DEBT MANAGEMENT AND WELLBEING

A report for DebtManagers

2025

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Executive summary

This report was commissioned by Intercoll Services Limited trading as DebtManagers. DebtManagers is a company that seeks to recover debt in New Zealand. The report showcases data from a 2024 survey of DebtManagers clients conducted to determine how these debtors experienced the debt repayment process. The survey resulted in 205 valid responses from both current and past clients.

This report explores two principal research questions:

1. Does beginning the process of debt management improve an individual's wellbeing?
2. Are there differences in wellbeing outcomes depending on the client's method of dealing with their debt (voluntary versus involuntary agreements)?

To explore these questions, the report presents quantitative data that measure mental health and wellbeing effects, changes in Financial Locus of Control, and behavioural changes as a result of their interactions with DebtManagers.

The report also provides qualitative findings, where respondents provided detailed responses in their own words to the following open-ended questions:

1. What did you learn from working with DebtManagers?
2. How did you feel after working with DebtManagers to address your outstanding debt?
3. Were there things that you liked and/or disliked about the way that the staff at DebtManagers worked with you?

Key findings

Quantitative:

Overall, the results indicate a **significant improvement** in the **mental health and wellbeing** of DebtManagers' clients as a result of the debt management processes created by DebtManagers. Respondents demonstrated a statistically significant improvement in their overall GHQ-12 questions, reflecting improvements on mental health and general wellbeing.

- Additionally, the findings reveal that the **debt management process substantially improved clients' Financial Locus of Control**. Respondents reported a highly significant and strong increase in their sense of ownership and control over their financial situation.
- The results on behavioural changes highlight the most significant benefits of the debt management process for DebtManagers' clients.
  - The data shows **notable increases in positive behaviours** (e.g. engaged parenting) and **a significant decline in negative behaviours** (e.g. binge drinking).
  - These improvements are the strongest among all measures in this report, indicating a substantial boost in respondents' social wellbeing.
- There is no statistically significant difference between voluntary and involuntary agreement clients in these results. While individual item scores vary, both groups experienced **genuine improvements** across all three impact measures.
- **Past and current DebtManagers clients show noticeable differences**. While both groups report positive outcomes across all three measures, past clients exhibited stronger improvements in mental health and wellbeing and Financial Locus of Control compared to current clients.
- Conversely, **current clients show greater reductions in risky behaviours** (e.g. smoking, binge drinking) compared to past clients. However both groups reported strong improvements in positive behaviours such as engaged parenting and seeking employment.

Qualitative:

The qualitative results support the key findings discussed above. Responses to the open-ended questions showed a **strongly positive impact on clients resulting from their interactions with DebtManagers.**

- Clients reported strong positive experiences regarding their overall wellbeing and financial literacy, particularly in budgeting and debt management. Among them, 76% of voluntary and 66% of involuntary agreement clients **highlighted positive and impactful learning while working with DebtManagers**.
- Clients also reported strongly positive responses to how they felt from working with DebtManagers, with 68% of voluntary and 64% of involuntary agreement **clients reporting feelings of relief, pride and gratitude**. There were no significant differences between the voluntary and involuntary client responses for the first two questions.
- Clearly not all responses were positive and the final question regarding what clients liked and disliked about the DebtManagers staff approach resulted in more mixed responses and a significant difference between voluntary and involuntary client comments.

Overall, the quantitative and qualitative data in this report show that DebtManagers clients, regardless of having voluntary or involuntary agreements, **reported significant improvements in Behaviour, Mental Health, Wellbeing, and Financial Locus of Control**, both during and after engaging with the DebtManagers approach to debt management.

1. Introduction

As of 2024, New Zealand's private debt stands at a significant 137% of GDP, a reflection of longstanding reliance on credit among both consumers and businesses. Rising interest rates and economic headwinds, such as inflation, have pressured households to recalibrate spending and manage higher debt service costs. These adjustments are evident as borrowers contend with rising loan obligations and are opting for lower repayments where possible to alleviate financial strain (Reserve Bank of New Zealand, 2024). In addition, Centrix (2024) has reported on increasing numbers of New Zealanders who have been unable to maintain their debt repayments and have fallen into arrears.

This report presents the experiences of debtors during their repayment phase and/or at the cessation of their payments and beyond, with particular focus on what comparable wellbeing outcomes are experienced by customers choosing voluntary or involuntary (legal action) repayment plans. Outcomes were measured around mental, emotional, financial and general wellbeing during and after the debt management processes.

Over-indebtedness

A growing body of international literature has highlighted the serious consequences of being over-indebted. This involves being unable to meet financial commitments with current and expected financial resources without having to forgo essential spending below an acceptable level, for instance, not being able to put food on the table.

While over-indebtedness is more common among those with lower incomes, who are generally less capable of navigating unexpected expenses or shocks, it is not restricted to those with a low income (Young, 2024).

Over-indebtedness has been associated with financial exclusion, including being unable to get affordable credit, becomimg unbanked, (Russell, Maître and Donnelly, 2011), having limited or poor food choices or security (Goode, 2012), and health problems (Turunen and Hiilamo, 2014). It has also been associated with poor mental health, including feeling stigmatised for being indebted (Lister, 2004), higher levels of anxiety and stress (Drentea, 2000), depression (Davies, Montgomerie, & Wallin, 2015; Lee, et al., 2016) and suicide (Naranjo, et al., 2021; Levinsson, 2023). Both the amount of debt (Amit, et al., 2020) and the period of indebtedness (Hojman et al., 2016) are associated with the likelihood of experiencing depression.

Debt management

There is a lack of research exploring debt management and particularly the consequences for individuals' wellbeing. Debt management can be an experience shrouded in secrecy due to embarrassment and/or fear. Popular perceptions surrounding debt management practices paint a typically negative picture.

An array of negative issues has been identified in debt collection practices in Aotearoa New Zealand, as reported by Christians Against Poverty NZ (2021) and Stace and Gordan (2021). These issues include:

- False and misleading claims, such as misrepresentation of authority.
- Allowing debts to remain dormant for years while accumulating interest.
- Unaffordable payment demands that place undue financial strain on debtors.
- Unreasonable debt collection fees, further compounding financial difficulties.
- Harassment and coercion, including:
  - robotic and automated calls
  - visits by intimidating individuals ("the heavies")
  - intimidating behaviour
  - involvement of family or workplace
  - use of vehicle immobilisers.
- Insufficient recourse information and processes, leaving debtors without clear or fair avenues for resolution.

While the process of debt collection is often accompanied by stress and negative experiences, there is potential for positive change and an opportunity to engage with borrowers in a civil way to recover unpaid debts (Christians Against Poverty NZ, 2021). Stace, et al. (2021) advocate that "while a debt collector is not expected to proceed as if at a prayer meeting, most people would also agree that the collection process should be done with compassion and an acknowledgement of what is realistically possible for the debtor" (p.1001).

In their research on the communication of solutions for people with problem debt, Lunn et al. (2022) argued debt solutions were better understood when information was structured around the process of engaging with the solution. Additionally, the acceptability of debt solutions was strongly influenced by the emotional content of the relevant language. This finding aligns with the impact of stigma on how debt solutions are perceived.

Creditors and debt collection agencies have a role to play in increasing the wellbeing of consumers in debt management. For example, creditors should give information at the earliest stage about contacting debt advice services. Providing resources to enhance financial literacy is also important. Hohnen (2020) found that some young people struggle to distinguish between "having money" and "owing money". Similarly, LeBaron et al. (2018) identified challenges in understanding concepts such as interest, debt, and the distinction between assets and liabilities.

2. Research design

The research team were asked to address two primary research questions:

1. Does beginning the process of debt management improve an individual's wellbeing?

Prior research has shown that a lack of financial control (Bialowoski et al., 2021) results in worse wellbeing outcomes, while Zurlo et al. (2014) argued that increasing perceived control over personal financial circumstances may improve wellbeing outcomes. These studies are principally set within the context of those with large unsecured debts and not necessarily just those in financial arrears.

Debt management, while externally imposed, may offer individuals an increased sense of control by establishing a plan to deal with their arrears as opposed to leaving them unresolved. Additionally, the unique approach of DebtManagers, which emphasises client agency in the recovery process, appears likely to result in improved wellbeing even while requiring clients to start to repay their arrears.

2. Are there differences in wellbeing outcomes depending on the client's preferred method of dealing with their debt (voluntary versus involuntary agreements)?

