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1 August 2018

Primary Production Committee
Parliament
Via email: pp@parliament.govt.nz

Rural Women New Zealand Submission on Farm Debt Mediation Bill

Introduction

Calling up farm loans has a devastating effect on the rural families involved because it almost always results in the farmers and their family leaving their home, families, friends, land, livestock, place of work, and community all at the same time. It is a traumatic event for adults and children alike. Although there is some inevitability in banks calling up loans on farms where the borrowers cannot meet their commitments - it is the process, timing and manner in which this happens that determines the amount of stress and trauma an individual and family will suffer.

Rural Women New Zealand is committed to supporting the empowerment of rural women and children and we are submitting our opinion on the Farm Debt Mediation Bill which has been informed through a survey of our Members and rural network, and their experiences.

General Comments:

Rural Women New Zealand supports this Bill and the need for mandatory mediation and our reasons are:

- It is only when mediation is mandatory that banks will offer this service to all its farmer clients prior to foreclosing on farm loans.
- Mediation is without prejudice. It provides an opportunity for the borrower to sit down with the bank to hold free and frank discussions on options for managing or restructuring the debt without prejudicing the farmers position should the bank take enforcement action on the farm debt.
- In cases where farm exit is the best option or inevitable, mediation provides a forum for negotiation and settlement.

- The relationship between a bank and borrower is one where the bank has more power than the borrower, especially where the borrower needs to renegotiate or seek restructure of a loan or overdraft facility. Mediation, and the engagement of an independent mediator, can go some way to redressing the power imbalance especially where the borrower is in default of their banking arrangements.
- Where a bank or financial institution has wanted to force the sale of a farm, a large proportion of those who have sought voluntary mediation, have had that request turned down by the bank. Others have reached an agreement and the bank has not honoured it.
- Our survey results show that of those that were being forced to sell, 67% said that mandatory mediation would have been helpful. Of the 70% who haven't been in an adverse financial position, 82% felt that mandatory mediation would be helpful.
- 86% of respondents don't know of any mediation services available to farmers which provide bank mediation.
- Nearly 30% have been in a position where a bank or financial institution have wanted to force the sale of their farm and of these, 17% sought voluntary mediation and of these, 60% said that the bank and/or financial institution was not supportive of that request.

Comments from our survey:

- *"We reached a deal with our bank but it took 3 years for the bank to then put this on paper. They kept trying to change the agreement reached."*
- *"It may prevent suicides"*
- *"In a difficult financial situation mediation should be essential. Banks like to keep things quiet, pick individuals off, and destroy their self-esteem where the individuals don't feel they can speak up. When times are good the financial institutions are only too happy to lend, then when times turn, usually through no fault of the farmer, they are very unhelpful. They take no responsibility for the financial situation of any individual. There is very little redress for the farmer."*
- *"This would be helpful when you are in the situation of owing a lot of money. It would be very helpful to have an independent person to support you. It is very stressful to be in a dire situation and have no support. It takes a lot of energy and grit to stick to your guns and not lose everything. The banks try to make you feel it is all your fault, that you are bad people and failures. Farmers are the only industry where you sell everything wholesale and buy retail. There is no ability to add a margin onto your price for your wool and milk, etc. when you are at the mercy of market forces. In our situation, the banks charged penalty interest rates of 32% and expected us to pay. They were totally irresponsible trying to extract more than the farm was able to produce."*

Other considerations:

Any mediation needs to include those affected by the outcomes and in the case of farms, this means families, spouses, partners, and the interests of children. Women are often excluded from discussions with the bank about financing arrangements.

Mediation needs to be a flexible process so that it provides an opportunity to bring women to the table and be part of decision making that affects them and their family. This is particularly helpful where a woman lives on a farm property and is not involved in the farm debt decisions due to the property being owned by a trust, company, or other family member(s).

In these situations, the woman is, by default, excluded from discussions with the bank, yet the impact of financial decisions affects her equally.

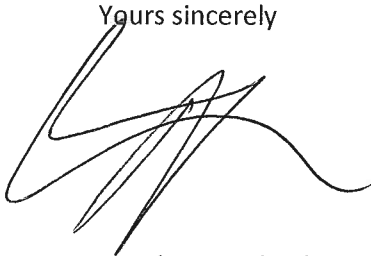
About Rural Women New Zealand

Rural Women New Zealand (RWNZ) is a not-for-profit, member-based organisation that reaches into all rural communities and is a respected authoritative voice on rural environment, health, business, technology, education and social issues. RWNZ strives to ensure that all rural residents, workers and families have equitable access to services, inequalities are addressed by Government, and the wellbeing of rural communities is considered from the beginning of all policy and legislative development.

RWNZ is affiliated to the Associated Country Women of the World (ACWW) and as such upholds all ACWW Resolutions and Recommendations. We also uphold United Nations, ILO and WHO conventions and outcome statements as they relate to women and rural women in particular.

Rural Women New Zealand wish to appear before the Committee in support of our submission.

Yours sincerely



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