# Voices

## 2025 update on income, expenses and debt trends and why reasonable debt collection conduct is critical now

FinCap
Got it together



June 2025

*FinCap's purpose is to enable and enhance financial wellbeing in Aotearoa*



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Thank you to the many financial mentors
who make the insights in this report possible.

# Message from the Chief Executive

Every day at FinCap, we hear how financial mentors work alongside whānau and prevent the major ongoing harm that comes from difficult finances. Their work is essential to our communities.

This Voices report offers many excellent insights on the financial challenges that were holding whānau back as we began 2025. FinCap's ability to gather and share these insights is the result of the hard work that financial mentors have undertaken with these whānau.

Financial hardship is not the fault of any one government or government policy – it is caused by multiple factors. The ongoing cost-of-living crisis has led to an increased debt burden for many people. Many of the whānau financial mentors work alongside are resorting to KiwiSaver hardship withdrawals just to make ends meet or avoid further debt. The financial and health stresses of unmanageable debt are made far worse by unreasonable and aggressive debt collection practices. Under our current conditions, as debt continues to grow, so too will the harm caused by these debt collection practices.

Good policy can help to relieve this pressure on whānau and enable them to change course. FinCap has a longstanding track record of providing recommendations for financial services and consumer protection sector reform, and we continue to do that in this report.

In this report, we have intentionally focussed on debt collection reform. This is because of the concerning trend we can see of increasingly unmanageable debt, and because the government has indicated that it is keen to modernise the Fair Trading Act 1986, which governs all private debt collection. We believe there is an opportunity now to minimise further harm for people who are already struggling enough.

This Voices report shows that financial mentors are seeing increased demand and complexity of situation from whānau, at a time of constrained sector funding and a corresponding reduction in workforce. That is why, alongside this report's recommendations, FinCap's focus over the next five years is on supporting the financial mentoring workforce to professionalise through Te Tāpapa, with a sustainable future funding model through appropriate industry co-funding.

I want to take this opportunity to thank financial mentors for the work you do in your communities and for making the insights in this report possible.

Fleur Howard

# Executive summary

> “What I see everyday is there's more and more debt coming through. It's hard to manage our living expenses, everything is so expensive at the moment. The first port of call for a lot of our families at the moment is getting a loan out, because they think that will actually save them from losing everything they have.”
>
> – A financial mentor in Auckland

The annual *Voices* report presents data collected by the more than 700 financial mentors across Aotearoa who support whānau facing difficulty with debts or paying everyday expenses. Each year, we explore trends arising from this data alongside what financial mentors have told us and discuss how policy improvements can help these whānau.

Financial mentors fundamentally look at income, expenses and debt. Client Voices data in 2025 once again shows that income, despite increasing, is not enough for our median client to cover expenses. The key driver of people getting into financial hardship is the accumulating pressure of rising prices through the cost-of-living crisis, no matter what their walk of life is.

Part One of this report presents an overview of Client Voices data and how it shows a persistent weekly deficit and increasing debt problem for whānau trying to get ahead. Financial mentor client numbers have grown steadily for the last three years. Given nationwide figures on price increases, we can see why allocating limited income towards essential expenses or debt repayments remains a very real dilemma for many people.

Part Two shows that job losses are increasing as a reason that whānau present to financial mentors. The income support most people in this situation will access is increasingly insufficient and is driving both Buy Now Pay Later debt and debt to government.

Part Three explores how more people who are working or have saved for a home in the past are presenting for financial mentors’ support. Half of new clients coming to financial mentors are in work. One in ten has a mortgage. Financial mentors have seen an 88% increase in waged or salaried clients earning over $1000 per week since 2021.

> “The key things that I’m seeing here would be an increase in couples and an increase in working couples. That's definitely something that has been quite different, you know, still get beneficiaries, but certainly not unusual to have employed. And two people employed and really struggling.”
>
> – A financial mentor in Christchurch

Financial stress has driven a rapid increase in KiwiSaver hardship withdrawal applications since the pandemic (Inland Revenue, 2025a). These are the most common advocacy actions undertaken by financial mentors. People running down their retirement savings early will likely struggle in retirement, meaning increased poverty for older people and strain on income support systems in the future. Both issues are avoidable.

Because so many whānau have struggled to break even in recent years, a large burden of accumulated household debt has been building, much of which has become unmanageable. More households are experiencing financial vulnerability. As discussed in our last Voices report, financial stress is also a strong contributor to mental health challenges faced by many in Aotearoa (FinCap, 2024).

There are a range of policy interventions that can minimise financial stress for whānau, help them avoid unaffordable debt to begin with, and give them a better chance to sustainably repay legitimate debts.

Our recommendations are geared towards preventing this unmanageable debt and addressing consumer protection gaps for private debt collection conduct which, unless checked, will compound unmanageable debt and lead to further harm for whānau.

The Government has indicated that it is keen to pursue financial services reform. We welcome Commerce and Consumer Affairs Minister Scott Simpson's commitment to "safeguard the interests of consumers and ensure that their rights are fairly upheld" (2025) and a review later this year of the Fair Trading Act 1986, which governs all private debt collection. As such, this edition of Voices focuses on recommending debt collection reform to minimise the further harm we foresee from unmanageable household debt.

While debt collection is a necessary feature of our financial system, existing controls are not strong enough to protect those unable to pay from unreasonable debt collector conduct. The government has an opportunity to make a positive difference in people's lives by modernising the law.

Aggressive debt collectors can coerce unaffordable repayments ahead of other collectors who make appropriate requests. Debtors intending to sustainably pay back all their creditors are interrupted and at times deliberately panicked by unreasonable debt collection practices. The regulatory settings also make it hard for anyone to quickly verify which organisations are collecting reasonably and which aren’t.

Acting now to improve settings and prevent unacceptable debt collection conduct would minimise further harm from increasingly widespread unmanageable debt and go a long way toward helping whānau in financial crisis. Fewer whānau would experience unreasonable debt collection taking food off their table, debt spirals, avoidable hardship, and associated mental health challenges over the next decade.

Our recommendations, listed below, arise from the frontline experience of financial mentors helping whānau experiencing financial distress and pressure from debt collectors.

# Recommendations

Our recommendations, listed below, arise from the frontline experience of financial mentors helping whānau experiencing financial distress and pressure from debt collectors.

## Key recommendations for minimising the risk of further harm from existing unmanageable debts through clearer debt collection conduct rules

***Financial mentors report that compared to other work with creditors, navigating private debt collection can feel like the 'wild west.'***

Currently, debt collectors are not incentivised to consider the impact of their actions on individuals and whānau, focusing instead on collecting as much money as possible before a debtor becomes unable to pay. The consumer protections financial mentors might use to challenge unreasonable debt collection conduct can be unclear or unactionable depending on which industry the debt originated from.

Debt collection issues can be overwhelming for many whānau who have multiple debts being chased. Interactions with debt collectors can be confrontational, intimidating, and stressful. Many consumers feel vulnerable, especially if they are unfamiliar with the laws governing such interactions or unsure how to negotiate regarding the debts asserted against them. They can feel there is no option but to pay unrealistic demands relative to their financial circumstances, despite this meaning they might not be able to afford food to eat. That, or they often face excessive contact towards them and others they know, throughout each day, repeatedly demanding that they pay money they do not have.

The following demonstrates the breadth of private debt collection systemic issues that are regularly seen by financial mentors and can be addressed through both clearer standards and more effective penalties for not following such standards:

### Harassment from debt collectors

- Unreasonably frequent contact of people who have disclosed they have no way to pay
- Calling at unreasonable hours and excessive use of automated emails and texts
- Unnecessarily contacting whānau and employers to cause embarrassment

### Unreasonable fees and interest being applied through debt collection

- Unlimited fees or interest that can exceed the initial debt amounts multiple times, without justification offered

### Debt collectors asserting incorrect information without consequence

- Illegitimate threats of immediate legal action
- Coercing people to pay debts that had previously been written off

- Pursuing debts that have passed statute of limitation periods
- Not providing documentation to prove a debt is owed

### Lingering harm from consumer protection gaps

- Legacy issues arising from a since-addressed gap in consumer protections that continue to cause harm ,where people are paying indefinitely but have nothing to show for it

The commitment to reviewing the Fair Trading Act later this year is a key opportunity to address the increasing potential for further harm posed by the current and growing amount of unmanageable household debt, and the lack of clear requirements and enforcement mechanisms for fair debt collection conduct. Stronger legislation can give a strong basis to ground clearer and more comprehensive guidelines from regulators to define unacceptable debt collection practices.

**Recommendation:** Amend the Fair Trading Act 1986 to better define harassment and ensure there is a sufficient enforcement system to deter, or address, debt collector misconduct.

## *Regulators have limited visibility of debt collection activity and free and independent dispute resolution is only available in limited circumstances*

Beyond amending the Fair Trading Act itself to set standards, there are also gaps in regulator visibility of debt collection activity (Stace, 2021), despite it potentially being one of the highest-friction forms of consumer interaction occurring in Aotearoa (Stace & Gordon, 2021, pp. 44-45). There are insufficient tools to ensure debt collectors are practicing good compliance.

Alleged debtors don't always have access to free and independent external dispute resolution schemes. Some debt collectors have voluntarily signed up to such schemes and we would welcome more in that industry doing so. These services can hold debt-collecting organisations responsible to any minimum standards in the law, or any set industry standards or business policies that extend beyond minimum standards.

These current gaps mean that even when financial mentors see conduct that is prohibited, it is often unclear where they can go to challenge this if the debt collector does not have an effective internal complaints process. If they go on to report their concerns to the regulator, the chances the regulator can quickly follow up on debt collector wrongdoing are limited. This is because there isn't a system in place to allow monitoring of which organisations are collecting debt and how. This all contributes to whānau feeling they can't practically challenge unreasonable conduct and the hardship it causes.

**Recommendation:** Improve mechanisms for accountability by clearly including all debt collection activities in s5 of the Financial Service Providers (Registration and Dispute Resolution) Act 2008. This should mean all debt collectors have a free and independent external dispute resolution scheme available, providing a practical mechanism for alleged debtors to assert their rights.

**Recommendation:** Improve regulator monitoring of debt collection conduct by introducing licencing requirements for debt collectors as part of the 'financial services reforms' currently under consultation.

### *Safeguards are failing to stop court processes causing further hardship by docking wages and benefits at debt collectors' requests*

Organisations collecting debt are making use of court processes to recover millions of dollars from beneficiaries. The streamlined process for court-issued attachment orders for private debt are disproportionately applied against benefits rather than wages. In 2023, 84% of the 37,785 orders granted were against benefits (The Post, 2024; Ministry of Justice, 2024).

These numbers are concerning given benefits are often insufficient to live on. Court orders should not be causing further hardship. There is a need to review the system, which currently defaults to assuming debtors are able to pay and risks compounding already substantial hardship for debtors. Financial mentors and debtors encounter a near-impossible task when looking to unwind the orders once they are in place. They face the challenge of having a court judgement re-examined, and legal support often isn't available.

**Recommendation:** Review whether there are adequate safeguards within the processes assessing applications for attachment orders to prevent the orders causing substantial hardship.

**Recommendation:** Consider a moratorium on attachment orders against benefits while the issue is being investigated.

## Other recommendations for preventing unmanageable debt arising in the first place

There are a range of policy interventions that can minimise financial stress for whānau, help them avoid unaffordable debt to begin with, and give them a better chance to sustainably repay legitimate debts. The below recommendations address several other issues highlighted in this year's data throughout this Voices report.

### *To prevent unmanageable debts through consumer credit protections:*

- The credit consumer protections that emerge from the current 'financial services reforms'[i] should adequately prevent debt spirals from loans which were always going to be unaffordable.

The Minister for Commerce and Consumer Affairs should use Credit Contracts and Consumer Finance Act 137A powers to apply all consumer protections from the Act to Buy Now Pay Later lending, all loans for mobile handsets and lending models that hide the cost of credit through prices well above the recommended retail price.

### *To prevent unmanageable debts to government:*

- A central monitoring organisation should be established to oversee all of government alignment with the *Policy framework for debt to government.*

The agency should:

  - Have the authority to create timelines for alignment.
  - Produce guidance and resources to support alignment.
  - Facilitate better practice collaboration across agencies.
  - Advise government on legislative changes that may be needed for the alignment of some agencies.

- The Ministry of Social Development's (MSD) *Ministerial Directions for managing debt,* which were last delivered in 2014, should be updated so they better align with the *Policy framework for debt to government.*
- Agencies should update their hardship assessments to the holistic model recommended in the *Policy framework for debt to government,* with the aim of an overall reduction in hardship for clients. This should include a component asking whether family harm and coercion may have played a role in debt creation or financial hardship.
- As the above recommended alignment would take time to progress, in the interim agencies should default to a 'high trust' approach for supporting those who say they need assistance to avoid hardship. This approach should be geared towards granting support rather than creating debt where there is a risk of causing or compounding hardship.

### *To prevent insufficient income driving unmanageable debt:*

- FinCap continues to endorse the recommendations of the 2019 Welfare Expert Advisory Group (WEAG) report with figures updated for the 2025 context.

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The baseline dataset we have created for the analysis in this report can be viewed in the Appendix. This year we have opted to create the Appendix as an Excel spreadsheet, rather than another print document, for greater ease in further analysis.

# About Voices 2025

This *Voices 2025* update presents findings and recommendations based on the analysis of client data from financial mentors around Aotearoa. Each year, we explore trends arising from this data alongside what we have heard from financial mentors, and present what we understand these trends to mean within the broader policy environment that FinCap is engaged in.

This year, several key indicators have led us to a focus on growing debt levels. Our recommendations are geared towards preventing unmanageable debt and addressing the consumer protection gaps for private debt collection conduct which, unless checked, will lead to compounding unmanageable debt and further harm for whānau.

## Financial mentoring and FinCap's role

Financial mentors work with whānau throughout Aotearoa. Their services are free and confidential for whānau to access, to address or avoid problems with money. Much of their time is spent working to minimise harm for households facing a cash flow crisis due to unmanageable debt.

Financial mentors were doing this work within 176 organisations serving communities throughout Aotearoa at the end of 2024. This is 16 services less than our first *Voices* report and we continue to see services closing due to sector funding constraints.

Financial mentors' initial assistance involves working to draw up an overview of a person's financial position. From there, financial mentors help to work out what that person's goals are, then follow this by identifying the options available for managing money and debt to achieve those goals. Where necessary, they then provide assistance to take up those options.

The work generally ranges from a single one-off session for a person or whānau facing a crisis, through to in depth and ongoing assistance. Some services may also offer community education to groups.

FinCap is an organisation which provides resources and services to support financial mentors in their work. This includes:

- sector workforce development
- providing resource, information and referral platforms and services for financial mentors
- working with financial mentors and wider stakeholders to address systemic issues that challenge the financial wellbeing of whānau in Aotearoa

In 2025, FinCap has commenced implementing Te Tāpapa, a professionalised workforce development framework for financial mentoring.

## About Client Voices

FinCap's *Voices* report presents data from our Client Voices database, the client management system used by financial mentors across the country. We use a data repository called Elasticsearch Kibana to organise this data and monitor baseline measures over time. At the end of each year, we export a bulk set of summary data on all closed client cases from Kibana into Excel and track these key measures in our client population. These are provided in the Appendix. We analyse this data for trends that we see emerging, and at times undertake inquiries into other data points held in Kibana to explore further questions arising from the observed trends. Financial mentors are consulted during this process to provide their thoughts on findings as they develop.

The Client Voices database is designed first and foremost for the benefit of financial mentors, and as such, data entry practices may vary from mentor to mentor as their needs dictate. Our analysis is conducted only on data entered by financial mentors, and at times this data is subject to change as records are updated or removed. While aware of these limitations, our Client Voices data sample offers a clear snapshot of a large client population as recorded by financial mentors who are trained to balance budgets to the cent. We account for the fluidity by using our annual export as a benchmark and continually working to improve the Kibana platform for intuitive use by financial mentors.

For a complete list of limitations with Client Voices data, please see page 66 of the Voices 2023 Appendix B (link provided in Works Cited at the end of this report).

## The context for household finances in 2025

Over the last year, numerous indicators have demonstrated that the cost-of-living crisis is far from over, and many whānau are struggling to make ends meet week to week.

The Covid-19 pandemic and the cost-of-living crisis that followed have created challenges across the economy in recent years. Grocery prices increased 5.2% in the year to April 2025 following even greater increases in the years before (RNZ, 2025b). The number of withdrawals from KiwiSaver due to significant financial hardship are more than double what they were before 2020 and trending upwards (Inland Revenue, 2025a). Stats NZ reports that between the December 2023 quarter and December 2024 quarter, the unemployment rate rose from 4.0% to 5.1%, an additional 32,000 people (2024a, 2025b).

Household debt was 169% of Nominal Disposable Income in December 2024, having been steady around a similar range since the Global Financial Crisis (RBNZ, 2025). This level of indebtedness exposes households to vulnerability when added cost pressures or reduced incomes see them unable to service their debt.

The nationwide figures above reflect many whānau beginning 2025 with concerns about how they will balance their income, expenses and debt repayments. Allocating limited income towards essential expenses or debt repayments will be a dilemma for many.

