

# New Zealand Federation of Family Budgeting Services

**Submission to the Office of the Privacy Commissioner**

**Re: Proposed amendments to the Credit Reporting Privacy Code 2004**

Submitted Friday 13 January 2017

## Introduction

The New Zealand Federation of Family Budgeting Services Inc (NZFFBS) is a collective of community organisations delivering top quality, free budgeting advice to family/whanau and individuals. Our 161 members share a common code of ethics, philosophy, and commitment to our clients.

Our members are community organisations in a variety of forms. Some deliver budgeting help only, others are holistic organisations providing multiple services, still others are iwi-based or client-specific services providing support to their own communities.

Within our member budgeting services are more than 850 budget advisers, many of them volunteers. They support around 45,000 clients a year.

Our clients collectively owed \$434 million in the year to 30 June 2016, about \$26,420 per person – of which nearly \$4,000 was overdue. This is usually the crisis that brings them to see one of our member budgeting services.

28% of the debt (\$121 million) is owed to bank loans (15.5%) and finance companies (12.5%). Therefore the health of a client's credit report is a very relevant subject overall, among chaotic and complex client cases.

The NZFFBS is a national, non-government organisation and is the umbrella body for family budgeting in Aotearoa-New Zealand. The NZFFBS national office provides training, support, and resources to its members and offers advocacy and advice. The office is run by a small staff of twelve.

In 2010 the NZFFBS made a submission to the then draft amendments to the Credit Reporting Privacy Code. This submission will reiterate some of the points made in that original submission and give experiences where possible to the specific questions the Commissioner has posed.

It's worth noting a number of developments since 2010 which have an influence in our work and perhaps on this Code:

- Amendments to the Credit Contracts and Consumer Finance Act in 2014 and subsequent finance sector focus on responsible lending
- The launch of a Responsible *Borrowing* Code in 2015
- The launch of Credit Simple, a "credit score" website in 2016
- The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act)
- Changes to the way budgeting services are funded and subsequent demands from government for individual client-level data

## 1.1 What benefits for individuals have resulted from the introduction of more comprehensive credit reporting? Please provide specific examples.

In 2010 the Citizens Advice Bureaux noted that “There is little evidence to support a strong relationship between the comprehensiveness of credit reporting and lower levels of indebtedness or lower level of defaults”.

We do not have information on the rates of defaults but we can speak to the levels of indebtedness among our client base.

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
<b>Average debt per client</b>	\$26,419	\$25,493	\$21,793	\$20,462	\$20,275	\$24,300
<b>Average debt arrears per client</b>	\$3,932	\$3,740	\$4,012	\$3,790	\$5,072	\$4,435

(Figures from this period come from between 40,000 and 51,000 client cases in each year.)

We can see from these figures that indebtedness has largely stayed the same across our client base during this period.

Uptake of comprehensive credit reporting was slow to start. Initially a number of organisations did not engage fully and our understanding is that data only trickled through to credit reporters. We understand that this has picked up speed now but the lag has made it difficult to identify any specific positive direction within our client base.

## **1.2 Do the accountability requirements for credit reporters provide a good basis for the public to have confidence that the credit reporters and their subscribers are acting compliantly?**

Accountability is great. However, we have never had reason to view these documents.

It's our belief these documents would be largely unintelligible to the general public, in a similar way to most other audit / compliance documents.

## **1.3 Have the credit freezing provisions been useful?**

We have no specific knowledge on this.

## **1.4 Has pre-screening of marketing lists proved to be a beneficial use of information held by credit reporters?**

We have no specific knowledge on this. Anecdotally, however, many of our clients with low credit ratings are advertised to by businesses we expect would be able to pre-screen their marketing lists.

## **2.1 Has the provision for reporting serious credit infringements worked well in operation?**

We have no specific knowledge on this.

## **2.2 Have the credit non-compliance action and confirmed credit non-compliance action provisions worked satisfactorily for individuals, subscribers and credit reporters?**

The situation described here is common among the clientele our membership works with. However, we do not have specific knowledge about how this has been treated with their credit record.

## **2.3 Has Schedule 5 worked well in operation to improve identity matching while appropriately limiting the use and retention of driver licence information?**

We have no specific knowledge on this.

However we are interested in the parallels with the Ministry of Social Development's (MSD's) recent decision to insist on client-level data to be provided from all funded budgeting providers. MSD are using three points of data (name, address, date of birth) to match clients across services in different sectors rather than a unique identifier like a driver's licence number. Their explanation has been that using a single point of data (such as a driver's licence number) increases the risk of errors in data input.