The second question, related to the first, explores whether there are differences in wellbeing outcomes depending on the client's preferred method of dealing with their debt. Clients have the option of entering into a negotiated voluntary agreement to repay the debt over time, or, if they opt not to enter a voluntary agreement, and will not engage with a financial mentor or apply for 'breathing space', DebtManagers may pursue legal recourse via the courts. In both cases, there is the benefit of beginning the process of addressing the arrears which may improve wellbeing outcomes. However, a client opting for a voluntary agreement could gain more agency and self-determination.

Question sets

To investigate the impact on wellbeing outcomes the research team first did a review of the existing studies to canvas the range of different wellbeing-related outcomes that had been shown to be impacted by problem debt. From this list, three sets of questions were selected.

1. **The General Health Questionnaire (GHQ12) was adapted to investigate mental health and general wellbeing.** The GHQ12 focuses on three areas; emotional distress such as anxiety and depression,

social dysfunction related to an inability to undertake or cope with normal daily tasks, and a loss of confidence.

The questions were unchanged, however where the GHQ12 is usually used to assess mental health in the immediate past and the available responses quantify how often in the past few weeks a person relates to a particular question, i.e. Have you recently been feeling under strain with possible responses of not at all, no more than usual, rather more than usual and much more than usual. In our case, given the possibility that respondents were first approached by DebtManagers sometime in the past, we simplified the responses to ask whether they recall experiencing each item more or less often.

2. **Linked to the studies by Bialowoski et al. (2021) and Zurlo et al. (2014), we also measure the change in a respondent's financial locus of control.** If beginning the process of addressing problem debt does give clients a greater sense of control, then we would expect this to improve their financial locus of control (measures whether a person believes the financial situation is the result of their own actions and decisions).
3. **Finally, we consider the effect of addressing debt arrears on a respondent's tendency to engage in risky behaviours such as drinking, drug use and fighting.** Prior studies have shown that greater financial stress leads to higher incidence of risky behaviours (Nelson et al. 2008; French and McKillop, 2017).
4. In addition, after consultation with DebtManagers, we also **included several positive behaviours**, including more involvement in parenting, seeking employment, feeling more human, and being more likely to see a doctor.

   It is worth noting the final item related to seeing a doctor doesn't have a clear predicted direction. If, as is expected, engaging with the debt management improves wellbeing, this would result in less use of alcohol, better eating and sleeping habits, etc. which would be expected to reduce the need to see a doctor. Alternatively, if respondents had stopped seeing a doctor due to the costs involved, addressing their financial position may make them better able to see a doctor.

Scoring

For all questions, respondents were asked to rate any changes they noticed as a result of working with DebtManagers on a five-point scale from significantly less often (scored as 1) to significantly more often (scored as 5).

- A respondent seeing no change was scored a 3. Respondents also had the option of selecting do not recall/do not wish to answer. For instance, the first item for the GHQ12 asks respondents if they were able to concentrate.

- A positive outcome would be a score of 4 or 5 – slightly more often or significantly more often.
- No change would score a three, while a 1 or 2 would suggest that the respondent had a negative outcome – able to concentrate less.

To make results easier to understand, we adjust our scoring to make sure that for all questions scores of 4 or 5 indicate an improvement in wellbeing. For instance, for some questions such as *I felt couldn't overcome difficulties*, experiencing this more often would be a negative outcome. As a result, we reverse the scoring for these questions such that for ALL questions, a higher score indicates an improvement.

Survey process

The 2024 DebtManagers Survey ran from 1 September to 1 November 2024. An independent party at DebtManagers (independent to the researchers) sent out an email to their database of customers with an invitation to participate in the research. This email contained a link which took them to the Participant Information Sheet and the Qualtrics survey platform. A total of 28 questions were available to answer.

At the conclusion of the survey, 205 participants had responded. Where results are presented, the sample size is 205 unless otherwise specified.

All responses to the survey are completely anonymous and were processed on the Qualtrics platform. Ethical approval was granted by the Auckland University of Technology Ethics Committee on September 16, 2024 (Number 24/241).

Statistical analysis

To evaluate the impact that engagement with DebtManagers has on clients, we convert participants responses to each question into a score from 1 to 5, with 1 indicating a considerable worsening in an outcome, 5 indicating a considerable improvement, and 3 indicating no change. Once all responses are scored, we calculate the average score across respondents and then test whether that score is statistically significantly different from 3, no change.

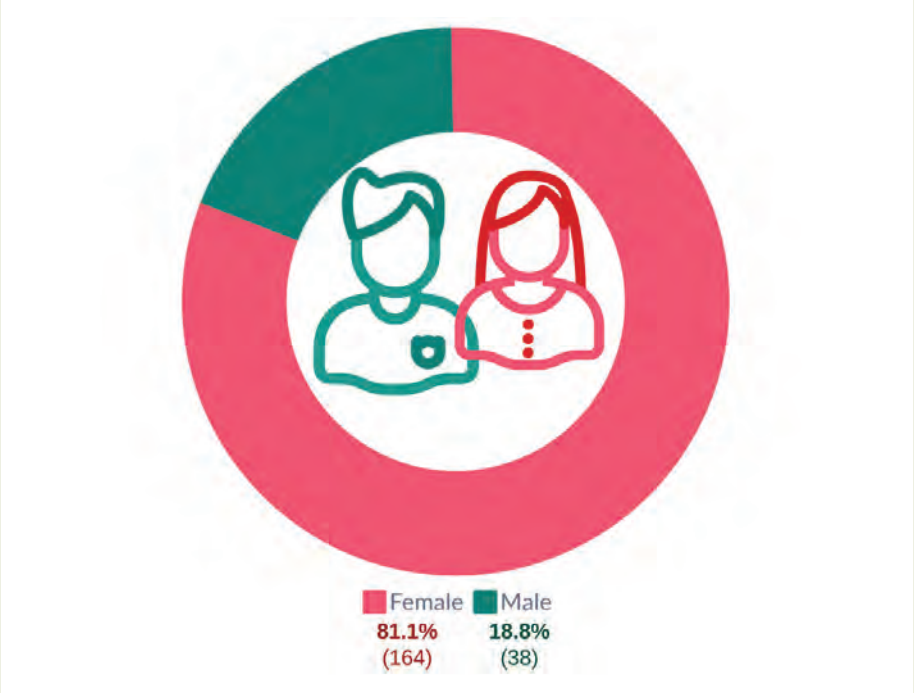
We use a statistical test, a t-test, to evaluate whether the difference in the average response from 3 is likely due to chance or whether it is sufficiently different that it provides strong evidence that engaging with debt management has had an impact over the entire sample. We test whether a value is different from no change to allow us to identify both statistical improvements as well as any instances where an outcome variable might be worse.

To be considered significant, there must be a less than 10% chance that the difference from 3 can be attributed to random chance. Our tables show three levels of significant difference, less than 10% chance (*), less than 5% chance (**), and less than 1% chance (***). **The more * beside a coefficient, the stronger the statistical difference**.

When we consider the second research question, whether voluntary engagement results in different outcomes versus involuntary engagement, we use a modification of the t-test that allows for testing the difference in average score between two groups for statistical significance.

3. Demographics

Figure 1: Gender distribution of respondents



As Figure 1 demonstrates, the sample is predominantly female (81.1%), with men comprising only 18.8%. The largest age group among respondents was 30–39 years old, comprising 38.3% of the total (Table 1).

Table 1: Age distribution of respondents

Age	No.	%
17-29	40	19.4
30-39	79	38.3
40-49	46	23.3
50-59	27	13.1
60+	14	6.7

The three most represented ethnic groups in the sample were New Zealand European (43%), Māori (33%) and Pacific Peoples (19%). However, the ethnic composition of the sample differs from the 2023 NZ Census population counts by ethnic group (Stats NZ, 2024), with a higher proportion of Māori and Pacific Peoples. Despite this, the sample closely reflects the client population of DebtManagers.