## Understanding debt

All debt can be risky regardless of its merit. Every day, financial mentors see real struggles made worse by loans that were unaffordable from the start. This is why FinCap strongly supports having robust consumer protections in our credit law.

FinCap recognises the importance of 'productive debt', which we define as debt that is likely to enable long-term wellbeing and financial security where it is affordable. An example might be a loan for a home that will build equity. Affordable car loans might also fall in this category where the transport enables more options for regular income or social participation.

However, we also recognise 'hazardous debt', which is debt that delays repayment but is less likely to have long-term benefit to financial wellbeing. An unaffordable loan for perishable food is a 'textbook' example. This will likely take money away from buying food that is needed in the next income round and see debt accumulate.

Lending that isn't irresponsible can also become an issue. Both productive and hazardous debt can become 'unmanageable debt', a term we refer to often throughout this report. Unmanageable debt is debt that has either become unaffordable or was unaffordable from the start. Whānau will not be able to pay this debt, service other debts, and purchase the essentials, without creating a cashflow deficit.

With unmanageable debt, whānau face a dilemma. Forgoing essential expenses can lead to diminished health and wellbeing, social dysfunction, difficulty participating in society and an inability to meet obligations.

On the other hand, getting into arrears with creditors can lead to penalty charges that mean difficulty repaying is compounded and prolonged. Whānau with increasing arrears progressively have less options for meeting unexpected essential expenses. Being in arrears can also create a credit reporting paper trail that leads to financial exclusion from appropriate and affordable lending, rental housing or retail electricity supply arrangements. These issues are aspects of what we refer to as a 'debt spiral.'

Debt collection is a necessary feature of our financial system, and these debts should be collected as far as is possible. However, existing controls on debt collectors are not strong enough to protect those unable to pay from unreasonable debt collector conduct. Protecting whānau from this pressure and inaccurate debt claims would go a long way to helping whānau in financial crisis and preventing debt spirals.

## What our data has told us about financial hardship and debt

The findings we present in this report demonstrate how financial mentoring clients from a variety of backgrounds have become more vulnerable to unmanageable debt over the course of the last year.

Part One highlights that financial mentors' data follows national trends. It also establishes that whānau are generally facing greater hardship and acquiring unmanageable debt in an effort to make ends meet. This is reflected in growing client numbers, a consistent weekly median deficit, and an increased amount in the median presenting debt.

Part Two shows that job losses are increasing as a reason that whānau present to financial mentors. The income support most people in this situation will access is increasingly insufficient and is driving Buy Now Pay Later debt and debt to government.

Part Three notes more people who are working or have saved for a home in the past are presenting for financial mentors' support. KiwiSaver hardship withdrawals are being pursued by many who have been in work due to the financial pressure they are facing.

## Our key recommendation

For the majority of whānau supported by financial mentors, unmanageable debt emerges from issues with consistent weekly deficits, insufficient income support, and diminishing savings for those who have been in work.

When whānau cannot afford to pay private debts across the whole economy, from doctors' invoices to car finance, they are likely to encounter debt collection for years to come. Left unchecked, the practices of some in the debt collection industry could cause avoidable further hardship under current settings.

Consumer protections are currently being reviewed for specific industries, to help avoid future unmanageable debts. However, action now to ensure reasonable debt collection conduct across the economy can minimise future harm to all whānau who, for whatever reason, are already vulnerable to unmanageable debt.

# Part One: Whānau are increasingly facing unmanageable debt when attempting to make ends meet

## At a glance

- Client Voices data reflects wider national statistics while providing further insight into the state of financial wellbeing
- Whānau are facing greater hardship
- Those with car loans face larger weekly deficits
- Economic downturn brings with it a household debt 'hangover'

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"I'm not seeing many people that are coming to me because they're choosing to necessarily, as an option because they wanna just learn something about budgeting or they just want to get themselves on track. Generally it's because they're in trouble. Money Talks or whoever has sent them towards us but by the time we're getting them, they're in quite a deep hole."

– A financial mentor in a regional area

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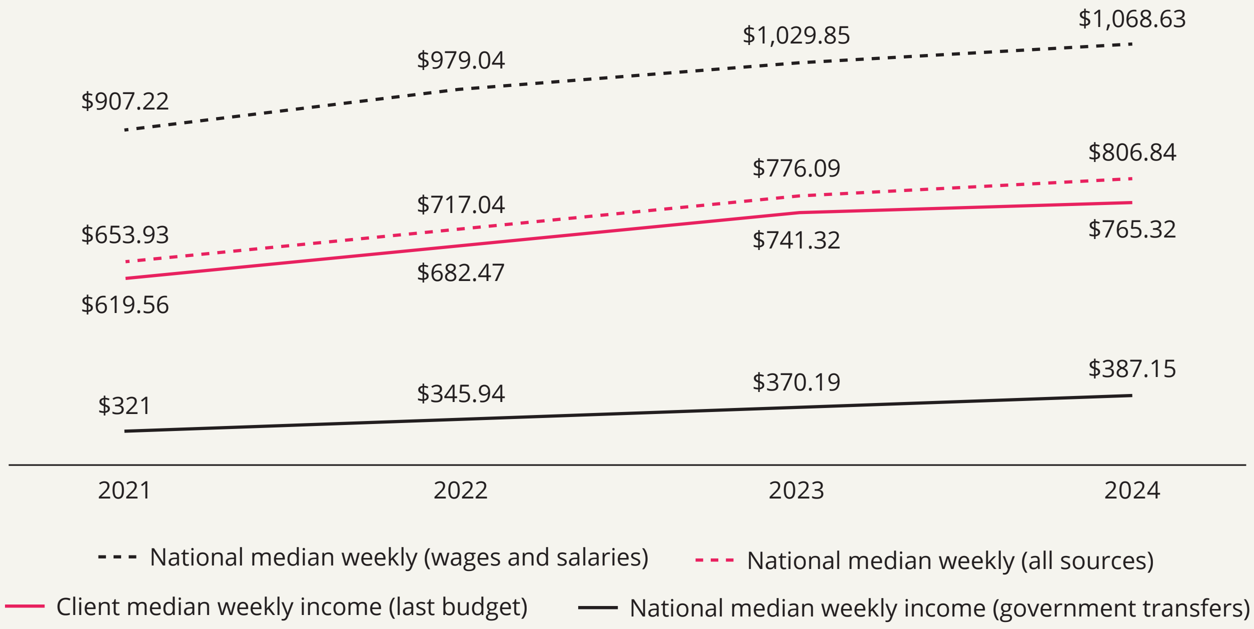
Both the comments from financial mentors and Client Voices data point to the fact that whānau presenting to financial mentors in 2024 were facing greater hardship than in previous years, despite gains in some areas. Across all of the different client cohorts discussed throughout this report, we can see that whānau are going into debt to pay for necessary expenses. Unchecked, unreasonable debt collection conduct that can emerge under our current regulatory settings has the potential to compound the harmful consequences of this debt.

## Client Voices data reflects wider national statistics while providing further insight into the state of financial wellbeing

Analysing our Client Voices data alongside national trends has demonstrated that characteristics of our client base mirror those of the wider Aotearoa society. However, it has also shown generally, those seeking the assistance of financial mentors are struggling to get by to a greater degree. Their data allows us to gain greater insight into the way that sources of income, changing expenses, and different categories of debt interact to create financial hardship. These insights go beyond what it is possible to glean from regularly cited data sources such as credit bureaus or Stats NZ.

## The median financial mentoring client has close to the national median income

**1.1. Median weekly income for clients tracks alongside the national median, but remains below it**




*Source: Stats NZ, Labour market statistics (income) tables for 2021-2024. Figures for national median incomes were adjusted to be after tax by using the calculator on paye.net.nz to make them comparable to our client incomes, which are net (after tax).*

Median weekly incomes for clients have risen year-on-year and track similarly to the three measures for median weekly income provided by Stats NZ. This is a good indication of both the integrity and external relevance of our data.

This comparison demonstrates that our client base's median income is close to, but continues to sit below, the median income of Aotearoa's general population (as represented by the 'all sources' line in graph 1.1). The median weekly income for our clients rose by 3% in 2024, which matched the overall increase in household living costs over 12 months to December 2024 as measured by Stats NZ (2025a), while all salary and wage rates in the same period increased by a similar 3.3% (Stats NZ, 2025b).

When measured for the lowest-spending households, living costs increased by 3.9%, and the cost of living for beneficiary households increased by 3.3% (Stats NZ, 2025a).

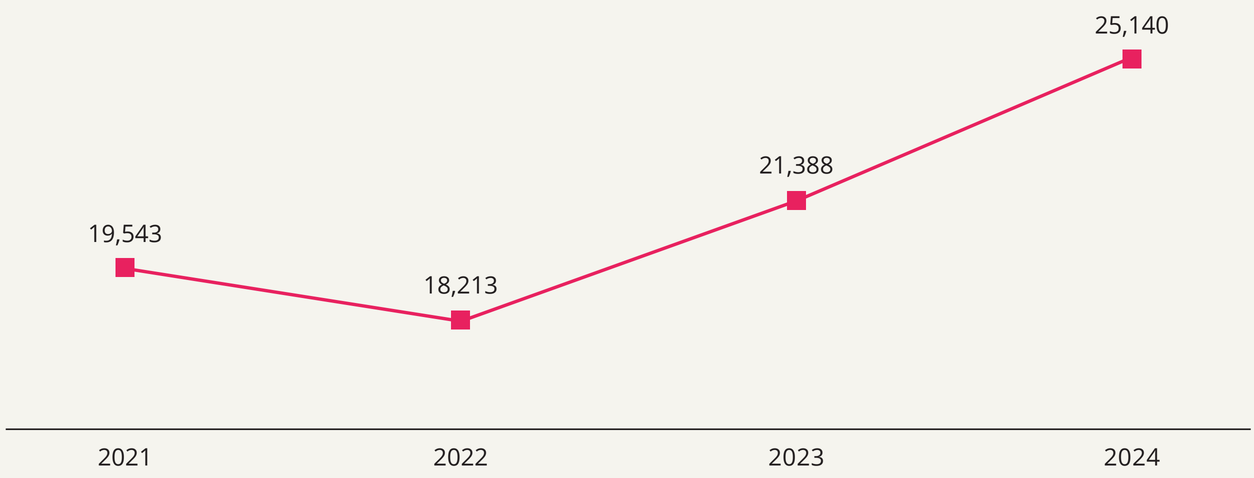
Benefit rates increased by 4.6% from April 2023 to April 2024 (Beehive, 2024), although as other sources (Kore Hiakai, 2024) and our data show, the net amount received weekly by beneficiaries remains below income sufficiency.

# Whānau are facing greater hardship

## Overall client cases increased as financial mentors met more demand in 2024

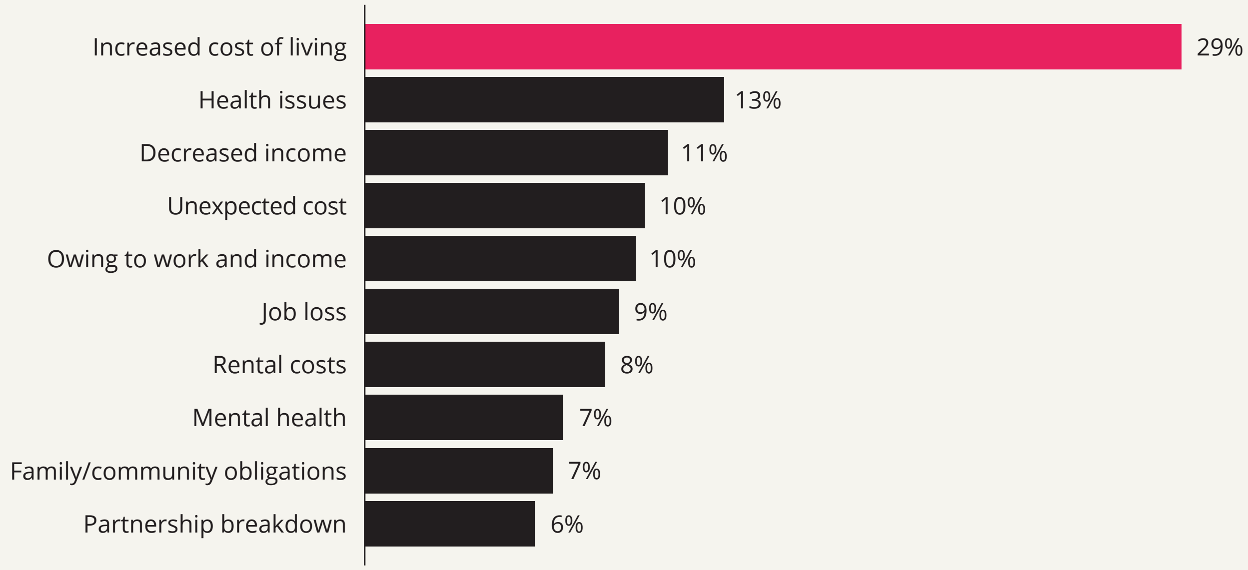
There were more closed client cases in 2024 than in previous years, following another prior increase between 2022 and 2023.[ii] This is one measure which indicates that year-on-year, financial mentors have seen a growing number of clients despite a reduction in the number of financial mentors (see 1. *Sector* in Appendix).

**1.2. Client cases closed for the last four years**



**Many clients sought out the assistance of a financial mentor due to the increased cost of living in 2024**

**1.3. Top 10 reasons for hardship recorded in 2024**




Increased cost of living made up 29% of all recorded reasons for hardship in 2024, up from 18% in 2023 (FinCap, 2024). Further, this was cited as a reason for seeking the services of a financial mentor in 9515 closed client cases.

A report from Rangahau Aotearoa Research New Zealand in March 2025 found that 55% of respondents had struggled to pay for, or went without, everyday essential items due to the cost-of-living crisis. This included one third (33%) who stated they had gone without medical care when unwell, and one third (33%) who stated they had struggled to pay for "essential bills such as power, water or internet" – an increase from 28% in May 2024 (Rangahau Aotearoa Research New Zealand, 2025, p. 3).

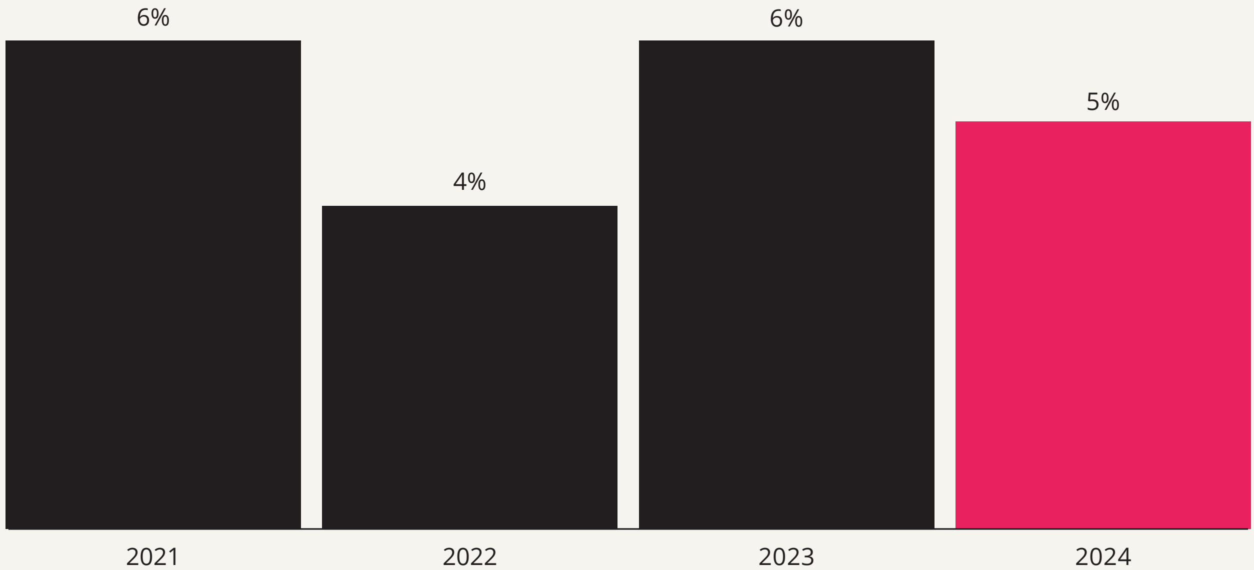
Financial stress can have a long tail. Coverage of the 'cost of living crisis' has featured prominently in the media within recent years, with the occasional optimistic headline signalling that pressures are easing (e.g. NZ Herald, 2024). However, whānau almost always make contact with a financial mentor long after difficulty with money and debt first arises.

The 'hangover' for many whānau of the Covid-19 pandemic's disruption to everyday life, and the society-wide financial challenges that followed, could continue to present for years to come. One driver of this is likely to be debts cycling through debt collection agents and debt collectors that purchase and pursue otherwise uncollected debt from the original creditors.

It is also worth noting that 10% of clients recorded debt to Work and Income as a reason for hardship in 2024. This is an indicator of the growing issue of debt to government, a key focus for FinCap. We explore debt to government more in Part Two of this report.

### Median weekly expenses continue to exceed median weekly incomes

**1.4. How much did expenses exceed income?**




Despite some small fluctuations, median weekly expenses as a percentage of weekly income has essentially tracked the same across the last four years. The amount by which expenses have exceeded incomes has sat between 4% and 6%. This means that for the last four years, at the end of their time working with a financial mentor, most clients have still been unable to make ends meet from week to week.

