery of core public services such as health care, education and law and order.

Financial mentors can prevent financial difficulty contributing to health presentations, challenges with engaging in education or contributing to law and order issues as a driver of crime. As just one

⁹ Similar to the settings in Victoria, Australia which are explained here:
<https://hlip.justiceconnect.org.au/practice-areas/credit-and-debt/first-steps-to-take/being-judgment-proof/>

example, Victoria University research has found that financial mentors being funded and available to support people entering and exiting prison could reduce financial hardship and recidivism.¹⁰

Budget 2026: Keeping tight control of discretionary government spending while funding a limited number of priority Government policy commitments.

Industry funding for financial mentoring offers alternative revenue for greater financial mentor impact without substantial increases in government spending.

Budget 2026: Addressing New Zealand's longer-term productivity challenges.

Financial mentors support people to understand and pursue the opportunities available to them.

Budget 2026: Developing a sustainable pipeline of infrastructure investments.

Financial mentors have often delivered financial literacy sessions to workers at large infrastructure businesses. These initiatives will often arise where employers are concerned that their workers may be at risk of financial difficulty and the associated challenges to wellbeing.

Please contact Senior Policy Advisor Jake Lilley on jake@fincap.org.nz or 027 278 2672 to discuss any aspect of this submission further.

Ngā mihi,



Fleur Howard
Chief Executive
FinCap

¹⁰ Sibanda, J. & Stace, V (2024). *Steps to Freedom? – A report on stage 2 of the prisoner access to banking research report project*. FinCap, p.4, available at: <https://www.fincap.org.nz/images/files/Steps-to-Freedom-Full-Report-on-Stage-2.pdf>