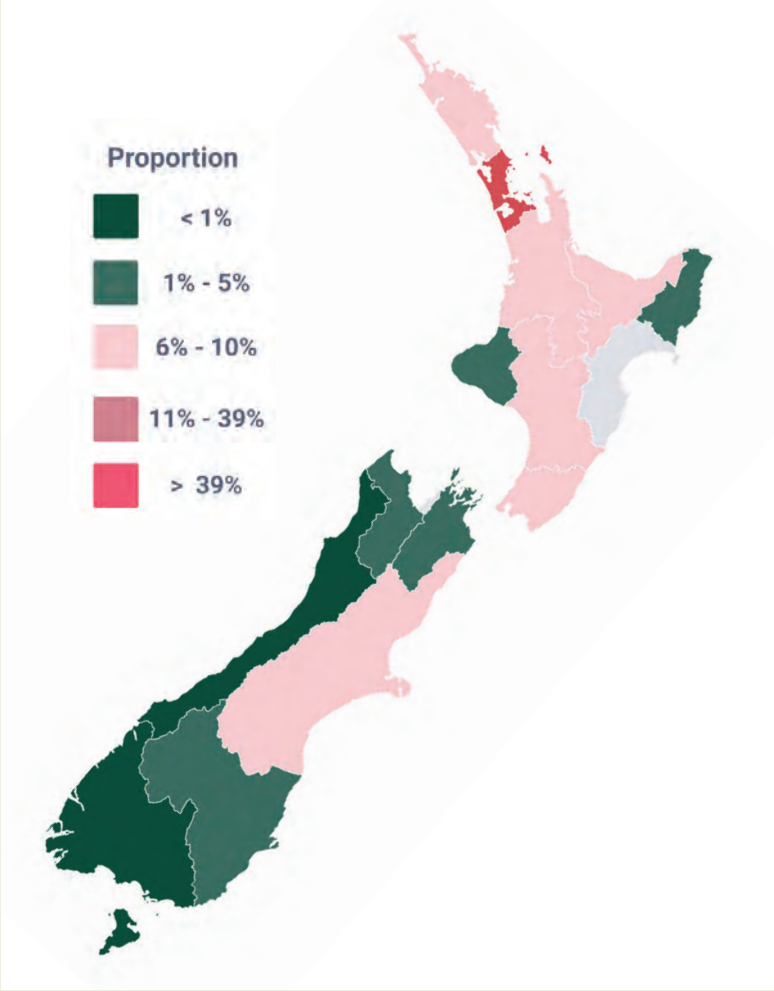
Table 2: Ethnic distribution of survey participants

Ethnicity	No.	%
European	112	43
Māori	85	33
Pacific	49	19
Asian	4	2
SE Asian	4	2
MELAA	0	0

Location

While respondents participated from across New Zealand (Figure 2), the largest proportion, as expected, came from Auckland (41%), followed by Hamilton/Waikato/Rotorua/Taupō/Ruapehu (10%) and Christchurch/Canterbury (9%). A full regional breakdown is available in Appendix 1.

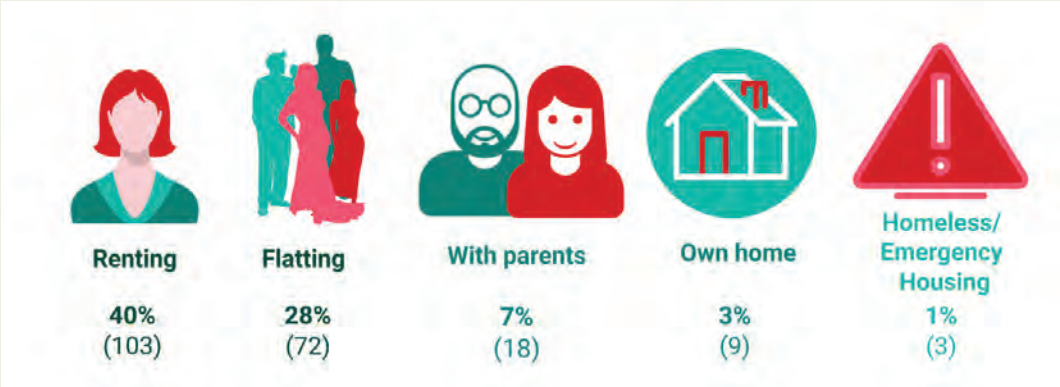
Figure 2: Regional distribution of survey participants



Living situation

As can be seen in Figure 3, the largest group is renting.

Figure 3: Living situation of survey participants



Education

According to the OECD, 30% of New Zealanders hold a bachelor's degree or equivalent as their highest educational attainment (BERL, 2024). Consequently, the proportion of respondents with an undergraduate tertiary qualification is significantly lower than that of the general New Zealand population.

Table 3: Respondent's Level of Highest Qualification

Highest qualification	No.	%
No qualification	51	24.8
NCEA or other high school leaver qualification	58	28.2
Diploma or trade	78	37.9
Undergraduate	8	3.9
Postgraduate	6	2.9
Other	4	1.9

Neurodiversity

Neurodiversity is a term used to describe neurological differences in the human brain. "Put simply, this means that humans' brains are wired differently, and those differences can have a direct impact on an individual's thinking and learning." (The Education Hub, 2024). A quarter of survey respondents identified as neurodiverse, while an additional 8% were uncertain. In comparison, the Neurodiversity in Education Coalition estimates that around one in five young people in New Zealand are neurodiverse (Neurodiversity in Education Project).

Figure 4: Neurodiversity of survey participants

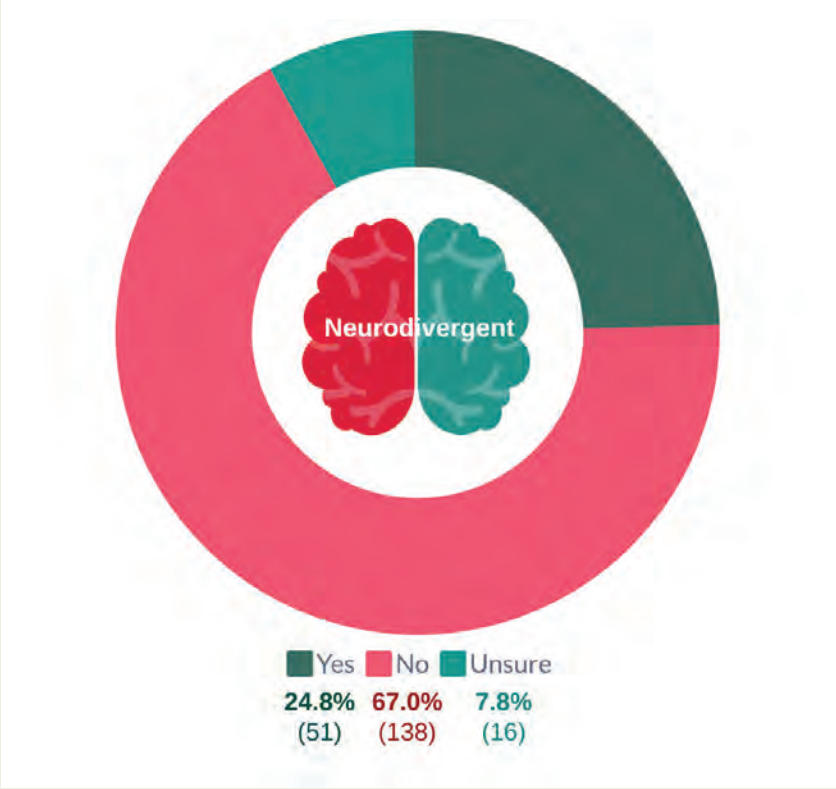


Table 4: Neurodiversity of survey participants

Neurodiverse	No.	%
Yes	51	24.8
No	138	67.0
Unsure	16	7.8

Current and past clients

The respondents included both current clients of DebtManagers (n=151) and former clients (n=55).

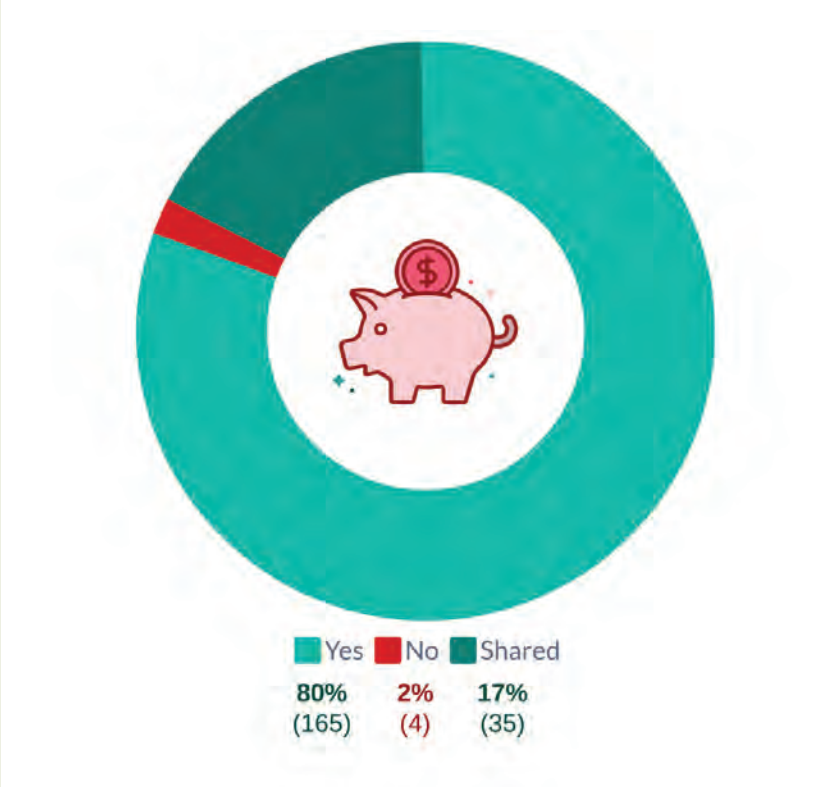
Respondent agreement type classification by DebtManagers

- Voluntary Agreement Clients: 118 (57%)
- Involuntary Agreement Clients: 88 (43%)

Financial decision-maker

The majority of survey respondents (80%) are the primary financial decision-makers in their households.