Financial mentors are experts at making ends meet. They have told FinCap that typical reasons for clients often having a deficit at the completion of their final budget include:

- incomes being too low
- another organisation made support conditional on a financial mentor referral to check there was need
- clients disengaging from financial mentoring earlier than initially planned
- clients leaving with an ongoing plan to break even.

### Overall, whānau are 'treading water' on the essentials

Median weekly expenses for tracked costs are rising at the same rate as median incomes – proportionally, clients are still spending roughly the same amount.

| | 2021 | 2022 | 2023 | 2024 | 1-year change | 4-year change |
|---|---|---|---|---|---|---|
| Rent/board | 36.1% | 35.4% | 35.8% | 36.7% | +0.9% | +0.6% |
| Groceries | 20.9% | 21.2% | 19.6% | 18.9% | -0.7% | -2.0% |

| | 2021 | 2022 | 2023 | 2024 | 1-year change | 4-year change |
|---|---|---|---|---|---|---|
| Electricity | 5.6% | 5.7% | 5.3% | 5.2% | -0.2% | -0.4% |
| Fuel | 7.0% | 5.6% | 6.9% | 7.0% | +0.1% | -0.0% |
| Clothing | 0.6% | 0.6% | 0.5% | 0.5% | 0.0% | -0.1% |
| Debt repayment | 16.8% | 15.9% | 15.2% | 14.6% | -0.6% | -2.2% |

Whānau are continuing to tread water on essentials spending. Generally, expenses for the essentials we track in our data are around the same proportion of median weekly spend to median weekly income year-on-year. However, depending on the income source and amount of income for some clients, some are feeling the squeeze more than others.

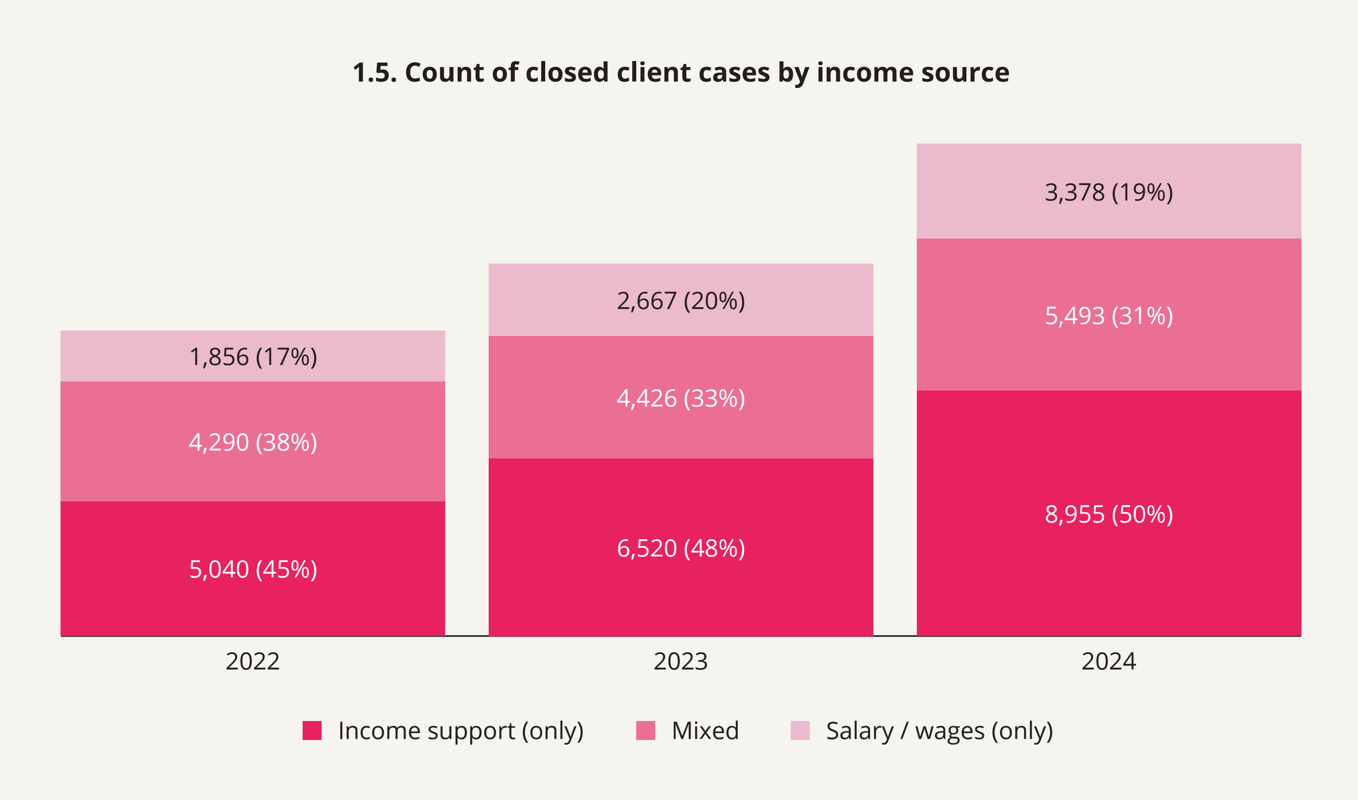
As discussed above, percentage increases in wages and salaries only just matched increases in living costs for 2024, and for some households, cost increases continued to outpace income increases (Stats NZ, 2025a, 2025b).

Debt repayments have continued to drop as a percentage of weekly income across the last four years. While less income going to debt repayments because they are not owed could be considered a good trend, in 2023 financial mentors told us our data actually reflected that whānau could not afford to make repayments, and that this was evidenced by the growing median debt (FinCap, 2024, p. 15). This remained the case in 2024. Missed repayments are of concern, as we see instances of further fees being added for debt collection which could prolong and increase harm from debt issues.

Coupled with the fact that most clients remain in budget deficit on exiting the services of a financial mentor (as shown in graph 1.4) despite improving their overall financial situation, we can understand how and why the remaining need to cover basic costs of living is driving more and more people into debt.

## We are seeing shifts within the income sources of clients

Within cases closed (see graph 1.2), the majority of clients have their income type recorded.[iii] These figures show us that we are seeing growing numbers of clients across all types of income, indicating that whānau across all cohorts are facing more financial hardship. Financial mentors reflected on this growth of particular client demographics in their comments to us, as shared in Parts Two and Three of this report.




This data frames some distinct stories, which we will expand upon throughout this report.

Graph 1.5 shows that, by percentage of overall clients, we are seeing a growth in the number of clients who receive income support as their sole source of income, while the cohort of clients who receive some or all their income from salary or wages is shrinking.

The Kore Hiakai *Ka Mākona* report highlights the risk of debt or hardship this poses to more whānau, in demonstrating that many on income support will often be having to choose between buying food, paying for other essential expenses or repaying debt (Kore Hiakai, 2024). For many, it is becoming even harder to make ends meet on income support, and a growing number have found themselves on income support due to rising unemployment.

However, financial mentors have also been concerned at the financial difficulty faced by whānau with paid work and mortgages who are also increasingly presenting for support. Even though they are dropping as a percentage of overall clients, the two lighter-shaded categories in graph 1.5 show an increase of 1778 clients receiving some sort of wage or salary between 2023 to 2024. Financial mentors have told FinCap this group will often be unfamiliar with navigating support systems or ineligible for sufficient government support due to income levels, even though their incomes are not enough to service their needs.

When explored alongside other variables such as income type, home loan debt and reasons for hardship, the growth of these client cohorts reveal a much more detailed profile of our client base and the challenges they face.

## Economic downturn brings a household debt ‘hangover’ which needs an effective consumer protection system

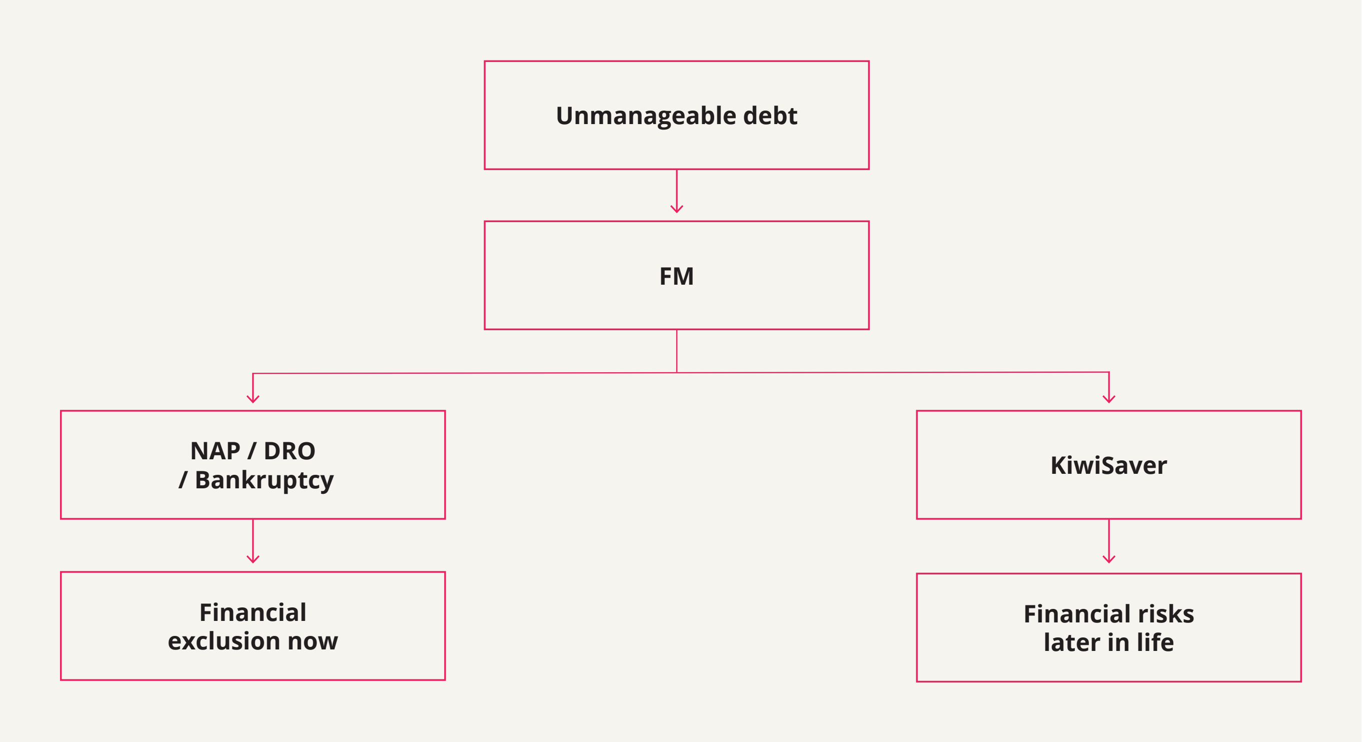
> “The debt levels, it’s a lot of multiple debts. People are buying essential stuff like furniture and beds, appliances that they need for their rentals, and they can't afford them. So they take out a loan. But then they have 10 or 12 loans that they're trying to juggle payments for and just really struggling.”
>
> – A financial mentor in regional Auckland

Our consistent collection of the income, expenses and debts of whānau supported by financial mentors indicates that financial strain from unmanageable debt is becoming more widespread. The median debt level of whānau presenting to financial mentors has increased by 7.8% over 4 years (see graph 1.6), the number of whānau seeing financial mentors has increased and the majority of these whānau have a weekly deficit. The structure of our financial system means unmanageable debt will arise for whānau. Because this is the case, we need effective mechanisms to ensure whānau and their communities do not face avoidable harm. Problems such as severe mental stress (see pp. 31-36 of FinCap, 2024) and challenges keeping food on the table or accessing other essentials are too common.

Financial mentoring is one such mechanism, but our sector does not have the capacity to reach everyone it could assist. We also need more levers to help people address unmanageable debt in a timely way.

> “The trend that I now see is that people don't know that they have got problem debt. And they don't know their options around debt, and they don't know their rights around when they got the debt. They don't know that there's the right to cancel or they don't know that they don't have to take on all that insurance and they don't know that they should have been able to afford that.”
>
> – A financial mentor in Dunedin

Currently, when financial mentors do work through an unmanageable debt situation with a whānau, two common solutions emerge.

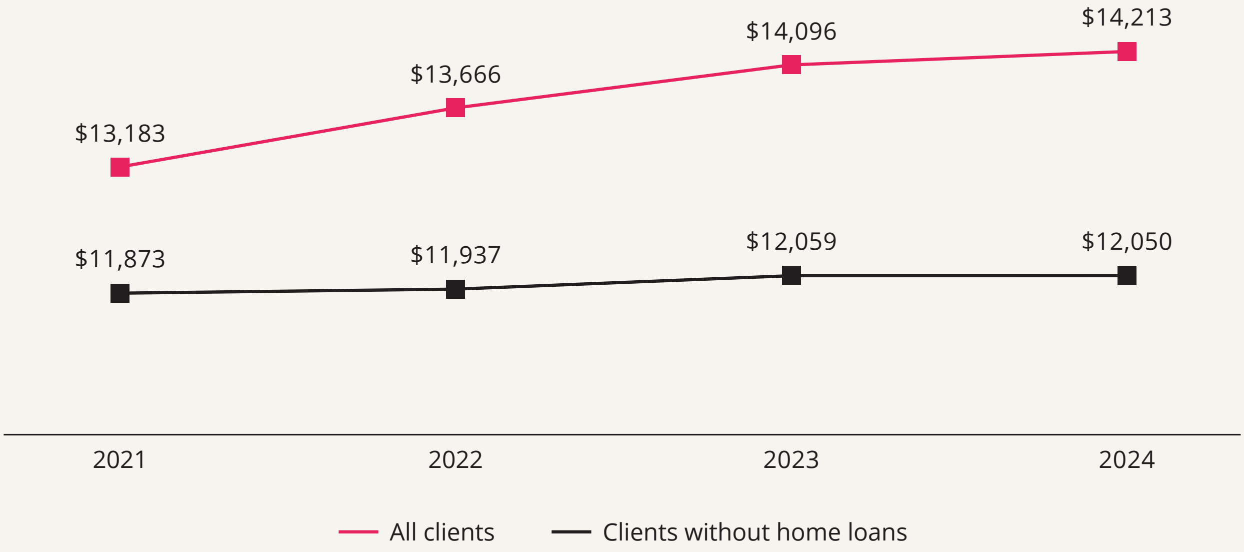



The first is to withdraw KiwiSaver funds on the grounds of financial hardship. While this may help someone catch up with out-of-control costs, it sacrifices future retirement income from savings and is best avoided where possible. We comment more on the rise of these withdrawals in Part Three. The other is an insolvency procedure such as a No Asset Procedure, Debt Repayment Order or Bankruptcy. While these are necessary to help people continue putting food on the table, they present a risk of financial exclusion. Those who have gone through an insolvency to reset their financial situation may go on to face barriers when seeking to engage with potential landlords, electricity providers, banks and sometimes employers, amongst others.

There is no one silver bullet to the problem of wider and growing potential for harm resulting from unmanageable debt. However, as this unmanageable debt from all sources cycles through debt collection processes for years, it has the potential to compound the harm resulting from being unable to pay. FinCap sees an opportunity now to improve scrutiny towards ensuring debt collector's conduct is always reasonable, starting with a thorough look within the Fair Trading Act review to be launched this year (Simpson, 2025). Requiring reasonable debt collection conduct can minimise further harm in our communities.

## Debt has increased across the last four years

1.6. Median total presenting debt



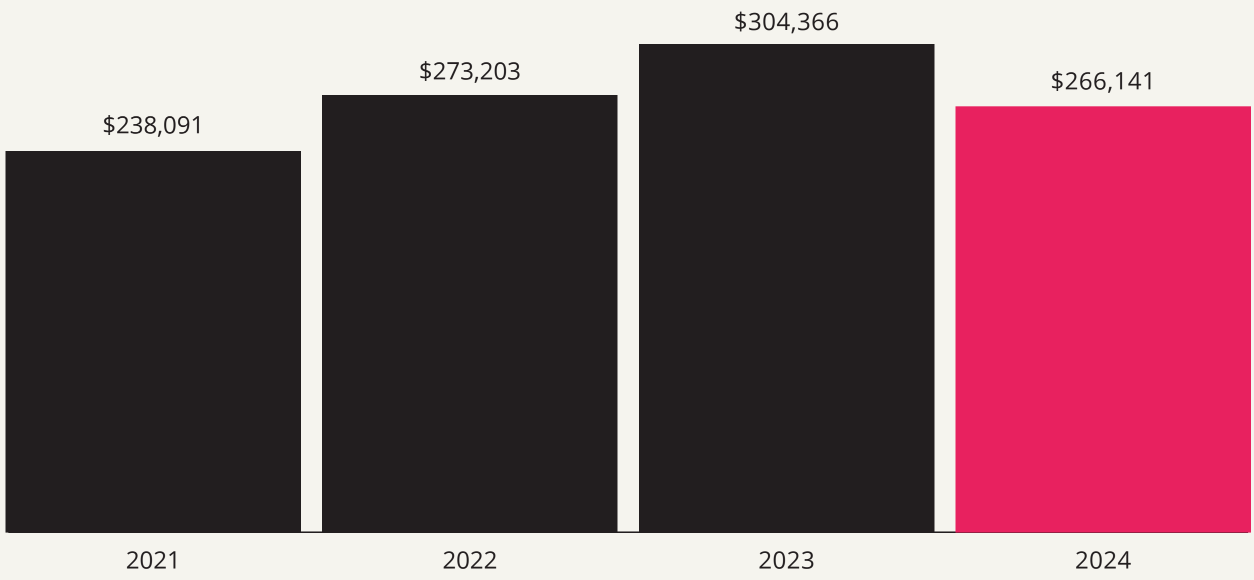

When the whole client base is considered, the median total presenting debt amount has increased by 7.8% over the last four years, tapering off slightly between 2023 and 2024. Much of this debt is being driven upwards by clients presenting with home loans, as can be seen by the difference between lines in graph 1.6 which addresses both the overall client population and cohort without home loans.[iv]

Despite a small dip in the total median presenting debt of clients without home loans in the last year, this has still increased by 1.5% across the last four years.

