

## **Time to Stop on Attachment Orders on Benefits**

To the Minister of Justice Ginny Andersen and the Minister of Social Development Carmel Sepuloni  
Cc, Minister for Courts Rino Tirikatene, Minister for Child poverty reduction Jan Tinetti and Minister for Children Kelvin Davis.

### **Stopping attachment orders against benefits will positively impact people on social welfare.**

We are a collective of community-focussed organisations calling for a moratorium on attachment orders against all social security benefits. We are making this request because the use of attachment orders to collect debt from people living on benefits is causing significant financial harm. The financial impact is felt by the individual, their family, and extends to the wider community and New Zealand society.

An attachment order is a court order that can be sought by a creditor when an individual has not paid a debt. The order requires MSD to deduct an amount from a debtor's benefit on a weekly basis. The court process was simplified in 2014 and since then there has been an increase in the use of attachment orders. The system works in a way that makes it easier to get an attachment order against a benefit than a wage. This has resulted in 80% of all attachment orders being collected from MSD benefits.

People living on benefits are already experiencing poverty and poverty is a driver for defaulting on debt repayments in the first instance. An attachment order only serves to punish the poor further. When you are on a low income, any additional expenses can mean having to miss out on essentials such as clothing and food. This has a flow on effect and impacts on the health and wellbeing of our children. No individual or their child should have to go without food or other necessities to pay for a debt that is unaffordable. There is a hidden cost to the taxpayer due to household budget deficits. We know that many beneficiaries who have attachment orders need to access additional support from WINZ to pay for basics. In March 2023 special needs grants given out by WINZ for food had a dollar value of \$37 million.

The benefit system was not designed to transfer funds from the Government to private businesses via MSD and the District Court but that is exactly what is happening. Figures revealed in an Official Information Request to MSD show that in August 2021 \$550,633.39 worth of attachment orders were coming from benefits per week. If that figure stayed static, it would mean that over 28.5 million dollars was transferred from MSD to creditors via attachment order in 2021. This does not even touch on the time and resources spent by the courts or MSD processing attachment orders or variations to them.

Financial Mentors see debts being collected via attachment orders that are questionable under current consumer protection laws. There is an example of a debt being collected via attachment order long after the balance had been paid and resulted in thousands of dollars of overpayment. The company in this case has been prosecuted by the Commerce Commission but the individual has not been compensated. This illustrates that the system is not working for the people who it is designed

to protect. But the system is working to distribute millions of taxpayer dollars from benefits out to private businesses while families are literally struggling to put food on the table. There needs to be substantive change to protect the individual and their family from undue financial distress and to prevent taxpayer dollars and resources being used to collect and pay for debt.

We support the implementation of a judgement proof debtor policy similar to the Australian State of Victoria's Section 12 of the Judgment Debt Recovery Act.

But until a law change can be made, we are asking Ministers Kiri Allan, Carmel Sepuloni, Rino Tirikatene, Jan Tinetti and Kelvin Davis to implement a moratorium on attachment orders against all social security benefits.

Yours sincerely,



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