Figure 5: Primary financial decision-maker



4. Results

The largest group of respondents consists of those who currently have or have had a voluntary agreement. Notably, 35 respondents perceive their agreement as voluntary, despite it being classified as involuntary, while an additional 24 are unsure of their agreement status.

This would imply that for these clients, the involuntary aspects of the debt management process do not seem to be noticeably negative.

Figure 6: Respondents agreement type: classified by DebtManagers

Those who saw themselves as having an involuntary agreement, were then asked for the reason (Table 5).

Table 5: Reason for an involuntary agreement*

Reason	No.	%
Not mine	11	25.6%
Amount	7	16.3%
Deductions	5	11.6%
Other	20	46.5%
Total	43	100%

* All involuntary repayment agreements have given the respondent an opportunity to dispute the debt in the Court. These clients chose not to do this.

Respondents preferred contact methods that give them the option of engaging in contact (such as email or phone), however, many had changed phone numbers or email addresses and were unable to be contacted. Many had also refused to respond due to the negative impact of 'robo-dialling' and other intrusive methods.

Figure 7: Preferred methods of contact

Table 6: Preferred methods of contact

	Preferred method		Experience with DebtManagers		Experience with other debt collector(s)	
Phone	62	30.1%	60	29.1%	54	38.8%
Email	97	47.1%	78	37.9%	64	46.0%
In person	16	7.8%	40	19.4%	5	3.6%
Text	5	2.4%	8	3.9%	2	1.4%
Social	2	1.0%	2	1.0%	0	0.0%
Web	13	6.3%	9	4.4%	8	5.8%
Can’t recall	11	5.3%	8	3.9%	6	4.3%

4a: GHQ12: Mental health and general wellbeing effects

Figure 8: GHQ12 items

Table 7: GHQ12 items

	Sample	Sig	Vol	Sig	Invol	Sig	Diff	Sig
Concentrate	3.10		3.17	*	2.99		-0.19	
Useful	3.18	*	3.24	**	3.10		-0.14	
Daily	3.16		3.15		3.18		0.02	
Problems	3.35	***	3.44	***	3.23		-0.22	
Happy	3.37	***	3.46	***	3.25	*	-0.21	
Worry	2.94		2.94		2.94		0.00	
Strain	2.90		2.94		2.86		0.08	
Overcome	2.96		3.03		2.86		0.17	
Depressed	3.07		3.15		2.95		0.21	
Self confidence	3.03		3.13		2.89		0.24	
Worthless	3.11		3.16		3.04		0.12	
Average GHQ12 score	3.11	**	3.17	**	3.04		0.13	

When we consider the overall sample (Table 7, first column), based on the GHQ12 questions, we see a statistical improvement in 3 out of the 11 items and no items gets statistically worse. We can therefore conclude that there is some improvement in a person's wellbeing from beginning the debt management process. The three areas that improve are:

1. "Have you recently felt that you are playing a useful part in things?" which evaluates engagement in social and work activities.
2. "Have you recently been able to face up to your problems?" which evaluates problem solving ability. This is an obvious area to see some improvement as the process of debt management requires some addressing of issues.
3. "Have you recently been feeling reasonably happy, all things considered?" which relates back to a person's level of emotional distress.

Of note, the last two show strong statistical significance, indicating a strong effect despite the relatively modest score of 3.35. To generate a score of 3.35, 70 out of our 205 respondents would have to have indicated a slight improvement, and the other 135 no change – or, roughly, 1 in 3 people saw some improvement just from the process of starting debt management.

We finally measured an overall impact on mental health and wellbeing from debt management by calculating the average score across all the

items for each respondent and then calculating the average across all the respondents. This allows us to exclude the possibility that while some items might increase, respondents may see reductions in others resulting in no real change overall. We find that, on average, respondents scored 3.11 compared with a score of 3 if they observed no change. While this appears very modest, it is a statistically significant difference, indicating a genuine improvement on average across the sample.

The remaining columns investigate the client's choice to either engage in a voluntary arrangement with DebtManagers, or to opt for an involuntary arrangement imposed by a court or dispute resolution process. A voluntary arrangement would grant clients greater autonomy, especially given DebtManagers desire to empower clients. However, both approaches should result in improved wellbeing as a result of removing the anxiety associated with not dealing with the debt and gaining some sort of resolution.

Insights into the impact of the two approaches

Voluntary agreements are associated with more significant items than involuntary agreements.

- Specifically, we see significant improvements in four of the items for those undertaking a voluntary agreement. This is one more than the combined sample (respondents felt better able to concentrate).
- Additionally, we see a stronger level of significance for the item "Have you recently felt that you are playing a useful part in things?".
- It is also worth noting that compared to the overall sample, where about 1 in 3 people saw an improvement, that increases to about 46% of respondents in the voluntary group. When we look at the overall effect, we observe a score of 3.17, indicating a statistically significant improvement across all the GHQ12 items tested.

In contrast, those with **involuntary agreements** only saw a weak improvement in "Have you recently been feeling reasonably happy, all things considered?".

- Additionally, even with just one item improving for the involuntary agreement respondents, there are also no items that get worse.

Finally, the average score for the involuntary agreement group across all the GHQ12 items was 3.04 which is not statistically different from 3 suggesting no real overall improvement. However, while voluntary agreements appear to generate better outcomes, it is worth noting that there is no statistical difference in the scores between the two groups.

4b: Financial Locus of Control

The next set of questions relate to the idea of Financial Locus of Control (FLC) which essentially examines whether a respondent believes that their actions drive their financial situation. An improved FLC would imply a greater sense of autonomy and agency regarding a person's financial situation, and, by extension, based on past research, lead to better wellbeing outcomes.

The results (Figure 9) show, for both voluntary and involuntary agreement participants, that beginning the debt management process has improved their FLC. Specifically, we see very strong and relatively large improvements in two items:

- "Felt that what happens to me in the future depends on me".
- "Felt I can do just about anything I set my mind to do".

As with the GHQ12, we also take an overall average of the changes in the FLC items (Table 8). Overall, respondents scored 3.17 across the seven FLC items, which is highly statistically significant. This indicates a strong improvement in respondents' sense of ownership of their financial situation.

In terms of the differences between the voluntary and involuntary agreement respondents, we see no statistical difference indicating that the improvement in perceived autonomy and agency occurs irrespective of the type of agreement that the respondents entered into. This is also the case with the overall average where there is 0.02 point difference in the average score.