While there is not necessarily a dramatic trend of the median debt of clients who have home loans increasing, the figures in graph 1.7 illustrate how much higher the debt for those with home loans is in general.

As will be discussed in more detail in Part Three, the percentage of home loans as unique debts in Client Voices has almost doubled within the last four years. With more large debts like this being recorded in Client Voices, the median debt amount will only continue to increase.

1.7. Median presenting debt for clients who have a home loan




Debt is further discussed in Parts Two and Three of this report, as specific debts are affecting whānau with varying financial situations in different ways. These include:

- Debts to government agencies such as the Ministry of Social Development (MSD) and Kāinga Ora
- Buy Now Pay Later debts
- Rental arrears debts
- Debts to banks, including mortgages

## Cars demonstrate the way that essential spending is driving people into debt

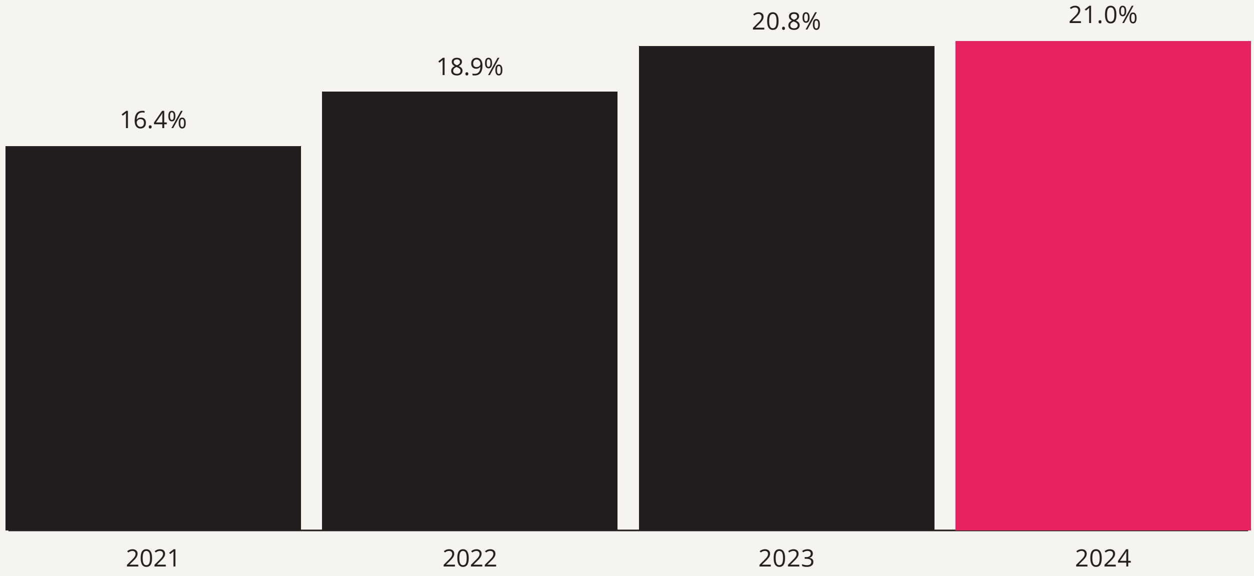
Zooming in on debt related to car loans and car maintenance highlights how spending on essentials that whānau need to get ahead is leading to greater levels of debt.

Car loans were singled out by financial mentors as one of the key types of debt pushing people into weekly budget deficit:

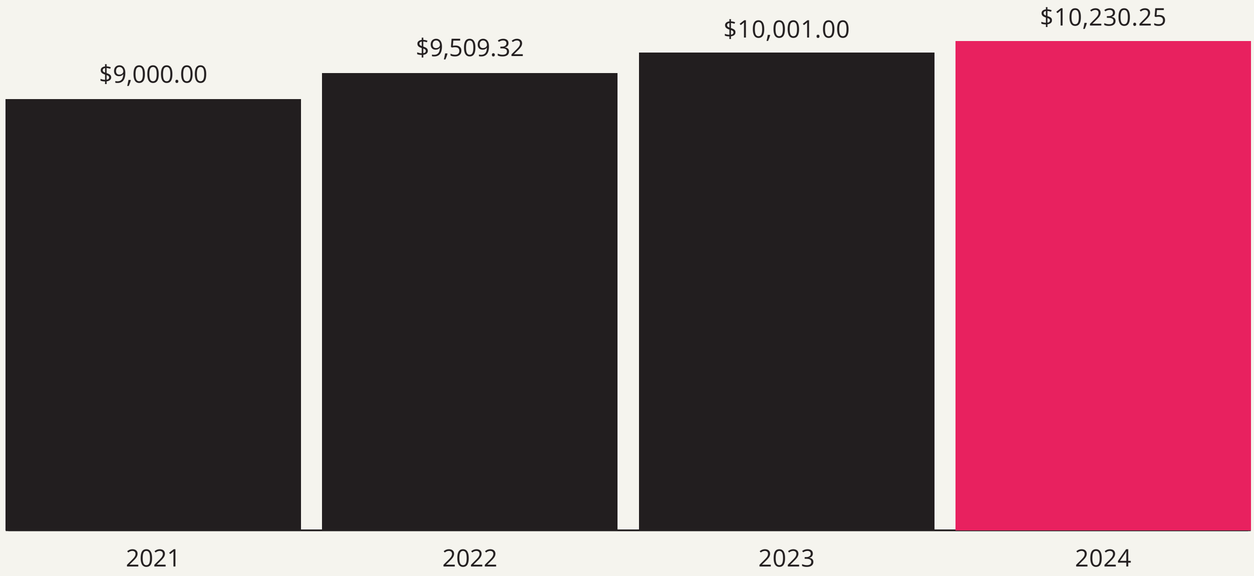
> "Debt is absolutely a huge factor for making people come in... car loans in particular are absolutely going through the roof with people not being able to keep up their payments. Often this is linked to them needing a car for work, so it's obviously extremely important that we stop that from happening."
>
> – A financial mentor in a regional centre

In Client Voices, car loans have grown in both number and size across the last four years:

**1.8. Car loans as a percentage of unique debts in Client Voices (by loan type)**



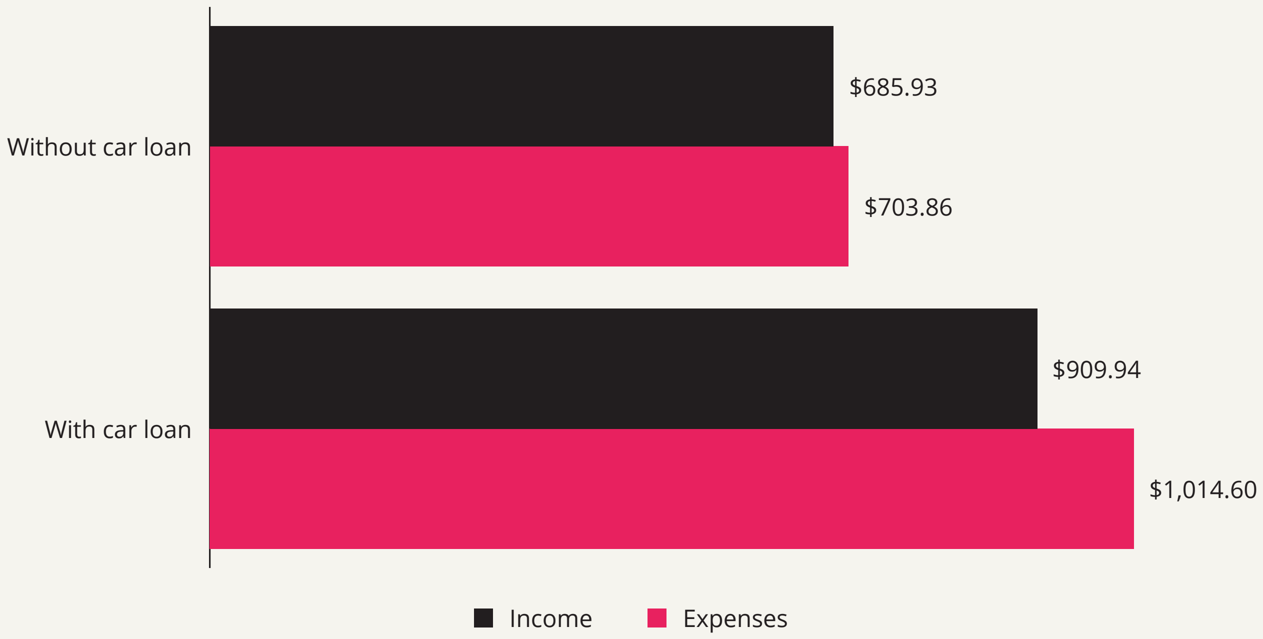

**1.9. Median amount of a car loan**



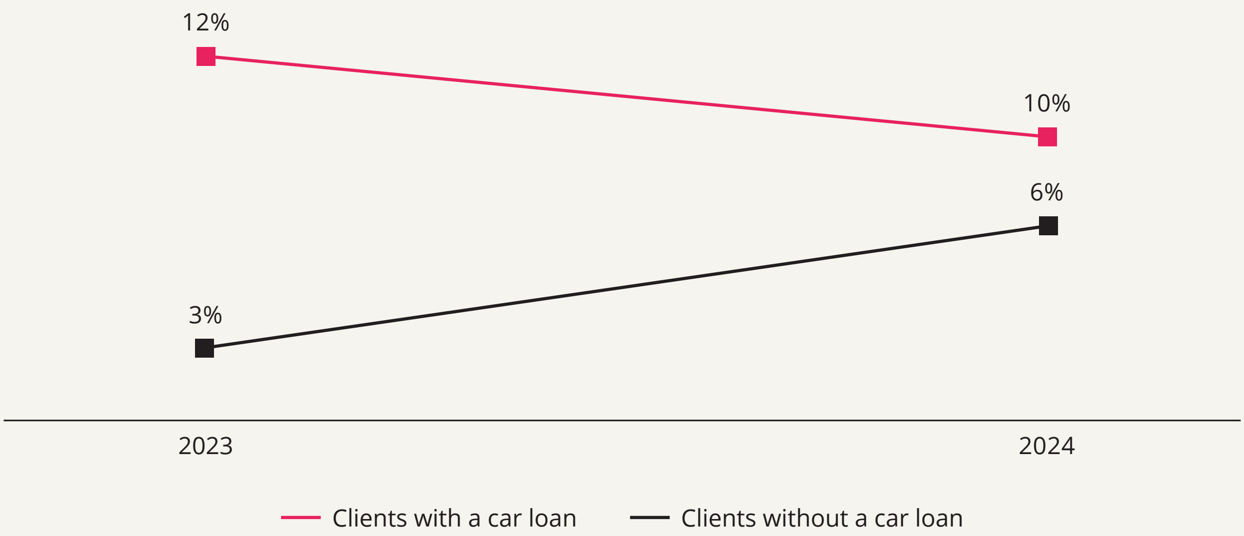

Graph 1.9 demonstrates a 13.7% increase in the median amount presenting for a car loan across four years.

Graph 1.10 shows the cohort of whānau with car loans have both more income and even more expenses each week. Their weekly shortfall is also greater than those whānau who do not have a car loan.

### 1.10. Median weekly income vs expenses for those with and without car loans in 2024




### 1.11. How much did expenses exceed income?



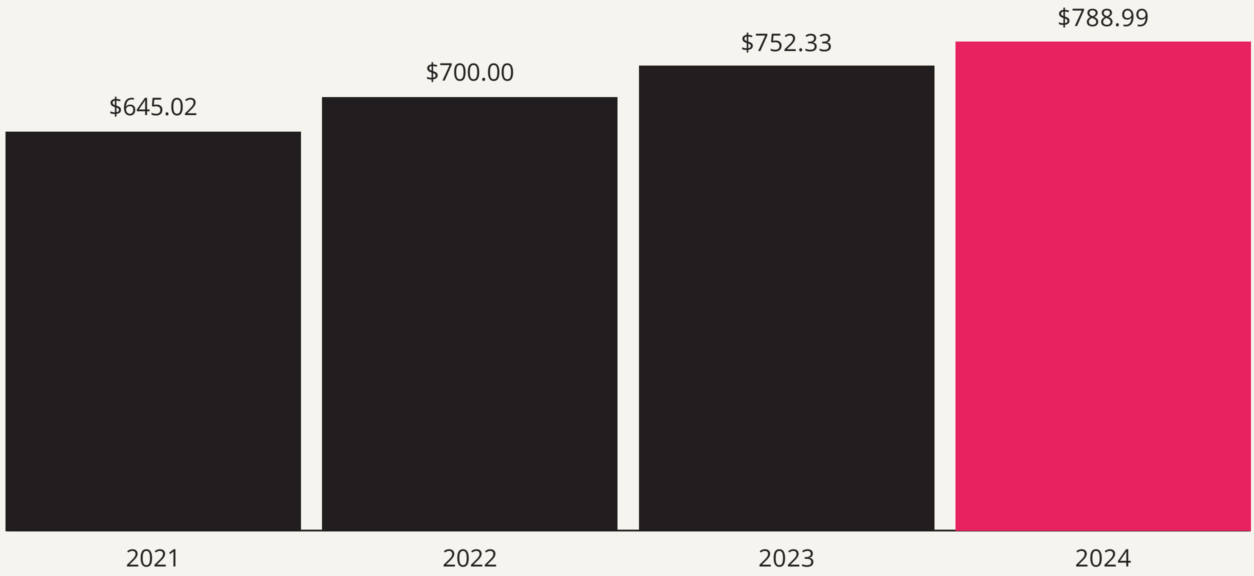

Clients with car loans have a higher median weekly deficit than those without car loans, although this has improved over the last year as opposed to those without. This could indicate that while purchasing a car through a loan still presents a high repayment cost, it is enabling those with the car to obtain greater income through employment, while those without a car loan are increasingly struggling.

Generally, car loans do appear to be increasingly contributing to more unpaid debt – Centrix data shows that the percentage of car loans in arrears peaked at 6.5% in early 2024, having climbed from 3.9% in late 2021 (2025).

The median presenting debt for car repair has also crept up over the last four years. One financial mentor told us that this debt exists because, often, clients are buying cheaper cars with issues that cause them to break down and then they cannot afford to get them repaired:

> “I’ve got a client with 25 MSD drawdowns, and most of that was for car repairs. I think that’s because they're buying these cars that are on their last legs.”
>
> – A financial mentor in a regional Auckland

**1.12 What was the median amount owed for car repair?**




Another financial mentor stated that this debt is often unarranged and not subject to any regulation, because it is informally owed to a mechanic after a bill has been delivered:

> “Clients are getting into payment plans with mechanics. Mechanics don't know that until they don't receive the money. Then the client calls and goes, “OK, look, sorry, can't afford it.” And it's 10 bucks a week, so it's not mutual, and it's not agreed upon. But that's just how it is because there are no extras to pay for the mechanic straight up, so it’s always going to be drip-fed.”
>
> – A financial mentor in Dunedin

This is therefore a symptom of the wider financial strain that many clients are under, as they need their car to work and receive an income but are unable to afford maintenance. This consequently leads to more debt.

There are higher deficit rates for those with car loans, increasing reports of defaults and growing debt where people cannot afford repairs. It is therefore vital that the credit consumer protections that emerge from the current 'financial services reforms' adequately prevent debts spirals from loans which were always going to be unaffordable.

## Conclusion: Stronger consumer protections are needed to prevent more unmanageable debt. Ensuring debt collection conduct is reasonable can help deal with the debt already burdening households.

Fewer financial mentors saw more clients in 2024 and the cost of living was the most common reason for assistance being sought. Like previous years, income increases have met increased costs at best and debt levels are escalating across the whānau seeking help. As the amount of unmanageable debt increases, the gaps in consumer protections for debtors in Aotearoa pose greater risks for years to come. Debt collectors pressuring whānau to make unsustainable repayments against past debt is likely to lead to other creditors not being paid, or whānau sacrificing investments such as KiwiSaver to meet short-term need. It is also likely that harm will arise where debtors go without essentials to make unaffordable repayments by skipping meals, doctor's visits or not heating in winter.

Now is the time to clearly define what actions are acceptable conduct, or not, from an organisation collecting debt. There is an opportunity to work towards this in a thorough examination of debt collection when the Fair Trading Act review is launched later in 2025.