If we were to use the same logic here we could argue that using a driver's licence would not be as effective as using other information. However, we do not actually agree with MSD's position and have no knowledge of any issues with credit reporters using this system.

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act) has also started to be felt by the average consumer in New Zealand, with much tighter expectations on people requesting information to be shared. We strike this regularly with banks, finance companies, and debt collectors who need mutual client details such as driver's licence numbers to be verified before they agree to share information with budget advisers. Our standard permission form now includes these details (driver's licence or another photo ID) to account for this. We believe that providing this sort of detail is becoming so commonplace it's no longer considered as a privacy concern to the average budgeting client.

## **2.4 Have the new reporting and retention periods worked satisfactorily in operation?**

We have no specific knowledge on this.

## **2.5 Has the provision for quotation enquiries been utilised and, if not, why not?**

We have no specific knowledge on this.

## **2.6 Have the Code's obligations, limits and processes been sufficient to provide an appropriate level of transparency and to provide meaningful opportunities to challenge accuracy and obtain correction?**

*We should note that Credit Simple has also become a financial supporter of the NZFFBS but that this has no influence on our message below.*

We know of only one widely publicised credit scoring website: Credit Simple, using the Dun and Bradstreet database.

We have been supportive of Credit Simple because:

- It is simple to use
- It is user friendly
- It presents important information in an understandable way
- It displays the information that the score is based on
- It is easy to challenge

We are fans of anything that brings issues of financial literacy to the attention of the public. We are wary of the appropriateness of some of the 'Offers' available to people who check their credit scores, but appreciate that Credit Simple is transparent in how it generates income through this model. In addition, we have negotiated for the NZFFBS to appear in the 'Offers' to people with a low credit score. We believe this is an appropriate support to offer people in this situation.

Through this connection with Credit Simple we have subsequently fielded several queries from clients wishing to challenge their credit score. We have guided them through this process and have not found it to be difficult.

There is an obvious problem with Credit Simple, though: it only uses information from one credit reporter. As noted, this could mean different scores are obtained through different channels.

## **2.7 Are there any significant problems with the operation of the amendments that you would like to raise?**

We have no specific issues to raise.

### **3.1. Would allowing the reporting of account balance information deliver substantial benefits to the credit reporting system while appropriately respecting individual privacy?**

In 2010 the NZFFBS had strong views on this.

We were of the view that it was essential to include fields that tell the “story”, as well as just the facts. With the inclusion of a 24 month payment history we feel this was addressed.

The use of the existing fields (from our point of view) should be to allow people to rehabilitate. Many of our clients have had a default, and are getting themselves back on their financial feet. They need a way to show a creditor they have turned their life around, and the existing system since 2012 should allow for this.

We also believe that this data helps to protect people from making unwise decisions under pressure. When creditors can see how indebted a person is, and how long they have been behind, this helps inform their responsible lending decision. The CCCFA requirements assist this, and we know of several businesses that now use this sort of model to inform their lending decisions.

In regards to the 2016 questions, we can see the benefits of including current account balance information but also the difficulties cited. We believe that there are both pros and cons and do not have a strong opinion, but urge the Privacy Commissioner to consider the question with the above concepts of rehabilitation and consumer protection in mind.

### **3.2 Should credit reporters be permitted to include tax debt information in credit reports?**

We do not have evidence that including tax debt information in the credit reporting system for individuals would provide a substantial benefit to assessing creditworthiness. However, we would support this initiative as it would create a more robust picture of creditworthiness and put fewer people in the position of having credit they cannot truly afford.

### **3.4 Should the Code require credit reporters to respond more quickly to access requests than is currently the case?**

The clients our member budgeting services usually deal with are in some form of crisis and access to all information as swiftly as possible is essential. We would support bringing this Act into line with the Australian Privacy Act expectation of providing a credit report within 10 days rather than the current 20.

### **3.7. Should credit reporters be permitted to use credit reporting systems to trace individuals to whom money is owed and, if so, in what circumstances?**

We find it hard to imagine this situation arises very often. However, it's much easier to imagine information being shared to track down a person who *owes the agency* money.

While at first glance this request seems innocuous enough we are wary that it would be only a slight extension to permit sharing of details to track down people who owe money and we caution against any movement in that direction, for fear of 'function creep'.

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

Yours Sincerely,



Raewyn Fox  
Chief Executive Officer  
New Zealand Federation of Family Budgeting Services (Inc.)  
Te Rōpū Penapena Pūtea Whānau o Aotearoa