Figure 9: Financial Locus of Control

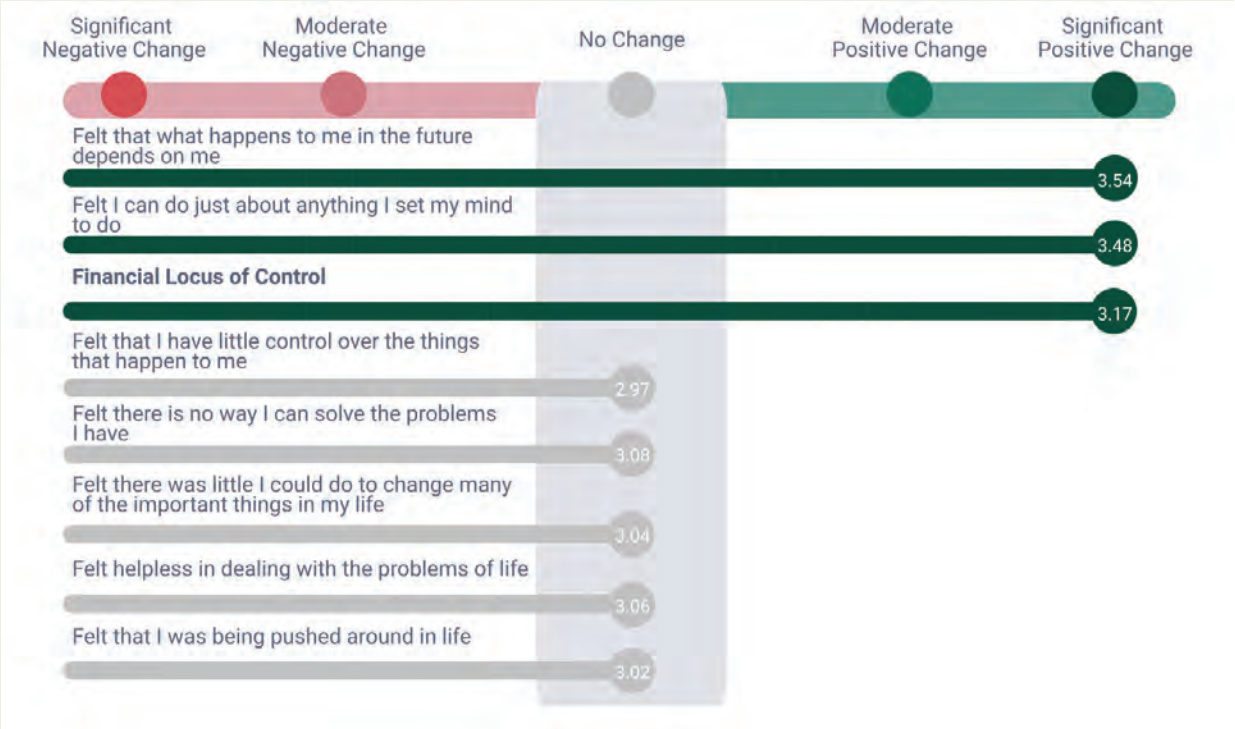


Table 8: Financial Locus of Control

	Sample	Sig	Vol	Sig	Invol	Sig	Diff	Sig
Control	2.97		2.92		3.04		-0.12	
Solve	3.08		2.97		3.23		0.26	
Change	3.04		2.98		3.12		-0.14	
Helpless	3.06		3.07		3.04		0.03	
Pushed	3.02		3.12		2.87		0.25	
Future	3.54	***	3.65	***	3.40	***	0.25	
Anything	3.48	***	3.52	***	3.43	***	0.09	
Financial Locus of Control	3.17	***	3.16	***	3.18	**	-0.02	

4c: Behavioural changes

Finally, we consider the impact on a range of behaviours – both risky behaviours that have been studied previously and some more beneficial behavioural changes. It is here (Figure 10) that we see the clearest benefit of the debt management process applied by DebtManagers.

Positive behavioural changes

In terms of positive behaviours, clients of DebtManagers become more involved with parenting duties, looked for employment opportunities, and felt more like a human rather than a statistic (which would go along with the improvement in FLC). Respondents were also more likely to go to a doctor, although, as noted, this finding is somewhat ambiguous as it is not clear why they were more likely to see doctors.

We also see significant reductions in nearly all of the risky behaviours except the use of tobacco (Table 9). Given the significant social harms associated with alcohol, drug use, gambling and domestic violence, the considerable reductions seen in these items should be welcomed. Finally, we take the average of the change in the risky financial behaviours (alcohol, binge drinking, drugs, gambling and domestic violence). We see a statistically significant reduction across those items with an average score of 3.29. The results certainly suggest significant improvements in the social wellbeing of respondents.

Differences between the groups

When we consider the differences between the voluntary and involuntary agreement groups, we observe a similar pattern with the GHQ12 questions; fewer significant items for the involuntary agreement group but no statistically significant differences in the scores themselves. Specifically, the involuntary agreement group do not see as many positive behaviour changes, with only seeking more employment significant. Additionally, there is no change in gambling habits from the risky behaviours. However, even without these improvements, there is substantial evidence of an overall improvement in social wellbeing from reductions in alcohol use, drugs, and violence.

Figure 10: Behaviour change

Table 9: Behaviour change

	Sample	Sig	Vol	Sig	Invol	Sig	Diff	Sig
Parenting	3.24	***	3.31	***	3.13		0.18	
Employment	3.45	***	3.44	***	3.47	***	-0.03	
Human	3.33	***	3.40	***	3.24		0.15	
Medical	3.22	***	3.25	***	3.17		0.08	
Fighting	3.27	***	3.26	**	3.28	***	-0.02	
Tobacco	3.08		3.07		3.10		-0.03	
Alcohol	3.37	***	3.35	***	3.40	**	-0.05	
Binge drinking	3.45	***	3.46	***	3.45	**	0.01	
Drugs	3.41	***	3.50	***	3.29	*	0.21	
Gambling	3.29	***	3.29	**	3.29		0.00	
Domestic violence	3.28	***	3.22	**	3.37	**	-0.15	
Risky behaviour change	3.29	***	3.29	***	3.29	**	0.00	

4d: Past vs current clients

In the survey, respondents were also asked if they were current or past clients of DebtManagers. While the sample lent heavily towards current clients (for whom the contact information was more likely to be current and were more likely to open the invitation email given their ongoing relationship with DebtManagers), we do find evidence that the improvements appear to be related to the start of the debt management process rather than successfully completing the process.

Those completing debt management, especially those exiting in a position that is less likely to result in becoming a client again, may view the process more favourably.

In contrast, those in the middle of debt management would be expected to be more likely to remember changes in feelings, thoughts and behaviours, and potentially less favourably inclined as they would be still paying off the debt with the associated hardships that creates.

GHQ12: Past vs current clients

We do observe some differences between past and current clients when we consider the GHQ12 items which measure mental health and general wellbeing (Figure 11). Specifically, past clients report improvements in more items than those who are current clients.

While both groups report improvements in the items related to feeling happy and able to face problems, past clients also reported improvements in feeling useful and less likely to feel worthless.

Unlike the voluntary versus involuntary group analysis, we do see a significant worsening in the item "Felt under constant strain" for the current group. This may relate to added financial strain that addressing debt arrears imposes. This was the only item that was statistically different between the two groups.

When we look at the overall GHQ12 scores (Table 10), we see a statistically significant improvement for the past group – 3.2 vs a predicted 3 if there was no change. Current clients had a score of 3.05, a slight but insignificant improvement, likely driven by the worsening in the strain item.