## Part Two: Income support is increasingly insufficient to live on and leading to more debt

## At a glance

More people are losing their jobs and receiving income support as their only form of income

We can see that those on income support are not coping with rising costs

Debt to government is increasing and correlating with BNPL debts

Ensuring debt collection conduct is reasonable will minimise further harm from unmanageable debt for these whānau

As discussed in Part One, we are seeing a proportional and overall increase in the number of people relying solely on government support, against a proportional decrease in the number of people receiving income solely from salary and wages or a combination of salary/wages and income support. Those receiving some form of income support are the majority of whānau working with a financial mentor.

The experience of frontline financial mentors is that most whānau on income support live from financial crisis to financial crisis. Financial mentors can help restore financial wellbeing, but it is often unsustainable, as essential but unmanageable costs cannot be met without incurring equally unmanageable debt. Too often financial mentors tell us that they are concerned that the only home a whānau in this cohort can find requires the majority of their income, reflecting impossible financial circumstances.

The 2024 *Ka Mākona – Income inadequacy in Aotearoa New Zealand* report from Kore Hiakai demonstrated that whānau and individuals living solely on Jobseeker or Sole Parent benefits were experiencing universal income inadequacy. These groups of beneficiaries could, under average circumstances, expect a consistent weekly deficit between $93.93 and $162.04, depending on the makeup of their whānau and which income support they were receiving. Our Client Voices data shows many people living this reality.

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> "As far as our beneficiaries are concerned… It's definitely harder and harder to survive on the money that is available to them."
>
> – A financial mentor in a regional centre

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Our data indicates that increasing the income of this cohort would be the most effective way to minimise the number of households in financial distress. The report of the Welfare Expert Advisory Group (WEAG, 2019) made several recommendations for redesigning Aotearoa's income support system, to be guided by key principles such as "Income support is adequate for meaningful participation in the community" and "Main benefits cover a larger proportion of people's living costs than they do currently" (p. 23). While there have been increases to many benefits since then, they have not equalled the increases recommended by the WEAG report. FinCap continues to endorse the recommendations of the WEAG report with figures updated for the 2025 context.

# More people are losing their jobs and receiving income support as their only form of income

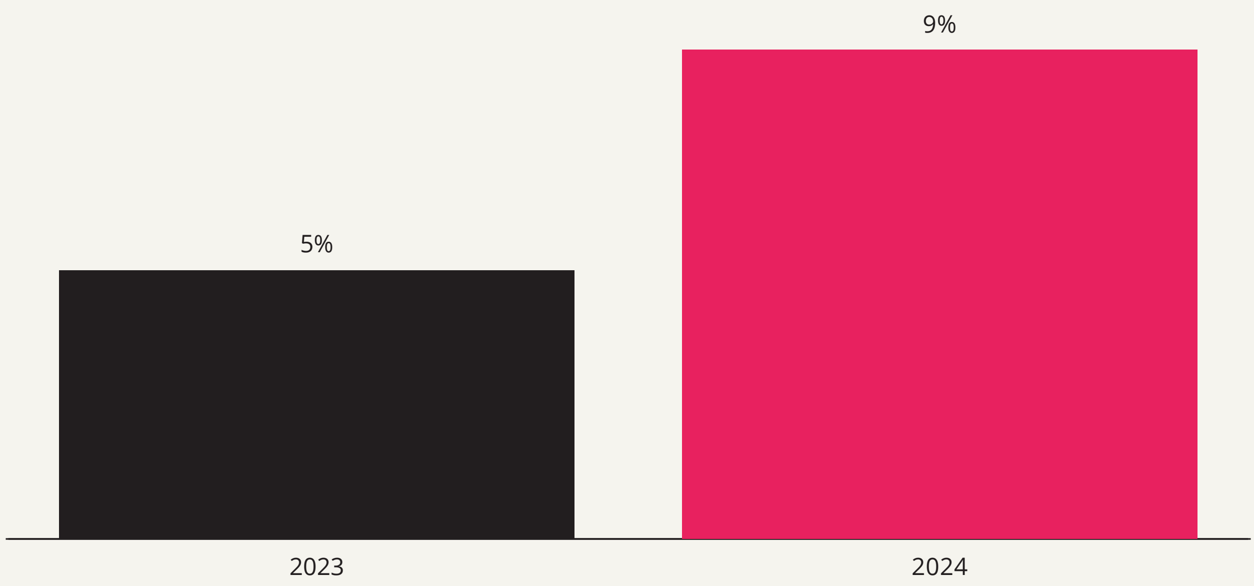
"Recently I've actually seen some really, really well-off people… In their previous lives, have been extremely well-off, had really, really good jobs. And then just one thing has unravelled and then slightly another thing and then… Trying to negotiate our systems seems to have caught them out. They have been working overseas for years and years and years and they've come home and have struggled with different things. I found it really interesting that some of these people have had really, really good jobs and are still now asking me, 'I need a community services card.'"

– A financial mentor in a regional area

## Job loss is growing as a reason for hardship

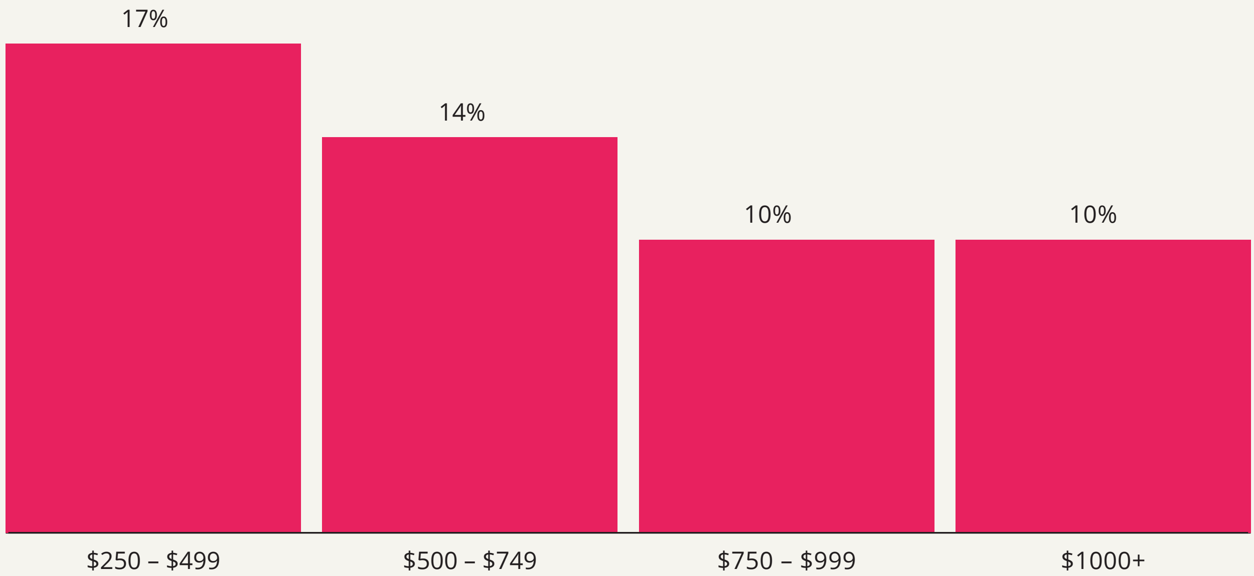
Stats NZ reports that between the December 2023 quarter and December 2024 quarter, the unemployment rate rose from 4.0% to 5.1%, an additional 32,000 people (2024a, 2025b). Our Client Voices data reflects this shift as well. In 2023, job loss made up 5% of the total reasons for hardship recorded across all closed client cases. In 2024, this almost doubled to 9%.

**2.1. How often was job loss recorded as a reason for hardship?**




17% of clients in the $250-499 weekly income bracket reported job loss as a reason for financial hardship in 2024, followed by 14% of the $500-749 weekly income bracket. As we discuss below, clients within these income brackets are also much more likely to be on income support which is increasingly insufficient for keeping up with essential costs.

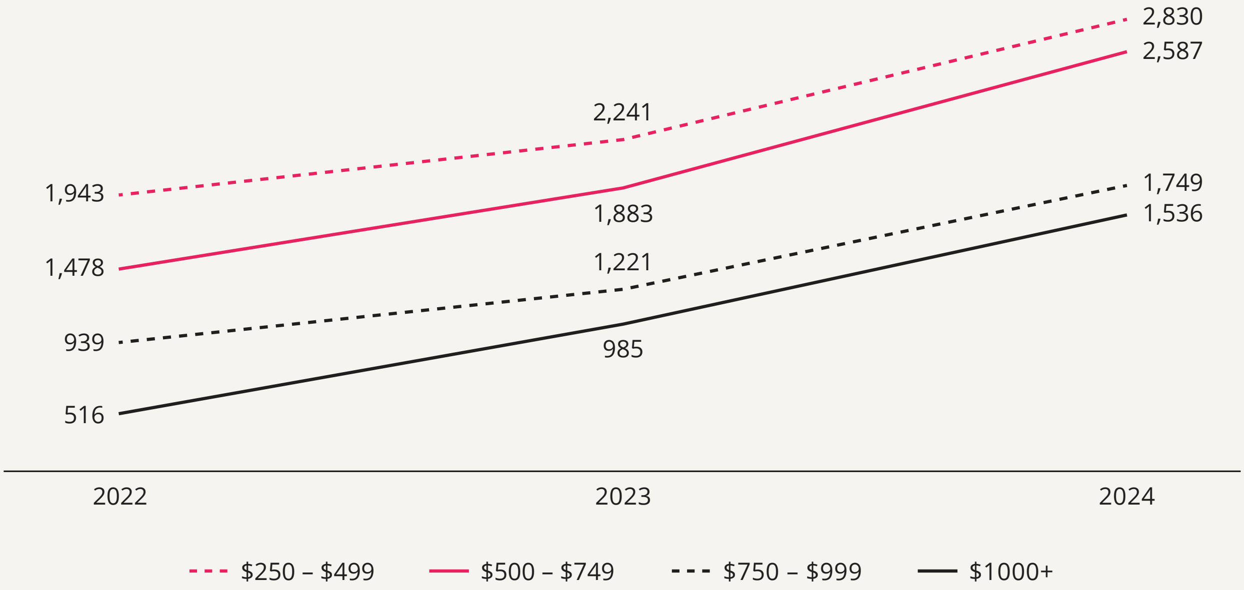
**2.2. What percentage of clients experienced job loss within each income bracket?**




## The number of clients on income support is growing across the board, with high numbers in particular income brackets

Within the four most-populated weekly income brackets that we use to analyse client cohorts, we have seen an increase in the number of clients who solely live on income support, escalating between 2023 and 2024.

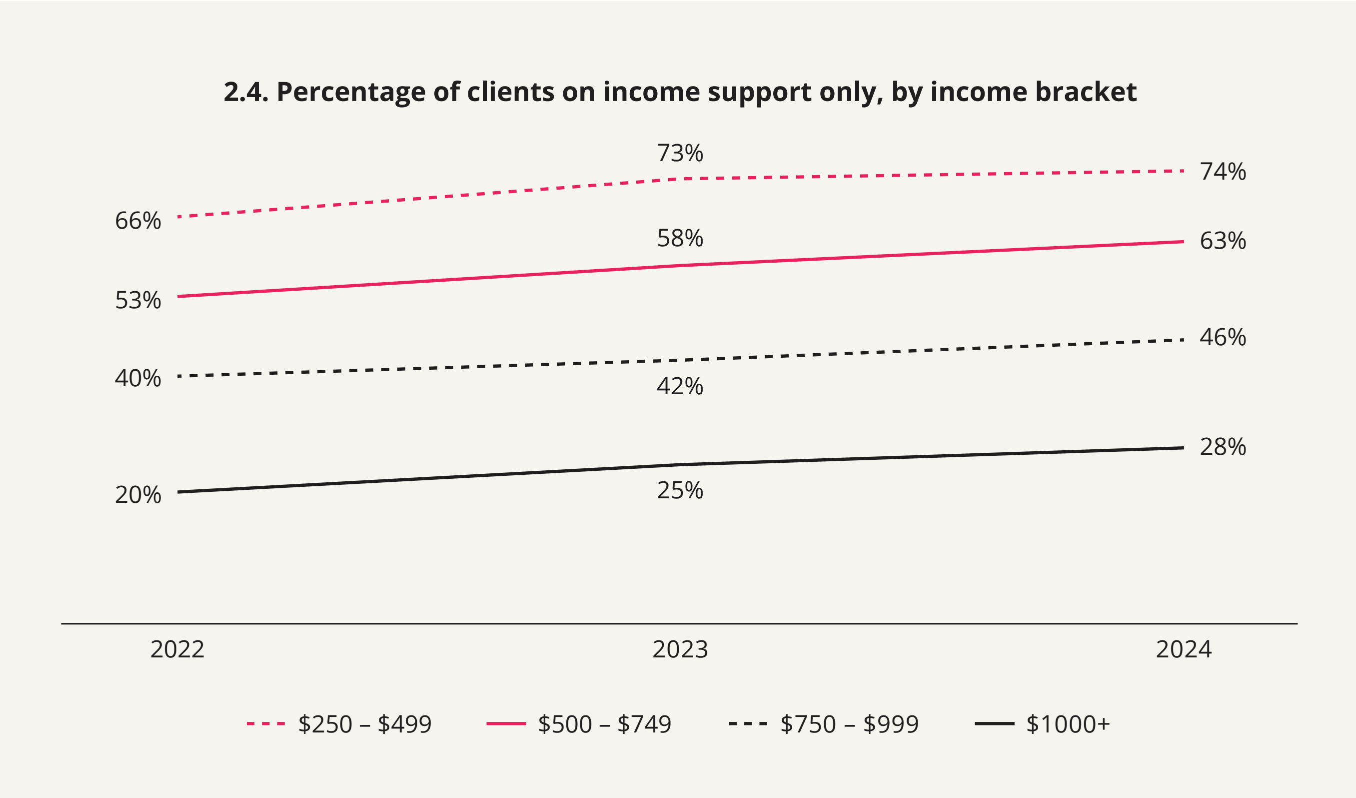
**2.3. Number of clients on income support only, by income bracket**




While 61% of those who just received income support were in the brackets between $250 and $749 of weekly income in 2024, the most dramatic increase has been within the $1000+ weekly income bracket. Even though this income bracket still has the fewest clients on income support overall, graph 2.3 shows this cohort has almost tripled in size (a 198% increase) over three years.

In 2024, the jobseeker support rate for a single person was set between $262.30 and $353.46 a week, while a couple with children could receive up to $635.10 after tax (Work and Income, n.d.). This does not count for other income supplements available to these whānau - Ka Mākona puts the total net income for a couple with two children on jobseeker support in 2024 at $1093.24 after tax (Kore Hiakai, 2024).

Ka Mākona further highlights that after living expenses, all groups of people solely on income support most likely experience a weekly deficit (Kore Hiakai, 2024). Client Voices data reflects these projections, as 74% of clients with an income between $250 and $499 were on income support and the data shows they are facing challenges heating their homes.




## We can see that those on income support are not coping with rising costs

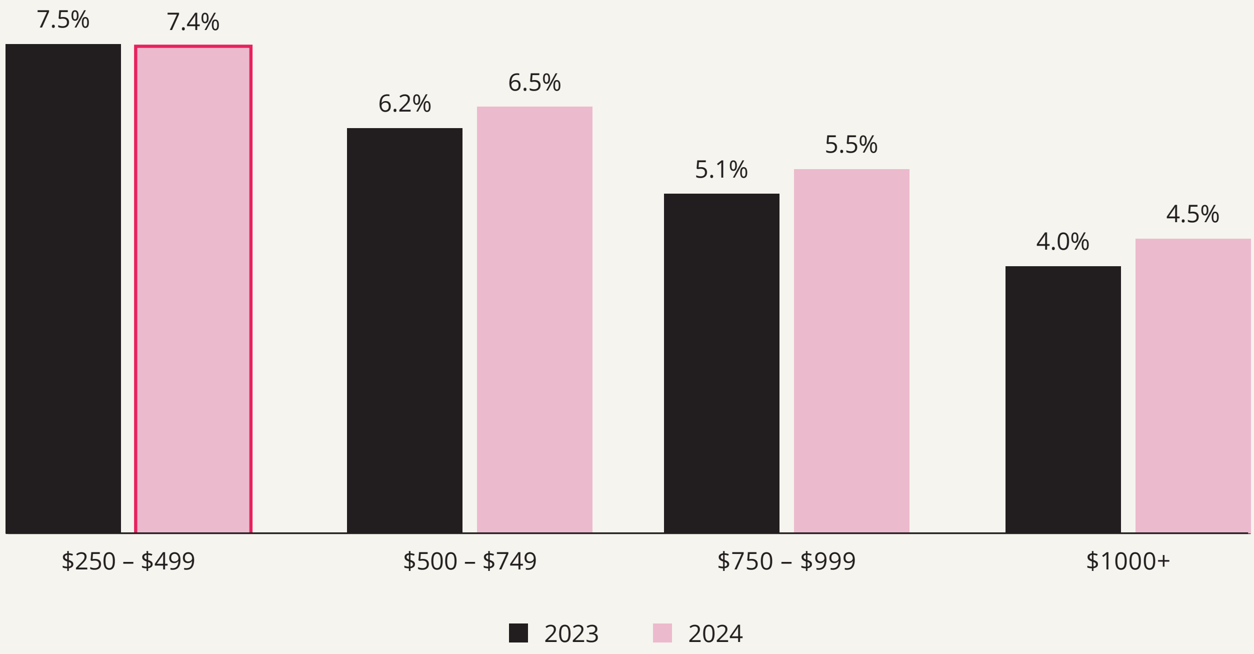
"It's insolvencies for that cohort. They want their KiwiSaver out once they've run through the options, and in three months' time they're gonna be right back where they were, but they're just gonna have less KiwiSaver. Or in three months' time they're going to have no debt apart from their court funds and child support, they're already in KO housing. They're not planning on going overseas. And they just jump at the chance as much for the financial side, but also the mental side as well."

