Bishop Warden

The Debt Buying Industry in New Zealand

Myth & Reality in the Age of Credit

A WHITE PAPER

Bishop Warden Limited · July 2026

"Court action isn't our last option – it's our first."

Contents

About this paper

This White Paper is published by Bishop Warden Limited, a New Zealand debt-solutions company specialising in the purchase and recovery of commercial debt. It provides an overview of the debt management industry and the practice of debt buying as an alternative to traditional debt collection.

It has been updated to reflect the New Zealand market and legal framework as at June 2026. Every effort has been made to ensure the information is accurate, but nothing in this document constitutes legal, financial, or tax advice. Readers should obtain professional advice on their own circumstances. Where dollar thresholds, court fees, or statutory provisions are cited, they should be re-confirmed against the current legislation before any action is taken.

Introduction

New Zealand runs on credit. Households now owe more than $608 billion, of which roughly $389 billion is housing debt, and the household debt-to-disposable-income ratio sits around 165 percent. Credit oils the wheels of the economy – but when repayment breaks down, someone has to manage the consequences.

Most accounts are repaid on time. A small minority are not, and a smaller minority still will only pay under real pressure. Traditionally, a creditor faced with the issue of non-payment has had four options: write the debt off, chase it in-house, engage a collection agency, or instruct lawyers. Each has drawbacks – cost, delay, distraction, and no guarantee of recovery.

This paper analyses a fifth option that remains under-used in New Zealand: selling, or assigning, the debt to a specialist debt purchaser. It explains how debt buying works, sets out the legal framework that governs the recovery of debt, and shows where debt buying fits within the wider business of managing overdue accounts with a particular focus on commercial debt.

Debt as a feature of a credit-based economy

A reliance on credit is a central feature of the modern economy. Credit funds everything from government spending to a contractor buying plant, from a supplier extending payment terms to a household replacing an appliance. For credit to exist, someone must be willing to extend it – and the borrower must, in turn, repay.

The underlying bargain is simple: the debtor receives money, goods, or services in exchange for a promise to pay later, often with interest or penalties for default. When that bargain breaks down, debt management is the only solution. Collection activity is what allows the people who do pay on time to keep accessing credit at reasonable rates – because if some people never pay, everyone else pays more.

Crucially, “debt collection” is far broader than chasing unpaid consumer accounts. Of greater concern to a functioning economy is whether businesses can have the confidence to supply goods and services on account and know their invoices will be paid. Late payment has always weighed most heavily on smaller businesses, where a single large unpaid invoice can be the difference between making payroll or not.

The business of debt

Debt collection is nearly as old as lending itself, though its methods have changed beyond recognition. The popular image, a "heavy" on the doorstep, belongs to the past. Such conduct is now illegal. Modern collection relies on data, technology, and the courts, not intimidation.

Debt buying, as distinct from collection, is a more recent development. It grew up in the United States, accelerating after the savings-and-loan crisis of the late 1980s and the 2008 financial crisis, when banks were required to remove ("charge off") delinquent accounts from their balance sheets after 180 days. That created a vast, liquid market in unpaid debt. Credit cards, auto loans, medical bills, utilities, sold for cents in the dollar to specialist buyers.

New Zealand has no equivalent "charge-off" rule, and the local market remains small by comparison. Most debt sold here has historically been bulk consumer ledgers from banks, finance companies, and utilities, packaged and sold for a few cents in the dollar. Only a handful of entities specialise in debt buying, and most larger collection agencies simply offer it as a side service rather than a core business.

Commercial debt is a different proposition. A single commercial invoice may be worth tens or hundreds of thousands of dollars, is usually well documented, and is often supported by guarantees or security. It can therefore be valued far more precisely than a consumer ledger and commands a much higher price, sometimes up to 80 cents in the dollar. This is the segment where Bishop Warden focuses.