Figure 11: GHQ12: Past vs current clients

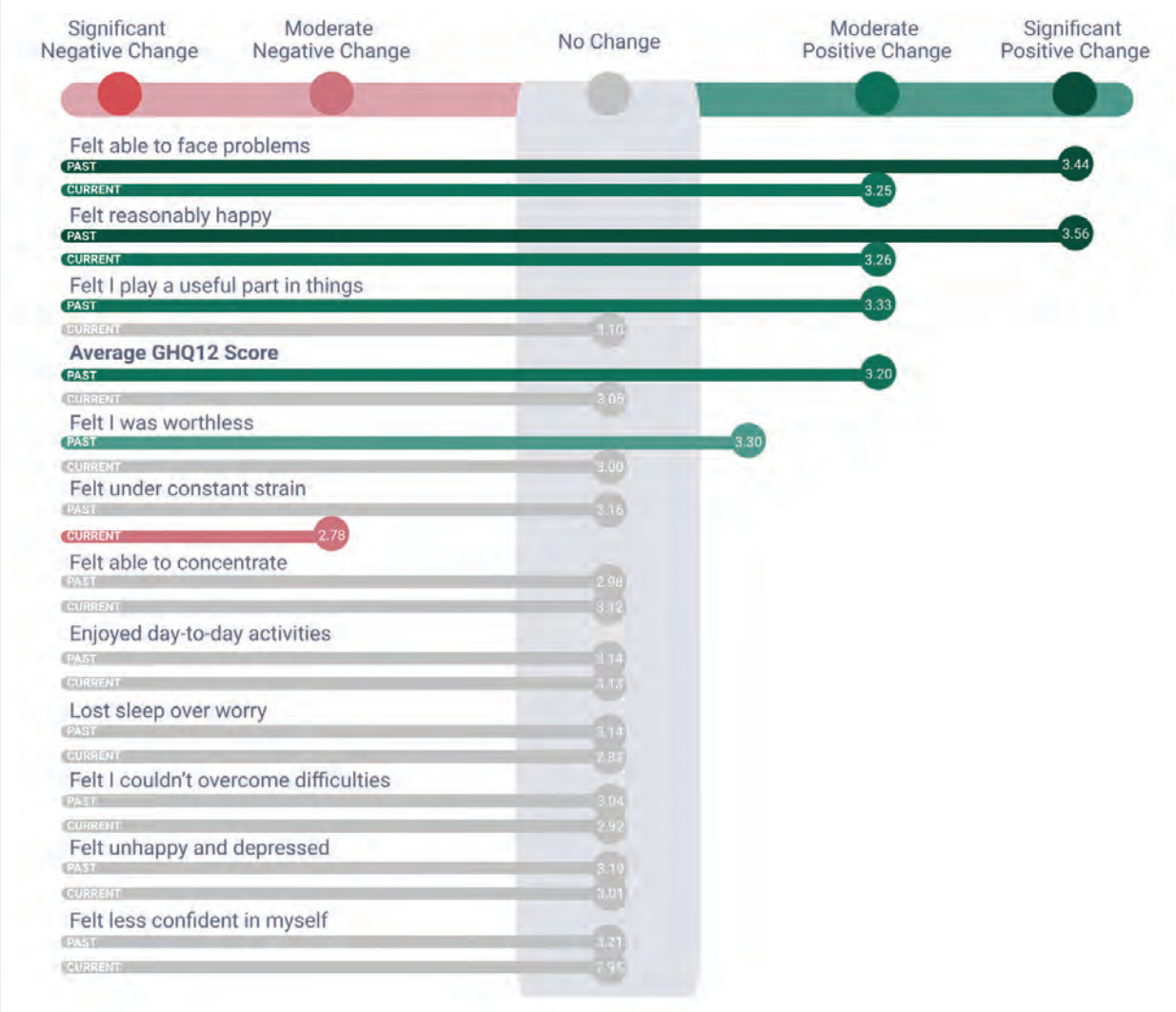


Table 10: GHQ12: Past vs current clients

	Past	Sig	Current	Sig	Diff	Sig
Concentrate	2.98		3.12		-0.14	
Useful	3.33	**	3.10		0.23	
Daily	3.14		3.13		0.01	
Problems	3.44	***	3.25	**	0.19	
Happy	3.56	***	3.26	**	0.30	
Worry	3.14		2.83		0.31	
Strain	3.16		2.78	**	0.38	**
Overcome	3.04		2.92		0.13	
Depressed	3.19		3.01		0.18	
Self confidence	3.21		2.95		0.25	
Worthless	3.30	*	3.00		0.30	
Average GHQ12 score	3.20	**	3.05		0.15	

Financial Locus of Control: Past versus current clients

When we look at the average reported outcomes for FLC, we see a difference from the previous results when we looked at voluntary versus involuntary groups. In that analysis, there was largely no difference in the outcomes between the voluntary agreement and involuntary agreement clients.

When we consider past and current clients, we see more evidence of an improvement in the FLC for past clients. Specifically, over half the items show statistically significant improvements rather than just the two items previously found.

- In particular, past clients reported improvements in feeling like they were being pushed around in life and feeling helpless at dealing with problems.
- As noted above, this is potentially a consequence of having successfully resolved their debt arrears and feeling motivated by that success.

Unlike the GHQ12 items, however, current clients do still see a marked improvement in their FLC supporting the belief that starting the process of resolving an outstanding debt gives clients a sense of control and autonomy.

Figure 12: Financial Locus of Control: Past vs current clients

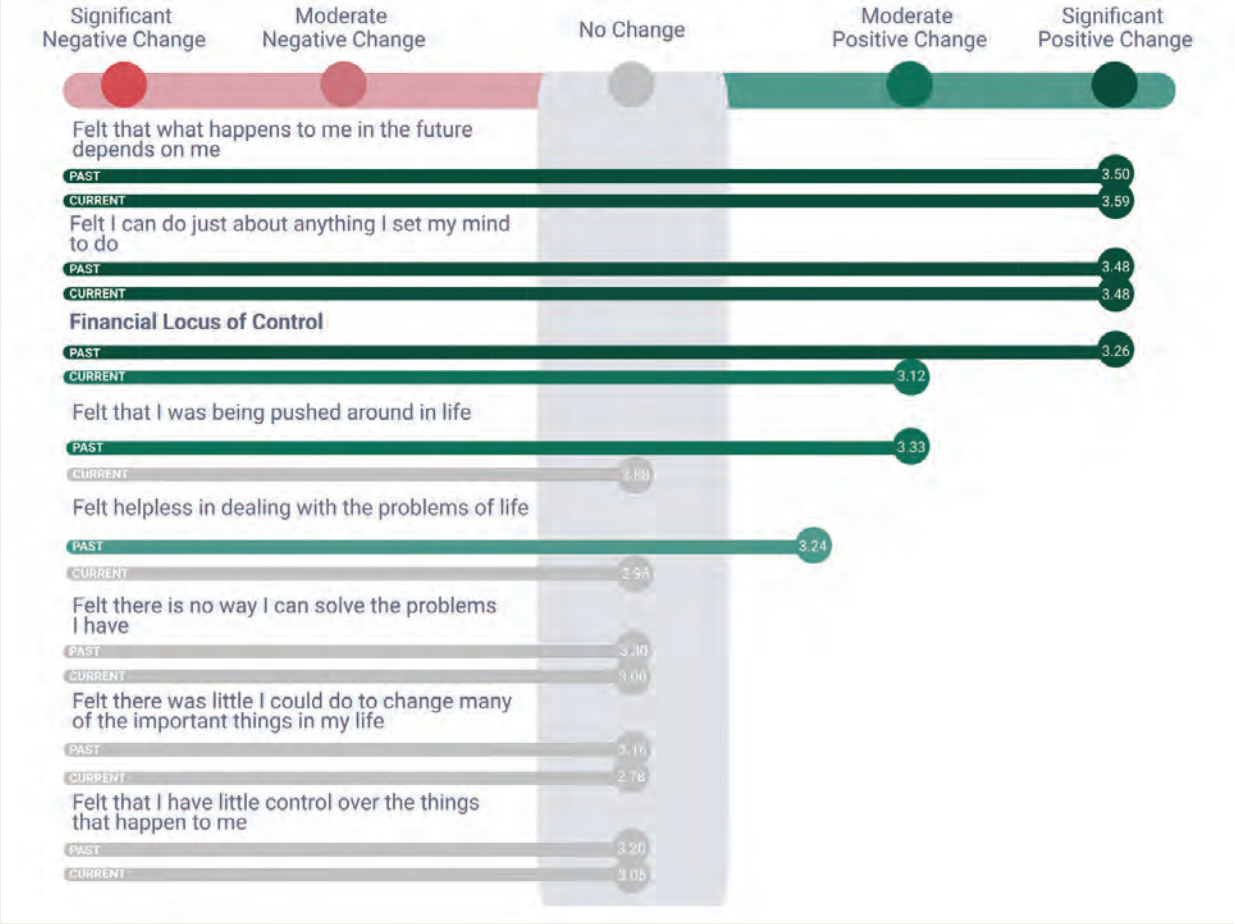


Table 11: Financial Locus of Control: Past vs current clients

	Past	Sig	Current	Sig	Diff	Sig
Control	3.02		2.95		0.07	
Solve	3.21		2.99		0.22	
Change	3.12		2.99		0.13	
Helpless	3.24	*	2.98		0.26	
Pushed	3.33	**	2.88		0.45	**
Future	3.50	***	3.59	***	-0.09	
Anything	3.48	***	3.48	***	0.00	
Financial Locus of Control	3.26	***	3.12	**	0.14	

Behavioural changes: Past vs current clients

When we consider behavioural changes as a result of the debt management process for past versus current clients, we again see some interesting differences (Figure 13). Both groups observe significant improvements in the positive behaviours such as being more involved parents, seeking employment and feeling more human. We also see an increase in seeing a doctor with a statistically stronger outcome for past clients (Table 12). Presumably, this relates to being in a more sound financial situation, and being able to afford to seek medical assistance more frequently and as needed.

However, in terms of negative behaviours, we see much greater reported improvements in current clients, with highly significant improvements across the board (with the exception of tobacco use).

In contrast, past clients only recall improvements related to alcohol use with insignificant improvements associated with drugs, gambling and violence. This is also observable in the overall risky behaviours score where current clients scored on average 0.3 points higher than past clients.