– A financial mentor in Dunedin

As discussed in Part One of this report, generally essential expenses are around the same proportion of median spend to median income. Therefore, overall increases in median income are just covering the same outcomes in real terms. However, when we break this down by income bracket, we can see that many whānau have decreased their spend against rising prices, which presents a real concern for whether they are even less able to meet their needs for health and inclusion.

## Spending on food and electricity has dropped for many of those on income support, despite rising prices

**2.5. Median percentage of income spent on electricity by income bracket**




The price of electricity rose by 4.6% in 2024 when compared to 2023 (RNZ, 2025a). Client Voices data shows that those in the $250-499 weekly income bracket maintained the same median spend on electricity, rather than increasing it as other income brackets did.

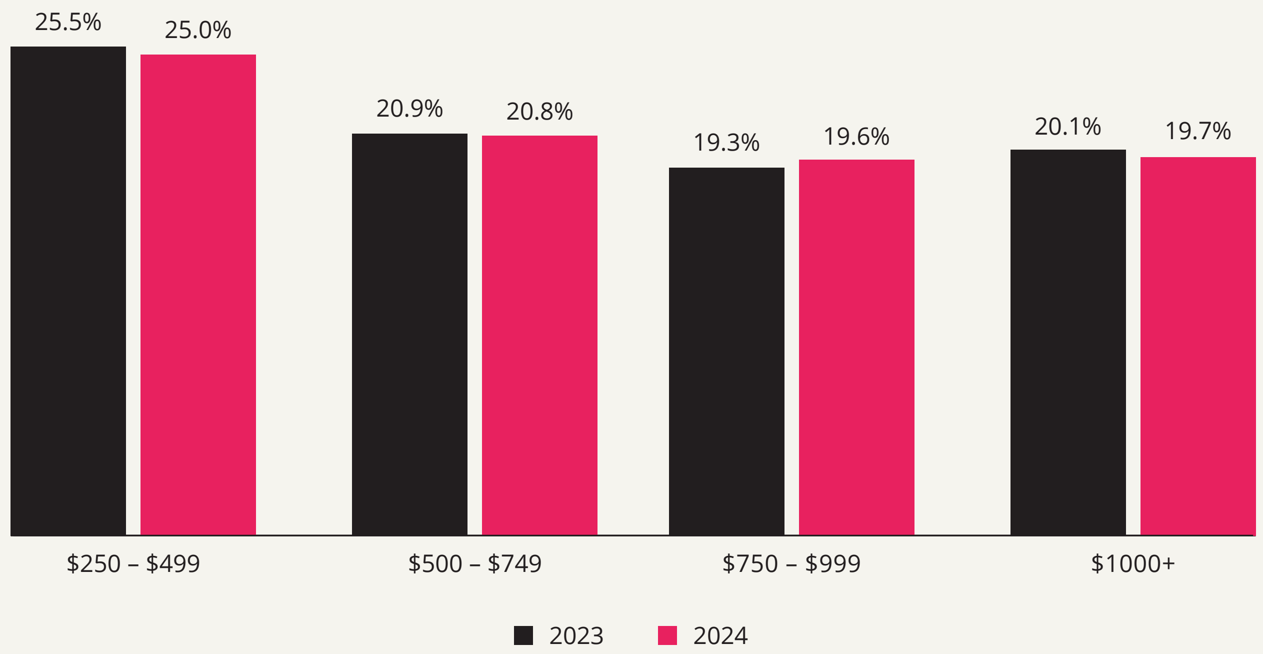
As was shown in graph 2.4, 74% of the clients in the $250-499 income bracket are on income support, and the benefit increase for 2024 was exactly the same as the electricity price increase at 4.6%. While it could be assumed that this benefit increase allowed those on income support to cope with the rising cost of electricity, the increase in median spend within other income brackets suggests that high electricity prices generally took up more of people's income in 2024.

This points to further concerning sacrifices beyond what financial mentors told us in 2023 — that many clients weren't using heaters then and that unaffordable electricity was driving debt to MSD (FinCap, 2023). The recent implementation of the Consumer Care Obligations by the Electricity Authority is a welcome step towards what needs to be the case; that no one is left without essential energy services needed for health, wellbeing and social participation (Electricity Authority Te Mana Hiko, 2025).

Similarly, the median spend on groceries as a percentage of income has dropped for almost all of the income categories. This could indicate whānau are eating less, opting for lower cost food options, or are increasingly needing to access food support to get by. The latest data from July to December 2024 shows that the New Zealand Food Network provided food to over 500,000 individuals each month through its partner Food Hubs, an increase from approximately 454,000 in the previous survey covering January to June

2024 (New Zealand Food Network, 2025). Stats NZ (2025c) found that the price of food increased by 1.5% in the 12 months to December 2024, with grocery prices increasing by 2.7%.

**2.6. Median percentage of income spent on groceries by income bracket**




## Debts to government are increasing and correlating with Buy Now Pay Later debts

Given it is getting harder for those on a benefit to make ends meet and more clients are receiving a benefit, it is unsurprising that the number of unique debts to government have increased across four years. Debts to government now make up 30% of debt listings in Client Voices (see graph 2.8). Income support insufficiency means many whānau are constantly scrambling to find additional money from multiple sources just to live.

### Buy Now Pay Later debts are increasing, and are more likely to occur alongside a debt to government

Multiple financial mentors raised Buy Now Pay Later debts as both a source and an indicator of financial hardship for increasing numbers of whānau:

> “[Buy Now Pay Later lending is] a nightmare, and people now think that’s just a way of life as well.”
>
> – A financial mentor in a regional area

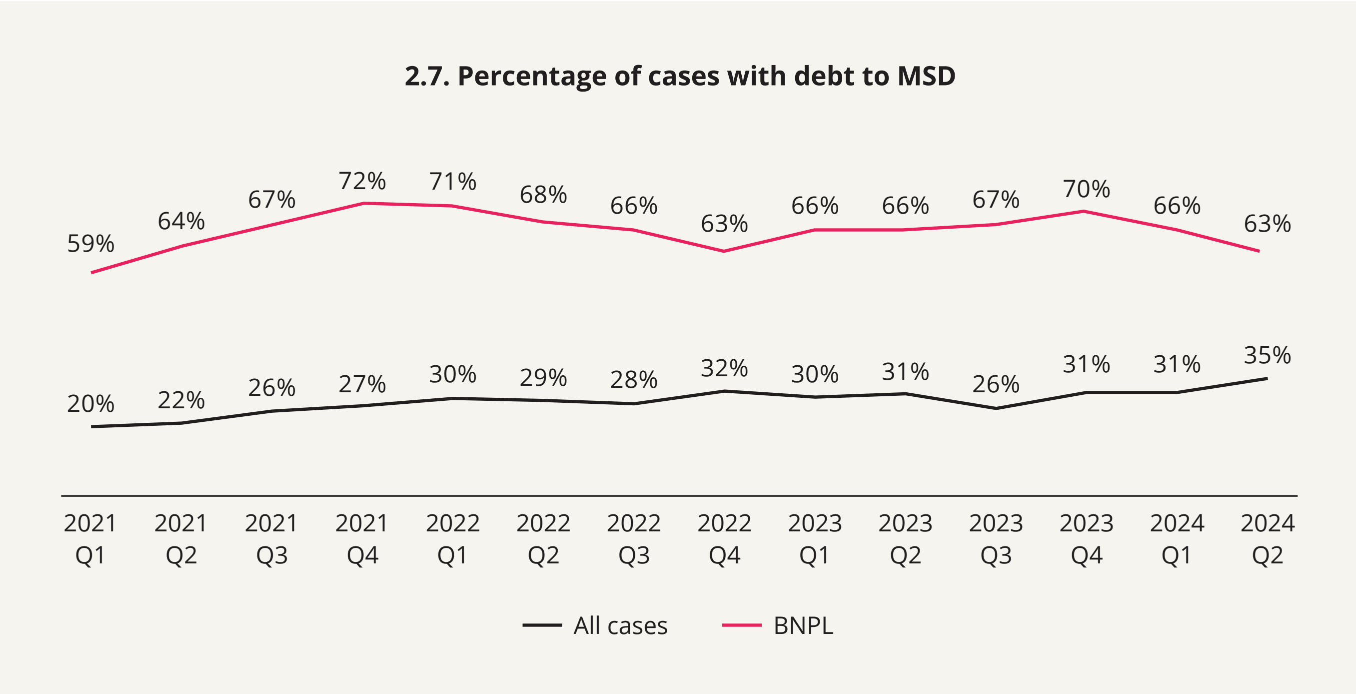
> “[Buy Now Pay Later] is huge, everyone’s got [Buy Now Pay Later]. That’s just a go-to these days.”
>
> – A financial mentor in Christchurch

> “[Buy Now Pay Later traders] love to give you an increased limit without asking for it. Aren’t they lovely?”
>
> – A financial mentor in a regional centre

This was corroborated by our Client Voices data which showed Buy Now Pay Later debts doubling as a percentage of unique debts over the last four years. In 2021, 833 Buy Now Pay Later Debts made up 1.6% of the debt listings in our sample, compared to 2845 making up 4.2% in 2024.

The Financial Markets Authority reported that in 2024, the use of Buy Now Pay Later services increased, while credit card ownership decreased. Māori and Pacific Peoples were much more likely to have used Buy Now Pay Later services than other ethnic groups (Financial Markets Authority, 2024). Centrix also found that, in December 2024, the percentage of Buy Now Pay Later loans in arrears reached 8.2%, although this was 0.2% lower than December 2023 (Centrix, 2025).

The Credit Contracts and Consumer Finance Act (CCCFA) was applied to Buy Now Pay Later lending in September 2024 (Ministry of Business, Innovation & Employment, 2024). However, these lenders can make use of exemptions from the key consumer protection of affordability assessments. Consumer NZ and FinCap have been funded by the Michael and Suzanne Borrin Foundation to examine whether the CCCFA intervention is sufficient to prevent financial hardship. Our Buy Now Pay Later Regulatory Change Review will conclude in late 2025.




*Note: This graph was generated towards a separate data analysis report from FinCap in conjunction with Consumer NZ, made possible through the support of the Michael & Suzanne Borrin Foundation.*

We have so far established from a round of data analysis that, before September 2024, whānau presenting to financial mentors with Buy Now Pay Later loans were far more likely to have a debt to MSD than the baseline client population. Many debts to MSD are only granted in emergencies where there is no other way to pay for essentials. If a person has this MSD debt, it is very likely that repayments on credit offered by a business will be unaffordable from the start.

The gap in affordability assessment consumer protections along with inadequate income means these whānau are now exposed to the risk of unreasonable debt collection for their Buy Now Pay Later debt. This can lead to going without essentials, or committing more income to repaying a Work and Income advance for the shortfall created by repayments on unaffordable Buy Now Pay Later debt.

Financial mentors have highlighted that lending for phone handsets has a similar consumer protection gap and consequences to Buy Now Pay Later debt.

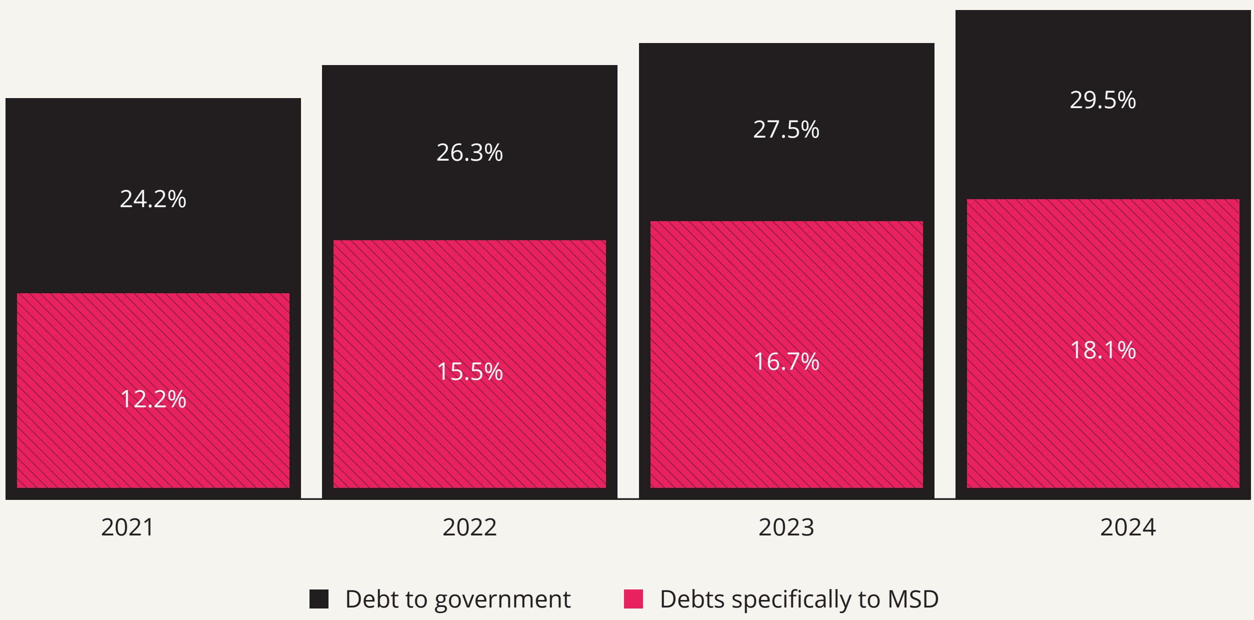
To prevent these unmanageable debts arising in the first place, FinCap made the following recommendation in 2024:

- The Minister for Commerce and Consumer Affairs use Credit Contracts and Consumer Finance Act 137A powers to apply all consumer protections from the Act to Buy Now Pay Later lending, all loans for mobile handsets, and lending models that hide the cost of credit through prices well above the recommended retail price.

## Debts to the Ministry of Social Development are the most common in Client Voices

Debts to MSD alone account for 18% of unique debts, an increase of 5.9 percentage points over four years. Debts ‘Owing to Work and Income’ made up 10% of all noted reasons for hardship.

2.8. Percentage of unique debts owed to government in Client Voices




Resolving issues with the creation and collection of debt to government has been a policy reform priority for FinCap. In 2024, we conducted research on some government agencies' alignment with the 2023 Policy framework for debt to government (Inland Revenue, 2023), which offers guidelines for how agencies can consistently create and collect personal debt.

Debt to government is largely being driven by constant deficits in clients' weekly budgets outside of system issues that cause overpayments. As a result of these deficits, clients need to borrow emergency money from MSD or may go into rental arrears with Kāinga Ora. As one financial mentor told us:

> "I'm finding a lot of clients where you'll do a budget, there will be $100 to $150 a week deficit. You'll then go and look at the Work and Income debt, and you'll go OK, that's $5000 a year. They've got $16,000 of debt with Work and Income. Well, that's three years of the shortfall, that kind of makes sense. I'm also seeing a lot of people, which they probably always have, but I'm noticing it more, turning to whānau. The problem is that the whānau they turn to generally can't afford to help either."
>
> – A financial mentor in Christchurch

Our recent research on agencies' alignment with the *Policy framework for debt to government* saw MSD and Inland Revenue acknowledge that they had made little to no progress on alignment. Alignment could resolve a lot of challenges to financial wellbeing in Aotearoa and, based on our research, FinCap recommends:

- Establishing a central monitoring organisation to oversee all of government alignment with the *Policy framework for debt to government.*

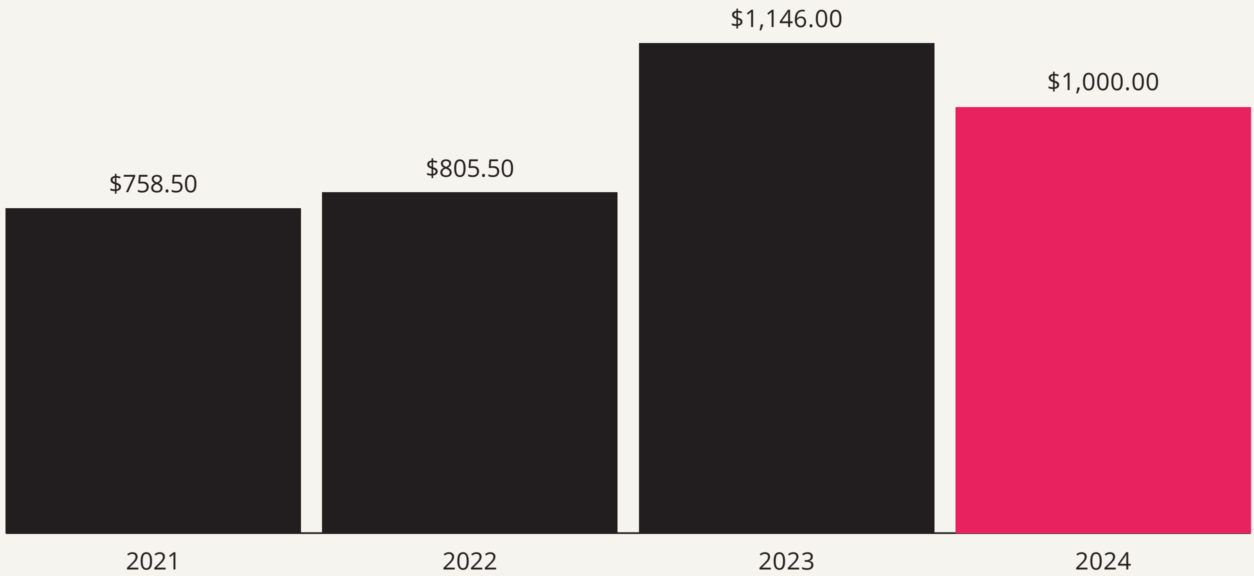
  The agency should:

  - Have the authority to create timelines for alignment.
  - Produce guidance and resources to support alignment.
  - Facilitate better practice collaboration across agencies.
  - Advise Government on legislative changes that may be needed for the alignment of some agencies.
- An update to the MSD *Ministerial Directions for managing debt* which were last delivered in 2014 so that they better align with the *Policy framework for debt to government.*
- Agencies update their hardship assessments to the holistic model recommended in the *Policy framework for debt to government,* with the aim of an overall reduction in hardship for clients. This should include a component asking whether family harm and coercion may have played a role in debt creation or financial hardship.