The New Zealand market today

The conditions for commercial debt recovery have rarely been more pronounced. New Zealand company liquidations are running at their highest level in well over a decade, and the pressure is concentrated exactly where Bishop Warden operates:

Indicator (2025–26)	Significance
~3,000+ company liquidations a year — a 15-year high	The largest pool of distressed commercial claims in a generation.
~768 construction liquidations (year to March 2026)	Construction is close to a third of all failures — the prime source of unpaid subcontractor and supplier claims.
IRD: $9 billion+ tax debt; largest petitioning creditor	An active compliance drive is accelerating company failures.
Household debt $608bn; housing debt $389bn; DTI ~165%	High leverage across the economy keeps default risk elevated.
500,000+ small and medium enterprises	A broad base of businesses exposed to late payment and bad debt.

Every company failure leaves a trail of unpaid creditors, frequently dozens or hundreds per collapse, each holding a commercial claim they have little time, money, or appetite to pursue. That is the raw material of the debt-buying market, and competition for it remains thin.

An overview of the legislative framework

The business of debt is shaped by several statutes covering how credit may be extended, the responsibilities of creditors, and what may happen on default. The most relevant are summarised below, updated to reflect the law as at June 2026. They are summaries only, not advice.

Credit Contracts and Consumer Finance Act 2003 (CCCFA)

The CCCFA regulates consumer credit protecting borrowers from oppressive conduct, requiring lender-responsibility principles, disclosure of costs, and reasonable fees. It has been amended substantially since 2017, including the responsible-lending and affordability reforms of 2019–2021 and subsequent adjustments. From 1 July 2026, responsibility for regulating the CCCFA transfers from the Commerce Commission to the Financial Markets Authority (FMA), which becomes New Zealand's single conduct regulator and will license consumer-credit providers.

Importantly, the CCCFA is primarily a consumer credit regime. Bishop Warden's exclusive focus on commercial debt keeps it largely outside the Act's scope but the boundary must be policed carefully at intake so that consumer debt is never inadvertently acquired.

Fair Trading Act 1986

Enforced by the Commerce Commission, the Fair Trading Act prohibits misleading and deceptive conduct (section 9) and unfair practices. In a debt context it has been used against collectors who add unwarranted fees, claim court action has begun when it has not, or assert that non-payment will inevitably lead to court. Since 2022 the Act's unfair-contract-terms regime also extends to standard-form small trade contracts, not just consumer contracts. The practical safeguard is unchanged: terms and conditions, including any right to add collection costs or to assign the debt, must be clearly disclosed up front.

Construction Contracts Act 2002

This Act protects smaller contractors through a fast payment-claim and payment-schedule process and a speedy adjudication regime. If a payment claim is properly made and not answered with a compliant payment schedule, it must be paid – even if disputed. The regime has since been materially strengthened: the Construction Contracts (Retention Money) Amendment Act 2023 (in force 5 October 2023) makes retention money automatically held on trust, requires cash retentions to be kept in a separate, dedicated bank account, mandates regular reporting, and creates strict-liability offences with penalties of up to $200,000 for a company and $50,000 for a director. For Bishop Warden, this Act often underpins the very claims it acquires from subcontractors and suppliers.

Companies Act 1993 – the core lever

The Companies Act provides the most powerful tool for recovering commercial debt. Where a company fails to pay an undisputed debt, a creditor may serve a statutory demand under section 289. The demand must be in writing, specify a debt of not less than the prescribed amount of $1,000, and be served on the company. The company then has 15 working days to pay, settle, or secure the debt, and 10 working days under section 290 to apply to the court to set the demand aside (for example, on the basis of a genuine and substantial dispute).

If the demand is not satisfied or set aside, the company is presumed unable to pay its debts, and the creditor may apply to the High Court to put it into liquidation. These provisions are unchanged since 2017. A statutory demand does not legally require a lawyer, but issuing one incorrectly carries real risk.

The courts have little patience for defective demands and may award increased or indemnity costs against the issuer. The Act applies to companies, not to individuals.