Figure 13: Behavioural changes: Past vs current clients

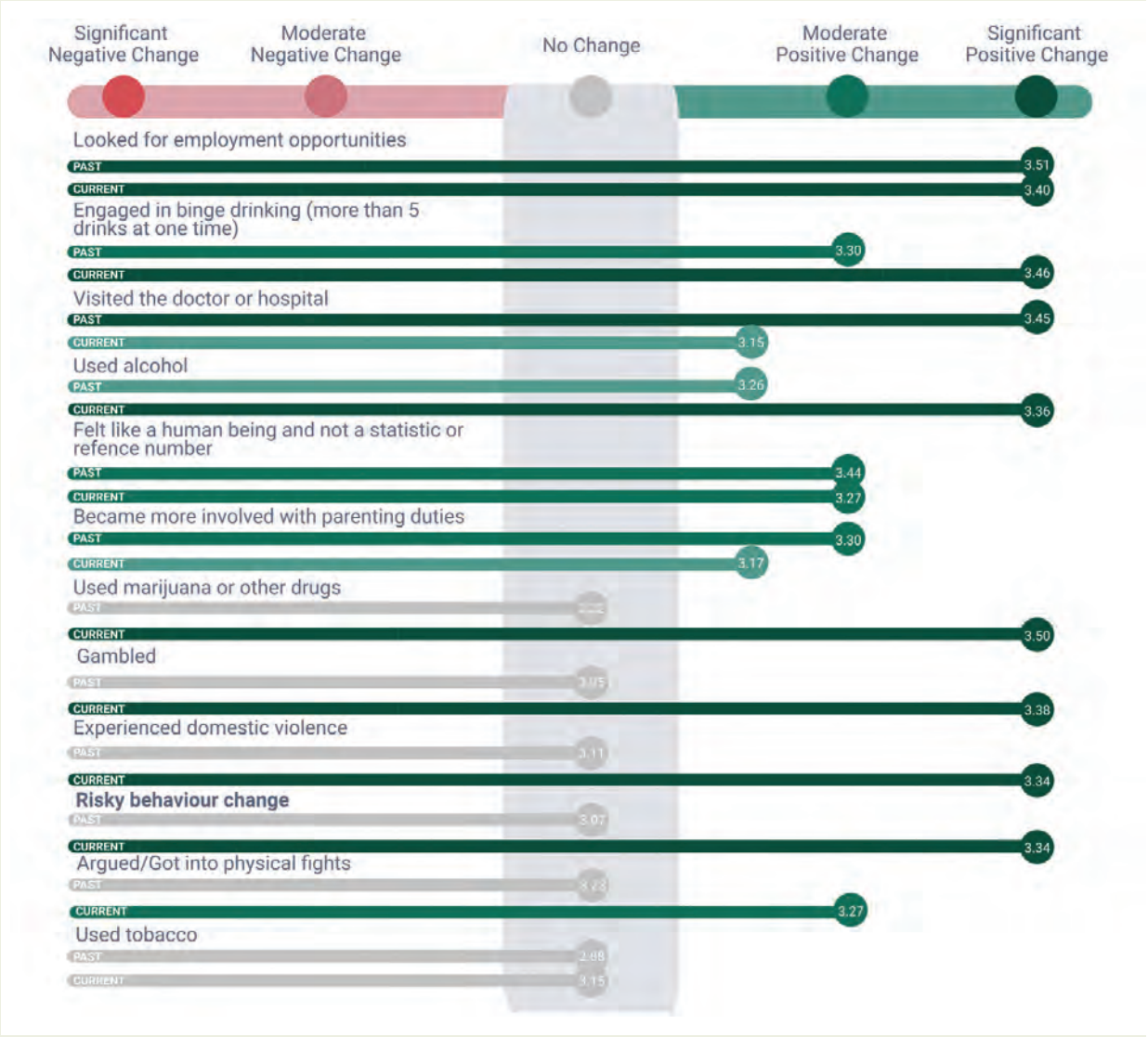


Table 12: Behavioural changes: Past vs current clients

	Past	Sig	Current	Sig	Diff	Sig
Parenting	3.30	**	3.17	*	0.14	
Employment	3.51	***	3.40	***	0.11	
Human	3.44	**	3.27	**	0.17	
Medical	3.45	***	3.15	*	0.30	*
Fighting	3.23		3.27	**	-0.04	
Tobacco	2.88		3.15		-0.26	
Alcohol	3.26	*	3.36	***	-0.10	
Binge drinking	3.30	**	3.46	***	-0.16	
Drugs	3.22		3.50	***	-0.28	
Gambling	3.05		3.38	***	-0.33	
Domestic violence	3.11		3.34	***	-0.23	
Risky behaviour change	3.07		3.34	***	-0.28	*

5. Open-ended question insights

Open-ended questions in a survey are designed to encourage respondents to provide detailed, unstructured responses in their own words rather than selecting from predefined options. Three open-ended questions were asked at the end of the survey:

1. What did you learn from working with DebtManagers?
2. How did you feel after working with DebtManagers to address your outstanding debt?
3. Were there things that you liked and/or disliked about the way that the staff at DebtManagers worked with you?

Open-ended questions are particularly useful for gathering qualitative data and gaining deeper insights into respondents' thoughts, experiences or feelings, thereby allowing respondents to feel heard and valued.

As the responses below illustrate, respondents did feel comfortable to reflect their personal views, both positive and negative.

The data below have been analysed based on respondents who identified as either having a voluntary or involuntary arrangement and is presented accordingly.

5a. What did you learn from working with DebtManagers?

Table 13: Learning outcomes by voluntary and involuntary participation

Response	Voluntary agreements	Involuntary agreements
Negative and/or despondent re: learning	7	6
No learning	17	18
Learning positive/empowering	78	48
TOTAL	102	72

As shown in Table 13 above, both voluntary and involuntary agreement respondents reported gaining valuable insights from their interactions with DebtManagers. They specifically described learning about financial literacy, including acquiring knowledge and skills to effectively manage personal finances in areas such as budgeting, saving, investing, understanding debt, and debt management.

Financial literacy learning: Insights from voluntary agreement respondents

- I could pay the debt off and not worry about it as it was a small repayment, and it was manageable by me.
- Just be accountable to your debt and make smarter choices when you're young.
- Control my finances and don't bury my head in the sand, it's not going away.
- To live within one's means, budget and any amount going towards a debt is better than none.
- To be a little more responsible with my money and budget.
- Better ways in managing my mindset and money.

Financial literacy learning: Insights from involuntary agreement respondents

- Can have payment plan to sort debt.
- I'm better off not getting in debt.
- That a court order means 'business'. There is nothing you can do about it!
- That I should never co-sign for anyone, even family, no matter what. If I could only afford $5 pw, at least it was helping reduce debt.
- Keep paying, it will end the debt.
- Don't mess up your credit.

Learning about financial literacy empowers individuals to make informed decisions, achieve financial stability and plan for the future. Respondents also described a sense of improved wellbeing, particularly in terms of better stress management, because of gaining financial knowledge.

Improved wellbeing: Insights from voluntary agreement respondents

- Optimistic.
- Weight lifted off my shoulders.
- Less stress and feel now I am well on my way to becoming debt-free now that this default debt has been repaid in full.
- I felt understood.
- I was happy that the debt had been paid, but it was incurred during an extremely volatile time of my life.
- Kind of relief but still had the dark cloud over my head.
- Fine, after the repayments were set up.

Improved wellbeing: Insights from involuntary agreement respondents

- A load off my mind as I dealt with my debt.
- Just try to clear it up to make life easier.
- Relaxed and calmed.
- Relieved and proud of myself.
- So at ease.
- Awesome as debts were paid.

Working with DebtManagers

The survey also gathered insights into what respondents learned about collaborating with the DebtManagers to address debt. As the quotes illustrate, responses ranged from positive to negative, with the clear majority feeling empowered by their experience of working with DebtManagers, while a minority expressed less favourable views.

Working with DebtManagers: Insights from voluntary agreement respondents

- Helped to get me back on track and pay all accounts, and contact them if I am struggling.
- There's someone to help me.
- That asking doesn't hurt. That I need to advocate for myself and try. DebtManagers gave me hope!
- Be open and honest, and willing to commit to keep my agreement.
- There are decent, refreshing debt collecting services.
- They are great to deal with, and work closely with customers to manage their debts and pay it all off.

Working with DebtManagers: Insights from involuntary agreement respondents

- They've really mellowed down. More empathetic towards the customer.
- They are just normal people who do listen to you and don't hold your debts against you, and are willing to kindly help you come to some arrangement to repay your debts.
- Not all debt places are arseholes.
- To get a hold of the company I owe money too before it gets too far beyond the point of return.
- Anything is possible around debt with the right help and attitude.