As the above recommended alignment would take time to progress, in the interim agencies should default to a 'high trust' approach for supporting those who say they need assistance to avoid hardship. This approach should be geared towards granting support rather than creating debt where there is a risk of causing or compounding hardship.

## Debt to Kāinga Ora is increasing

**2.9. Median debt owed to Kāinga Ora**




While debts to Kāinga Ora only make up 0.5% of unique debts in 2024, the median presenting amount for a debt has increased by 32% across four years to $1,000 in 2024.

Early in 2025 Kāinga Ora announced a new debt policy. This included implementing partial debt forgiveness for the 3% of tenants owing more than 12 weeks of arrears and working with tenants so they do not exceed 12 weeks of arrears (Kāinga Ora, 2025). FinCap welcomed this element of the new approach which aligned with the *Policy framework for debt to government's* guidance to only create debts that "can be repaid over time, without creating or exacerbating hardship" (Inland Revenue, 2023, p. 15). Kāinga Ora (2025) stated:

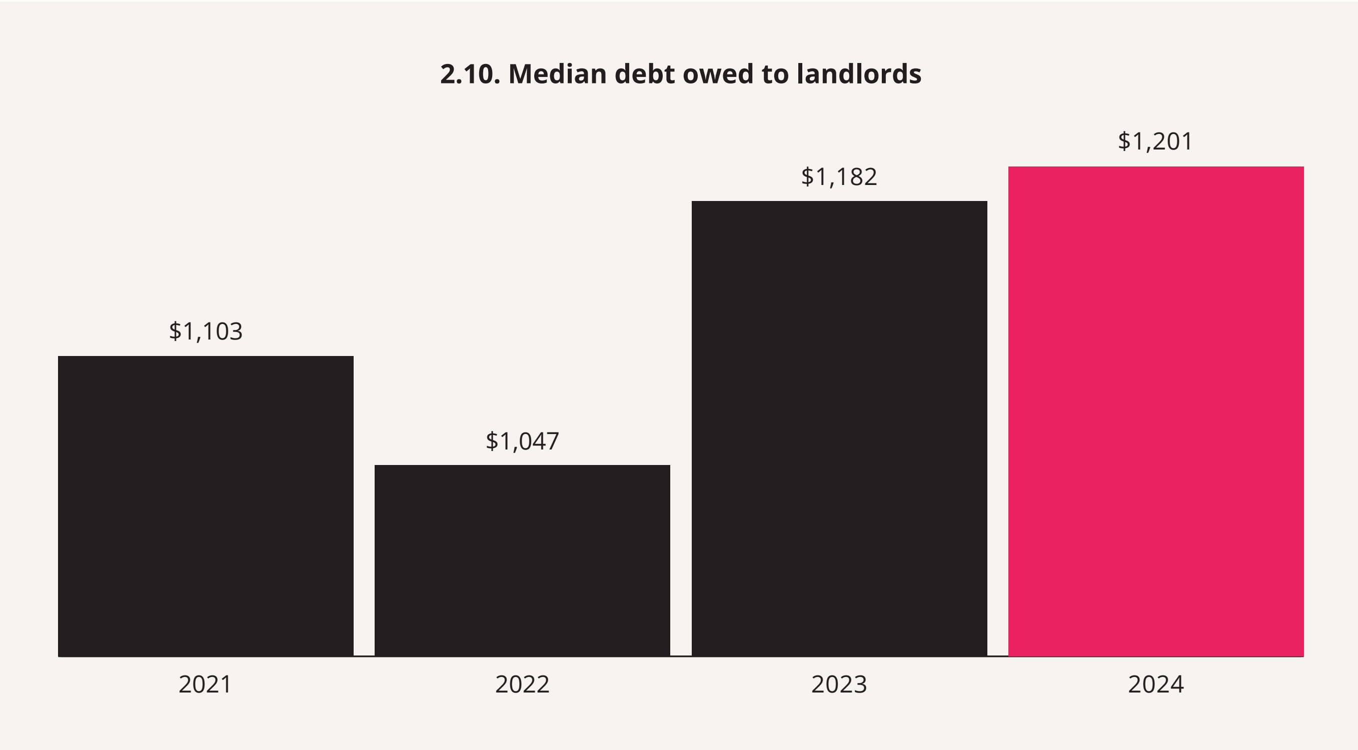
*'We think this is the right thing to do. The likelihood of collecting all this debt is low, given the time it will take tenants to pay it off and the significant costs associated with chasing it.'*

The partial waiver approach sets an example for other government agencies like MSD on how to align with the *Policy framework for debt to government*. However, other elements of the new debt policy may lead to evictions for people unable to pay and drive more work for financial mentors. FinCap continues to be committed to raising what is and is not working for whānau financial wellbeing with government agencies.

### Median presenting debt to landlords has increased 8.8% over four years

> "They just cannot make ends meet. They really just cannot. The rents are just far, far too high. It's around about 70% of their income."
>
> – A financial mentor in regional Auckland

Clients are getting into greater rental arrears with private landlords, with this debt having increased over 14% since a drop in 2022. This also points to a general increase in rental unaffordability. It should be noted, too, that debt can get in the way of allowing whānau to gain access to sustainable housing, as landlords accept other applicants who have higher scores on credit reports.




## Concerns around debt collection through attachment orders on benefits

> "I've seen more clients with debt collectors taking the debts through the courts and giving attachment orders on benefits."
>
> – A financial mentor in Auckland

Official information requests show that in June 2024, over 27,513 attachment orders were made against benefit incomes (Ministry of Social Development, 2024). These orders saw just under $680,000 a week sent to creditors from people's benefits before income support payments were deposited in recipients' bank accounts (The Post, 2024). Most of these were orders for $30 payments per week, which is a lot to take from an already insufficient income.

Despite the insufficiency of income support, creditors can currently apply to the courts to take a total of up to 40% of a person's benefit income, and Work and Income must comply with such a court order.

Attachment orders are disproportionately applied against benefits rather than wages. In 2023, 84% of the 37,785 orders granted were against benefits (The Post, 2024; Ministry of Justice, 2024).

Beyond our wider commentary on debt collection and amongst other recommendations, FinCap has supported calls for a moratorium on these payments via attachment orders against benefits. We also recommend a review of the system that appears to too easily see forced payment of unaffordable debt, undermining access to essentials.

## Conclusion: Debt collectors should not be able to demand that people with increasingly insufficient income support repay their debts before putting food on the table.

Job loss is an increasingly common reason that whānau are coming to financial mentors for help. The income support most people in this situation will access is increasingly insufficient. Debt to government is becoming more and more of a problem that compounds the financial vulnerability associated with insufficient income support payments. Debt collection on Buy Now Pay Later or other loans given without robust affordability checks add further risk to whānau who are already struggling on benefits.

Those who are unable to pay are often intimidated when debt collectors contact them about a debt they owe. If they comply with debt collectors' demands, they will go without essentials. It is, therefore, crucial that consumer protection mechanisms are updated, clearer expectations around appropriate behaviour for debt collectors are set, and there are clear mechanisms for the enforcement of the debt collection standards by regulators.

# Part Three: Increasingly those earning a wage or who have saved in the past are seeking assistance with financial difficulties

## At a glance

More clients are presenting with home loan debt

One in eight closed client cases sought to withdraw KiwiSaver funds early

Establishing clearer debt collection conduct requirements can help whānau have breathing space to form sustainable repayment plans, rather than immediately drawing on KiwiSaver

Client Voices data confirms what financial mentors have been telling FinCap, which is that they are seeing greater engagement with clients who have had more financial security in the past but now have a need to access their services. These include people who solely receive a waged or salaried income, and people with home loans.

As previously discussed, the proportion of clients who derive some or all of their income from wages or salary has dropped against those who solely receive income support. However, they continue to grow in number (see graph 1.5), a trend that is being noticed by financial mentors:

> "We've also noticed over the last year and a bit the working poor – we're seeing more and more and more people on an income coming through our doors. So we do have our fair share of beneficiaries, but the majority of our clients at the moment are actually working. It shows you how tough it is for people who are even earning an income."
>
> – A financial mentor in a regional centre

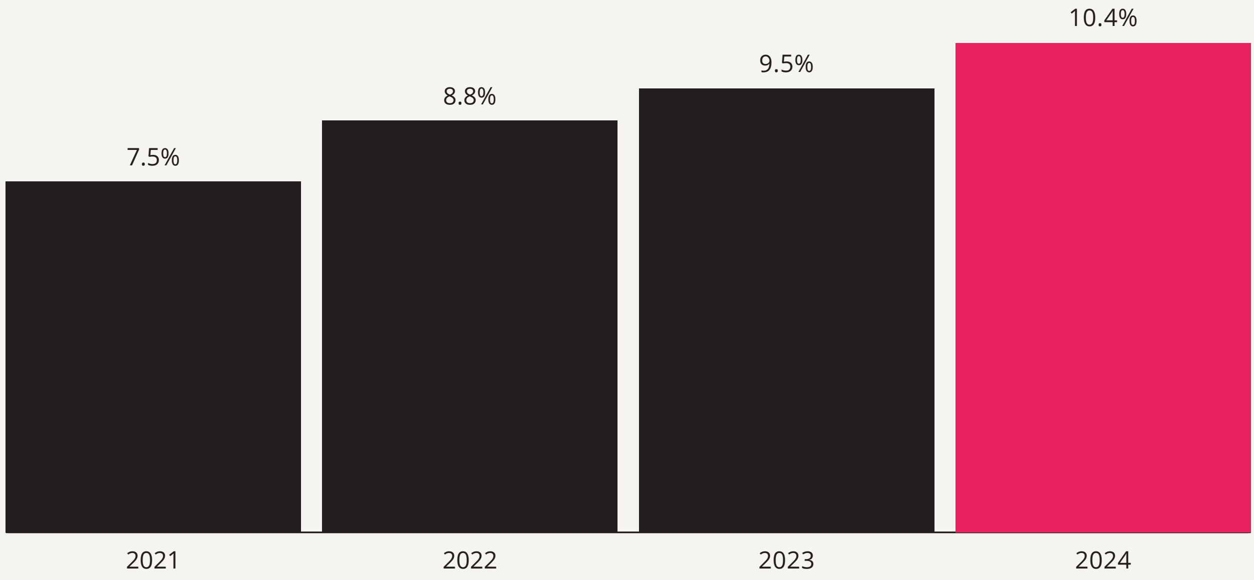
> "The key things that I'm seeing here would be an increase in couples and an increase in working couples. That's definitely something that has been quite different, you know, still get beneficiaries, but certainly not unusual to have employed. And two people employed and really struggling."
>
> – A financial mentor in Christchurch

Much of this growth has been driven by clients earning more than $1,000 a week. Financial mentors have seen an 88% increase in waged or salaried clients within this income bracket over three years. This indicates that they have a significant cashflow but are still experiencing financial hardship.

# More clients are presenting with home loan debt

As discussed earlier, home loan debt is contributing to an increase in the median overall debt level of clients. This is largely due to more clients with home loans accessing the services of financial mentors. In 2024, clients with home loans made up 10.4% of all clients with a debt.

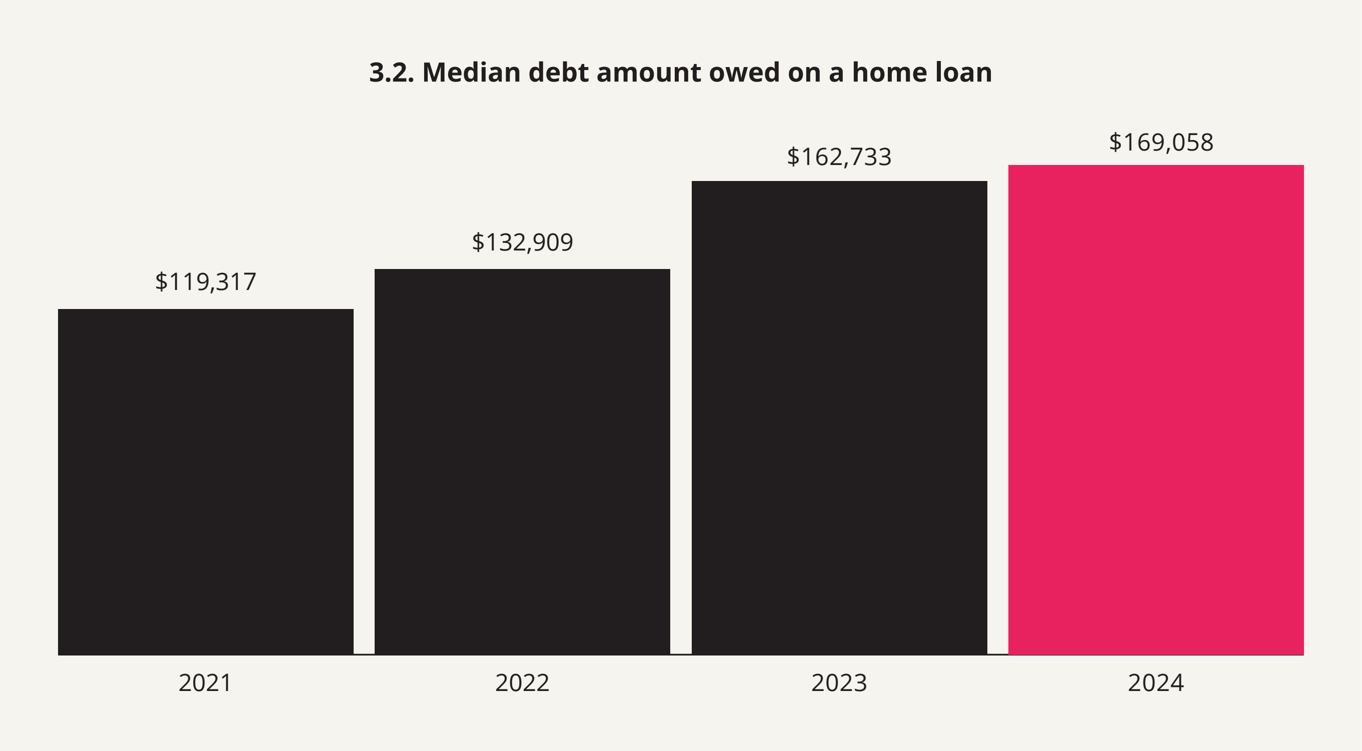
**3.1. Percentage of clients with a debt who have a home loan**

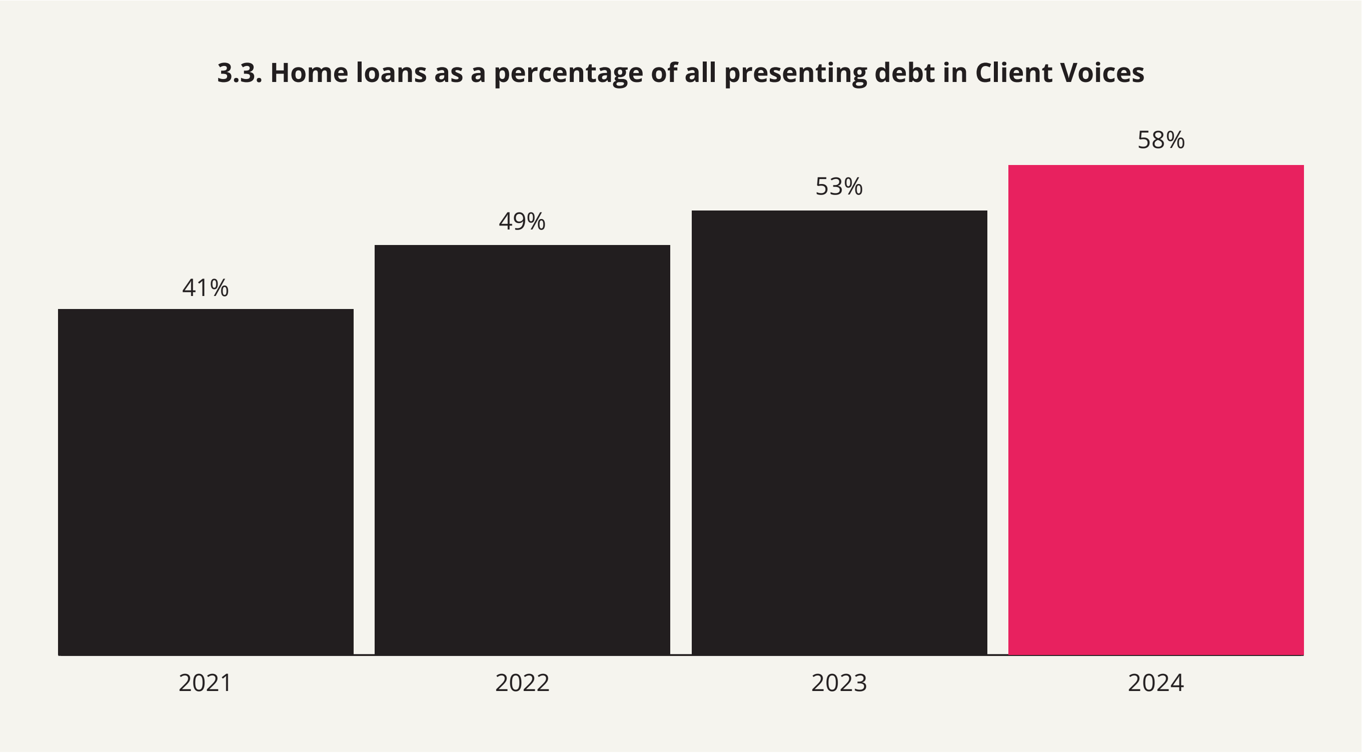



Home loans now make up 10% of the unique debts created within Client Voices, nearly doubling in four years from 5.7% in 2021.