Repossession – now under the CCCFA

The Credit (Repossession) Act 1997 has been repealed. Since 6 June 2015 the repossession of secured consumer goods has been governed by Part 3A (sections 83A–83ZR) of the CCCFA, supported by the Commerce Commission's repossession guidelines. The rules set out lenders' and borrowers' rights before, during, and after repossession. They are relevant mainly to secured consumer lending rather than to commercial debt recovery.

Limitation Act 2010

There is a time limit on enforcing a debt. Under the Limitation Act 2010, a claim for most debts must generally be brought within six years of the date the debt arose, subject to a 15-year longstop. The period can be extended where a court has ordered payment or the debtor acknowledges the debt in writing, and debts secured over land can be pursued for up to twelve years. Confirming that a debt is within the time limit is a standard part of Bishop Warden's validation before acquisition.

Options for recovering a debt

A creditor facing an unpaid invoice has a range of options, escalating in cost and formality. Sound credit control comes first, checking a customer's credit standing (through agencies such as Centrix, Equifax, or illion, and a free Companies Office search), setting credit limits, and using comprehensive written terms of trade that, ideally, also permit assignment of the debt. When an account does go overdue, the practical steps run as follows.

In-house collection

Phone calls, reminder letters and emails, and occasionally personal visits. Cheap and often effective for the merely forgetful, but unlikely to move a determined non-payer, and a drain on time and goodwill.

Debt collection agencies

The most visible part of the industry. Agencies act as the creditor's agent. The creditor still owns the debt and its name remains attached to the pursuit. Fees typically run at 20–30 percent of the face value recovered, plus possible set-up and account fees, and collection costs can only be added to the debt where the original contract expressly allows it.

Lawyers and the courts

When other efforts fail, creditors turn to lawyers and the court process. Statements of claim, summary judgment where there is no genuine defence, and enforcement options including attachment orders, garnishee orders, charging orders, liquidation, and bankruptcy. The District Court process is governed by the District Court Rules 2014 and remains substantially as it was: proceedings are filed and served; the defendant has 25 working days to file a statement of defence; matters then move through case management to summary judgment or trial, and on to enforcement. Filing and sealing fees apply and are set by regulation. Running this yourself is high-risk, errors in form or procedure can force a refiling and even attract adverse costs.

Debt factoring

Factoring companies manage a firm's receivables in return for a percentage of each invoice, and (in non-recourse factoring) take on collection. Useful for smoothing cashflow where payment lags are long, though often more expensive than simple bank finance.

The Disputes Tribunal and the courts – current thresholds

The civil-claims structure has changed since 2017. The Disputes Tribunal, an informal, lawyer-free forum where a referee makes a binding, enforceable order, can now hear claims of up to $60,000 (increased from $30,000 with effect from 24 January 2026 under the Disputes Tribunal Amendment Act 2025; a higher filing-fee tier applies above $30,000). Above that, the District Court hears civil claims up to $350,000, and the High Court hears claims over $350,000 or those that are otherwise complex including company liquidation applications.

Forum	Civil money jurisdiction (2026)
Disputes Tribunal	Up to $60,000 (since 24 January 2026)
District Court	Up to $350,000
High Court	Over $350,000, complex matters, and liquidations

Debt purchasers

A debt purchaser buys the account outright, taking an absolute assignment of all rights, benefits, and liabilities under the contract. Ownership of the debt passes to the purchaser, it is no longer the original creditor's to chase, and only the purchaser's name appears on any court document. This is the distinction that sets debt buying apart from agency collection, and it is the model Bishop Warden operates.

The benefits of selling a debt

For the business owner or financial controller, assigning a debt to a purchaser rather than handing it to an agency for collection offers several advantages:

- **Immediate, quantifiable value.** Selling converts an uncertain receivable into a defined outcome and frees the business from the matter entirely. Not all debt sells for a fraction of face value, well-documented commercial claims can command a high price.
- **Access to justice.** Court recovery is expensive and slow, so many businesses simply write debts off. A purchaser with legal expertise and a standing recovery process can pursue claims that would otherwise be abandoned, at its own expense.
- **Brand protection.** Once the debt is assigned, the purchaser (not the original creditor) is the entity on the public record, so the creditor's relationships and reputation are insulated from the pursuit.
- **Less stress and distraction.** The time, uncertainty, and prospect of appearing as a witness all transfer with the debt, letting the business focus on what it does best.