- Anything is possible, just need communication and consistency.
- Nothing apart from bullies always win.
- There all a bunch of di*ks.

5b. How did you feel after working with DebtManagers to address your outstanding debt?

The second open-ended question asked respondents how they felt after working with DebtManagers to address their outstanding debt. As shown in Table 14, both groups expressed predominantly positive feelings about their experience. Unsurprisingly, the voluntary agreement group reported a higher positivity rate (69%) compared to the involuntary group (64%). Nevertheless, a clear majority of respondents in the involuntary group also reported feeling better after working with DebtManagers, highlighting the overall positive impact of the service.

Table 14: Respondents' emotional responses to interactions with DebtManagers

Response	Involuntary	Voluntary
Positive feelings (satisfied, relived, content)	47	83
Neutral	10	10
Negative feelings (frustrated, annoyed, stressed)	16	28
TOTAL	73	121

Positive experiences: Insights from voluntary agreement respondents

- Happy to contact them if my situation changed, and it did several times, but I was always made to feel OK about the unforeseen changes and a new plan was put in place that we could both agree upon.
- I felt ecstatic.
- Great – they were understanding, but felt I needed to call them regularly so they didn't contact my employer.
- Grateful and successful and proud.
- Really good – they were understanding of the situation I was in, and the financial strain myself and my husband were in at the time. They were able to hear me out and do something about it rather than saying "it is what it is, you need to pay".
- Pleased that my credit would improve.

Positive experiences: Insights from involuntary agreement respondents

- 100% better as I wasn't worrying on how I'd survive the week by paying back debt and affording food to survive for the week.
- Brilliant. I'm on the benefit getting $190 weekly after my rent is paid. I haven't been paying into my KiwiSaver for a long time, but I feel like I'm going to start paying $50 weekly from my benefit into it.
- Great, like I can finally see an end to owing the debt.
- Happy and not degraded or made to feel low as you usually would when dealing with debt collection services.
- I had to do it, so I was grateful, even though it took a lot of money weekly to do it.

A smaller group of respondents did express dissatisfaction with their experience of working with DebtManagers. Their feedback revealed a range of emotions, including frustration, annoyance, a sense of being controlled, stress, and embarrassment.

Negative experiences: Insights from voluntary agreement respondents

- It's up to companies directly to get debts, not have third parties do their dirty work.
- It made me want to stop paying voluntarily which would have destroyed my credit.
- Annoyed. I have only ever dealt with one amazing call staff member.
- Disgusted that a business thinks it can operate in such an awful manner.
- The staff were OK. Unfortunately, I lost my job and they kept taking my benefit which was my only lifeline.

Negative experiences: Insights from involuntary agreement respondents

- Stressed and hopeless.
- Embarrassed.
- I felt bullied into putting myself under more financial difficulties.
- Feel like they didn't listen.

5c. Were there things that you liked and/or disliked about the way that the staff at DebtManagers worked with you?

Table 15: Perceptions of staff approach

Perceptions	Involuntary	Voluntary
Positive perception of staff approach	27	56
Neutral or indifferent perception	35	38
Negative perception of staff approach	10	13
TOTAL	72	107

Table 15 shows respondents in the voluntary group (56) are significantly more likely to report a positive perception of the staff approach compared to those in the involuntary group (27). This suggests that voluntary engagement with staff may foster a more favourable experience.

The number of respondents with a neutral or indifferent perception is relatively comparable between the two groups (35 in the involuntary group and 38 in the voluntary group). This indicates that a substantial proportion in both groups may not have particularly strong feelings – neither positive nor negative – about the staff approach. However, many respondents in this category gave just a one-word answer (yes or no).

The voluntary group also reports a slightly higher number of negative perceptions (13) compared to the involuntary group (10). While the difference is small, it may indicate that some individuals in the voluntary group still face challenges or frustrations with the staff approach.

Some overall observations here are that the voluntary group shows a stronger leaning toward positive perceptions, while the involuntary group has a higher proportion of neutral or indifferent responses. It may be that the client's outlook influences how they choose to pay rather than their payment method influencing their outlook. This could reflect that individuals who engage voluntarily may feel more empowered or in control, leading to better overall experiences. Both groups share a significant number of neutral or indifferent perceptions suggesting there are potential areas for improvement in communication or service delivery to enhance overall satisfaction.

Positive perceptions of staff approaches: Insights from voluntary agreement respondents

- I liked the honesty and calm demeanour coming from the person over the phone. I was able to explain, and the person taking my call showed understanding and made me feel at ease.
- Received email with instructions to set up payment arrangements to pay off the debt. Was explained clearly so was easy and simple to set up. Did not need to speak to a staff member.
- They were understanding, they did send a lot of communication though if you missed a payment.
- They were understanding about my situation and gave me a lot of options to help me.
- I liked the approach he had and attempted to reassure me of his presence on my property.
- Liked the ease of acceptance of what I could afford to pay. When I could not pay, there was no aggressive reactive response, it was respectful and smoothly altered to suit my next able to pay dates, etc.

Positive perceptions of staff approaches: Insights from involuntary agreement respondents

- Tthe service with male caller was professional and supportive of the situation.
- The guy I dealt with was very understanding and tried to support me in any way to make the process less traumatic for me.

- They made it manageable and understood the few times I missed payment.
- I liked how they approached me with a respectful manner and attitude instead of throwing your debt in your face and saying, hey now, here's the money we need from you and if you don't make payment, we're going to send it to court. So that made me feel comfortable replying back to them and saying well here's my situation and what I can afford to repay, and they were more than happy to accept that. So, I'm thankful they addressed the situation with kindness.

Negative perceptions of staff approaches: Insights from voluntary agreement respondents

- They harassed me to increase my payments when I was ALREADY voluntarily paying my debt. This occurred both through text message and email at least once a week.

Negative perceptions of staff approaches: Insights from involuntary agreement respondents

- Disliked them trying to up payments when I could only afford a certain amount. It's the pressure.
- Made to feel not listened to.
- They treat me like a pay-check and don't give a F about my situation, and just want money.
- Some very rude, no compassion towards your situation. Wanted money right then and there.

6. Conclusion

The limited literature on the debt management process highlights a significant disparity between how debt management *can* occur and how it *does* occur in practice. Current evidence from international studies indicates that debt management often exacerbates stress by employing harassing tactics, intimidation and poor communication regarding individuals' rights, further amplifying the negative consequences of debt. There is, however, hope that debt management could evolve into a more compassionate, educational and engaging process, ultimately leading to more positive outcomes. After all, severe debt is not always a permanent condition and many individuals do successfully recover from it (Mewse et al., 2010).

The results discussed in this report show clearly that, in the highly stressful situation of both voluntary and involuntary debt management arrangements, DebtManagers clients reported that, because of their interactions with DebtManagers, they experienced strongly positive improvements in mental health and wellbeing, Financial Locus of Control and Behaviour. While international research shows that 'traditional' debt management often exacerbates a raft of negative outcomes for clients, in the 29 items across the three scales this report measured, not one item showed a statistically significant negative outcome for DebtManagers clients. Given the fraught context of debt management, this is remarkable.

The findings in this report suggest that there are opportunities for DebtManagers to further invest in and develop the positive learning impacts their approach makes in clients Financial Locus of Control, financial literacy and general understanding of debt management. There is strong evidence that this learning impact is associated with improved mental health and wellbeing outcomes. There also appears to be an opportunity to continue to develop face-to-face visits by DebtManagers staff to the clients' homes. It is also noteworthy that almost a quarter of all respondents identified as neurodiverse. There may be opportunities in the future to adapt DebtManagers communication to more effectively meet the needs of neurodiverse clients.

Finally, this research is a significant addition to academic literature on debt management. There is very little empirical data on the efficacy of different debt management approaches, and this report offers a story of predominately positive engagement, improved wellbeing outcomes, and opportunities for learning that is rarely found in current debt literature.

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Appendices

Table 16: Respondent locations

Location	%
Northland	6.31
Auckland	40.78
Coromandel/Bay of Plenty	7.28
Hamilton/Waikato/Rotorua/Taupō/Ruapehu	9.71
East Cape/Gisborne	5.34
Taranaki/King Country	4.37
Wellington/Wairarapa	6.8
Manawatu/Whanganui	6.8
Marlborough/Nelson/Tasman	0.49
West Cost	0.49
Christchurch/Canterbury	9.22
Dunedin/Otago	2.43

Table 17: Respondent living situation

Living situation	No.	%
With parents	18	7
Flatting	72	28
Renting	103	40
Own home	9	3
Emergency housing	2	1
Homeless	1	0