## The size of home loan debt is growing

The values of client mortgages are also growing, possibly reflecting difficulty with the size of loans obtained during the post-Covid housing market peak (Stuff, 2022). Graph 3.2 shows that the median presenting home loan debt has increased by 42% over the last four years. Additionally, graph 3.3 shows that home loan debt now makes up 58% of the monetary value of the total debt in Client Voices.



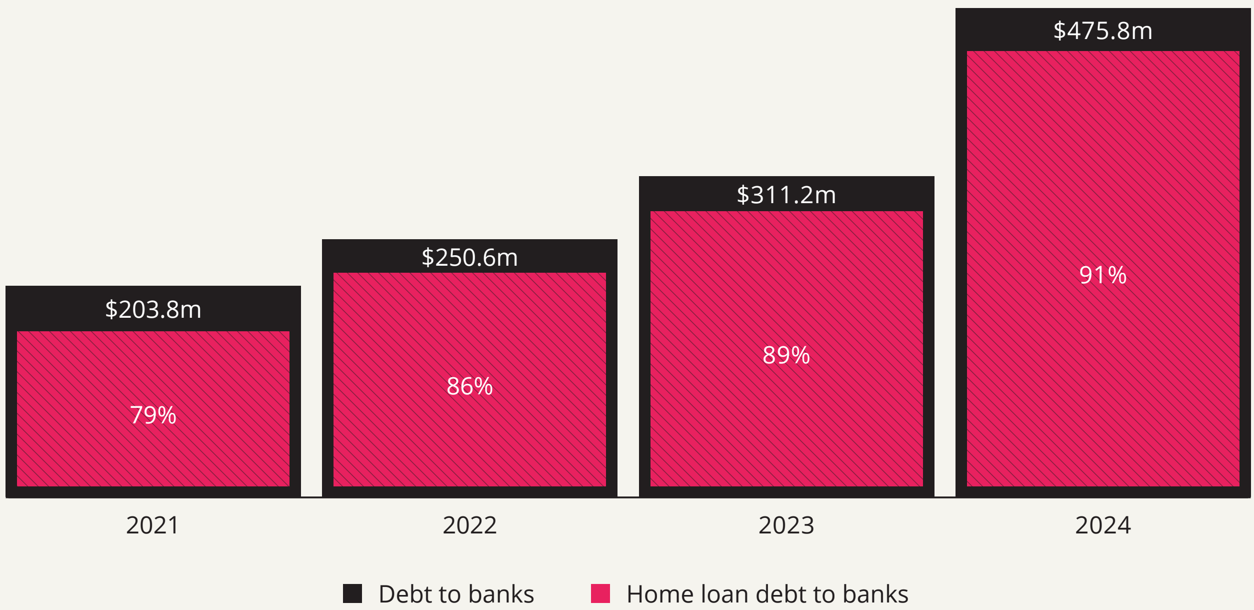




Centrix (2025) also reported that out of the 14,300 accounts in financial hardship at the end of 2024 (a 19% increase from 2023), 46% of these were related to difficulty making mortgage repayments.

Financial mentors tell us that those clients with home loans are very conscious that they need to make these payments to avoid losing their home. We are told some will go without the basics beyond housing payments. This presents harm to their wellbeing, and risks defaults with other creditors and escalating debt spirals.

More debt was owed to banks in 2024, and this has steadily increased over the last four years. Debt owed to banks recorded in Client Voices increased by a large amount in 2024, the vast majority of which was home loan debt.

**3.4. Presenting debt owed to banks**




Nationwide, the number of non-performing home loans grew by around 350 in 2024, peaking at just over 1,800 in January 2025 – equating to $2.328 billion, or 0.64% of the overall outstanding mortgage stock. This is the highest it has been since 2013 (Interest.co.nz, 2025).

There were 22,100 mortgages in arrears in December 2024, 1.5% of total mortgages – this had risen steadily from a low of 0.94% in 2022 (Centrix, 2025). As these whānau scramble to pay for the roof over their head now, many are looking to withdraw any KiwiSaver funds early. Others are facing unmanageable debt for other costs, further weakening their ability to meet the cost of their mortgage. It is important that the credit consumer protections that emerge from the current financial services reform programme adequately prevent debt spirals from loans which were always going to be unaffordable.

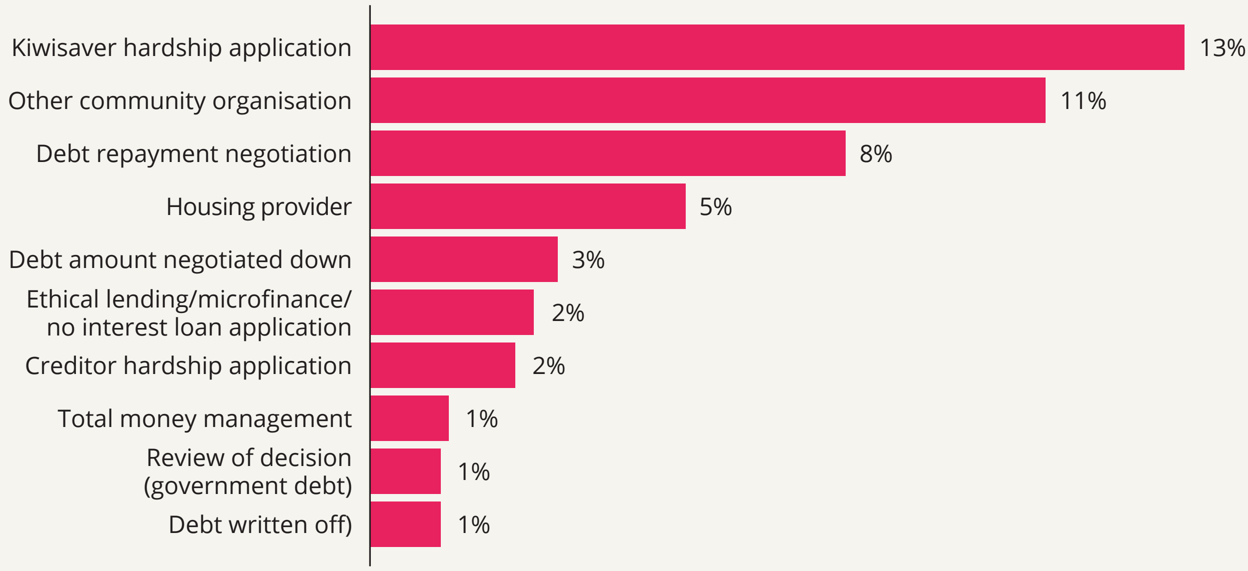
## One in eight closed client cases sought to withdraw KiwiSaver funds early

"KiwiSaver hardship has gone absolutely through the roof. We're getting at least one to two inquiries every week and then physically working with clients constantly trying to get KiwiSaver hardship apps through. I'm always exploring other ways other than that, but there's no option often."

– A financial mentor in a regional centre

Many whānau approach financial mentors seeking to make an early withdrawal from their KiwiSaver on the grounds of significant hardship. New data collection practices have highlighted for us that financial mentors undertook 3,320 KiwiSaver hardship applications in 2024 which, when divided by cases closed, meant that 13% of clients sought to withdraw KiwiSaver on the grounds of significant hardship. The increasing demand for help with evidencing significant financial hardship in these applications occupied more of financial mentors' time.

**3.5. Top 10 advocacy actions taken as a percentage of closed client cases**

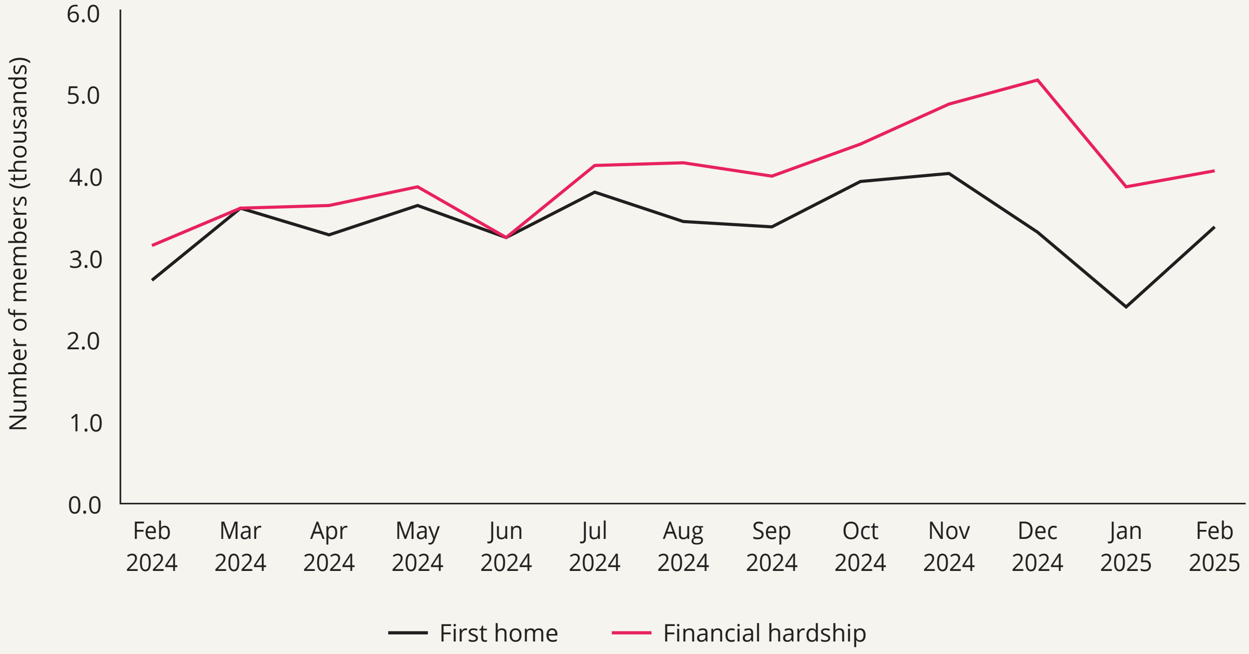



*Note: this is a new data field of collection for 2024, and therefore data does not exist for this for previous years in this report's Appendix.*

KiwiSaver hardship applications made up 25% of advocacy actions by financial mentors and were the most frequent action taken (see 13. Hardship & Advocacy in Appendix). This demonstrates that many clients had KiwiSaver to draw upon, so had previously been in a position to contribute to it, almost always through employment.

Our Client Voices data echoes Inland Revenue data on KiwiSaver withdrawals from early 2025, which shows that toward the end of 2024, hardship withdrawals increasingly outpaced withdrawals for first home purchasing:

**3.6. Number of KiwiSaver fund withdrawals, by withdrawal reason**




*Source: Inland Revenue (2025b), Statistics on KiwiSaver fund withdrawals, by number.*

Such withdrawal processes are deliberately difficult, have robust criteria and are time consuming. This is because early withdrawal undermines earnings towards future financial wellbeing. That so many are 'passing the strict test' to withdraw demonstrates this report's findings that financial challenges are becoming more widespread.

As one mentor told us, many clients still opt to withdraw from these retirement savings to survive now:

> "At the end of the day, when they're struggling right now, it's very hard to convince them, "Hey, just wait till you're 65, let's keep that money there for when you're 65," when they're actually finding it hard to look at next week."
>
> – A financial mentor in a regional centre

Mentors will also present alternative options like insolvency or long and uncertain complaints processes where creditors may have breached their consumer rights.

Sorted (n.d.), the information service run by Te Ara Ahunga Ora Retirement Commission, highlights the long-term impacts of prematurely withdrawing even a portion of a KiwiSaver fund ahead of retirement:

*'To give an idea, let's say you're 35 years old and have $22,000 in a KiwiSaver growth fund. If you withdrew $20,000 now, by age 65 you would end up having $74,000 less! That's a lot to walk away from (and even when you adjust for the effects of inflation over that 30 years at 2%, it would still be $41,000 less).'*

Early withdrawal of retirement savings is increasingly sought as a solution to shortfall but it is a solution that will undermine future financial wellbeing for a growing cohort in Aotearoa. The driving factors behind unmanageable debt, as mentioned throughout this report, need addressing to prevent avoidably high numbers of people having avoidable challenges with accessing what they need for their health, wellbeing and social participation in their older years.

## Conclusion: More whānau with wages and mortgages are presenting with unmanageable debt and KiwiSaver funds are being withdrawn early. Requiring reasonable debt collection conduct can help minimise further financial harm for these whānau.

Increasing numbers of people with work and mortgage stress have presented to financial mentors. KiwiSaver retirement savings are providing a band-aid solution to shortfalls in the short-term for many, but at the expense of long-term financial wellbeing.

Financial mentors point out that those who haven't had difficulty with money in the past find support much more difficult to navigate. When they experience unfamiliar financial vulnerability, those with large secured home loans can also feel added pressure to comply with debt collector demands. Where an unreasonable lump sum payment is demanded, panic can drive whānau to accessing their retirement savings rather than considering all options. Intervention to better ensure debt collectors do not harass, mislead or coerce payment from a person looking to stabilise multiple financial issues can also provide more breathing space for whānau to consider what the best options are for resolving debt.

Again, this points to why now is the time to specifically consider how reasonable debt collection conduct is best ensured for all whānau facing financial vulnerability. The review of the Fair Trading Act be launched later in 2025 needs to thoroughly examine whether consumer protections for debt collection and the enforcement of these protections are strong enough to minimise harm from unmanageable debt.

## The *Voices* baseline data is available in a spreadsheet

The baseline dataset we have created for the analysis in this report can be viewed in the Appendix. This year we have opted to create the Appendix as an Excel spreadsheet, rather than another print document, for greater ease in further analysis.

For definitions of key terms and an explanation of many of our data points, we continue to refer back to our 2023 Appendix which featured a substantial amount of explanatory write-up.

We welcome further discussion on any aspect of this report via our **kiaora@fincap.org.nz** email.

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[i] See Ministry of Business, Innovation and Employment (2025), 2024-25 financial services reforms. https://www.mbie.govt.nz/business-and-employment/business/financial-markets-conduct-regulation/2024-financial-services-reforms

[ii] This is the measure that we use to create the dataset analysed in the Client Voices report. It provides a straightforward means of presenting only those records for clients who have started and finished engaging with a financial mentor across the year, and that therefore have the most complete sets of data attached. It is not indicative of the overall client load of financial mentoring services, of which there is no simple way to measure. We estimate overall client load in other publications using a modelling approach.

[iii] Starting in 2024, FinCap has changed the way this data is extracted from Client Voices records so that it is consistent and repeatable from year to year, as the structure of our data entry and collection is revised. This means that we have a revised set of numbers for income source that differ from those reported in Voices 2023. Our new method is simpler and more robust, and provides us with the ability to repeat the same calculation for past and future years.

[iv] It is worth noting that when our client data is aggregated into income brackets, the median total presenting debt within almost all income brackets has dropped. This is, however, likely due to the fact that the distribution of clients across these income brackets has changed, and there are now a lot more clients within the 1000+ bracket. As such the median in each group has dropped, because there are now an increased number of smaller debts within these brackets.

June 2025