Bishop Warden's model is built around these benefits. Where a debt is assessed as suitable and assigned, recovery begins immediately and is pursued relentlessly through the legal process at Bishop Warden's cost and risk, with the original creditor sharing in what is recovered.

Valuing a debt or portfolio

Consumer debt is usually sold in bulk portfolios, large numbers of accounts of varying age and size, and valued using statistical models that weigh average balance, age, balance distribution, and account type against the buyer's known collection costs. Prices are typically low, reflecting the uncertainty of recovering small, aged consumer accounts.

Commercial debt is valued quite differently. With a single large account, the purchaser assesses the debtor's business and personal circumstances, the existence of guarantees or security, and information from public searches. Because the picture is clearer and the documentation stronger, commercial claims can be valued precisely and command much higher prices, up to around 80 cents in the dollar in the right circumstances. In construction in particular, single large accounts are increasingly bought by specialist purchasers.

Accounting and tax treatment of bad debt

This is a general overview, not tax advice. Inland Revenue generally treats a debt as "bad" (rather than merely doubtful) only where reasonable steps have been taken to recover it and there is genuine justification for no longer pursuing it – for example, the debtor has died without sufficient assets, cannot be traced, or is bankrupt or in liquidation with insufficient funds.

How a bad debt is accounted for depends on whether income is recognised on a cash or accruals basis. On a cash basis, no adjustment is needed because the income was never recognised. On an accruals basis, the debt is removed from accounts receivable and recognised as a "bad debt" expense; to claim a deduction, it must be physically written off as bad in the income year for which the deduction is claimed. If a written-off debt is later recovered, the amount is treated as income in the year it is recouped. Current IRD guidance and the relevant tax rules should always be confirmed with an accountant.

Conclusion

For businesses carrying large or stubborn commercial debts, selling the debt offers a genuine alternative to traditional collection. It converts an uncertain receivable into an immediate, quantifiable outcome; it transfers the cost, time, and stress of recovery to a specialist; and it protects the creditor's brand. Because the purchaser owns the debt and pursues it through the full force of the legal process, recovery is often faster and more determined than a creditor could achieve alone.

Debt buying remains under-used and under-understood in New Zealand, even as the conditions for it (record-high company failures, high leverage, and a construction sector under acute strain) have rarely been stronger. Bishop Warden exists to bring this option to commercial creditors: to take on the debts others have written off, and to pursue them relentlessly and lawfully to recovery.

To discuss assigning a commercial debt, contact **info@bishopwarden.co.nz** or visit **bishopwarden.co.nz**.

APPENDIX: Sample assignment clause

The following clause can be added to standard terms of trade to enable the effective assignment of a debt, with collection costs recoverable from the debtor. It is a sample only; legal advice should be taken before adoption.

"In the event that the [debtor] does not pay any invoice to the [creditor] within the payment terms prescribed in these terms and conditions, the [creditor] may at its discretion assign all of its rights, interests, and title in the debt to a third party to collect. Where all rights, interests, and title are so assigned, the [creditor] (and any assignee) will be entitled to recover all costs, fees, and losses resulting from the assignment from the [debtor]."

Sources

Drawn from current public sources, including: New Zealand Legislation (Companies Act 1993 s289–290; CCCFA 2003 and Part 3A; Construction Contracts Act 2002 and the Retention Money Amendment Act 2023; Limitation Act 2010; Disputes Tribunal Amendment Act 2025); Reserve Bank of New Zealand household-debt statistics; the Commerce Commission and Financial Markets Authority; the Ministry of Justice and District Court of New Zealand; and 2025–26 reporting on company liquidations (Centrix and others).

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