

Doing it Tough? Dealing with debt

Even though Australia's economy is doing well, lots of Australians are finding it harder and harder to make ends meet. Recent changes in the global financial environment as well as the domestic economy have affected bank customers. Additional pressures, such as illness or job loss, can result in difficulties in managing debts. If you encounter problems with your bank loans or credit cards, it's best to get in touch with your bank as quickly as possible to work out a strategy for keeping on top of your debts. Banks want to help you during periods of financial hardship, but you must contact them as early as possible for assistance.

Experiencing financial hardship – What can my Bank do?

If you're experiencing financial hardship, usually the earlier you talk to your bank, the more options are available. Banks have specific policies, programs, practices and support services in place to assist customers who may be experiencing financial difficulties.

In most cases, customers just need some temporary assistance to help them through the tough times. Arrangements of between 3 – 6 months are generally suitable for most people. Help is there if you need it.

Remember – Banks will look at your situation on an **individual basis** as every customer is likely to have unique circumstances. The arrangements available will depend on your personal circumstances and financial situation.

Banks will consider a range of factors when deciding whether to provide assistance and what kind of arrangements may be suitable for you. For example:

- Your circumstances, needs and financial situation at the time your personal or financial circumstances changed;
- The type of credit facility (for example, secured or unsecured loan) and type of accounts you have;
- Whether the period of change to your personal or financial circumstances is known;
- Whether there are other factors affecting you;
- Whether assistance would generally help, such as would your financial position be restored to allow you to make repayments (without causing further undue hardship); and/or
- Whether you have received hardship assistance in the past.

Getting more help

After speaking to your bank, you may wish to seek advice from a professional financial adviser or from an independent financial counsellor about available options. For more information about financial counselling services, you can call 1800 007 007 or go to www.financialcounsellingaustralia.org.au



Experiencing financial hardship – What can I do?

The majority of customers don't call their bank if they're feeling like they're not managing or not in control of their finances or they're experiencing financial difficulty.

Unfortunately, most customers call when they're already behind in their repayments or they've received a letter from their bank's collections team. In this instance, your bank may refer to your account as being in arrears. If that is the case, it's important to be honest and realistic about your situation with your bank, and the likelihood of your circumstances improving, short and longer term.

You should contact your bank if:

- 1** Your financial position has changed and you think your repayment capacity may be impacted;
- 2** You don't think you can make your next repayment;
- 3** You have missed a repayment; or
- 4** You can't catch up on your arrears.

The **sooner** you contact your bank the **better**.

If you think you're in financial hardship, you should take the following steps:

Step 1: Assess your personal circumstances

Are you **feeling financially squeezed**?

Perhaps you already know you're facing financial hardship or you're losing control of your finances.

Either way, it's important to look at your income and expenses (known as your "financial position") so you understand how much you can afford to repay on your debts, while still having enough money for essential items like rent, utilities, food, etc.

To help you understand whether you're experiencing financial hardship, see the [List of Warning Signs](#) or go to:

<http://www.doingittough.info/Financial-Health-Check/What-are-the-early-warning-signs->



Step 2: Call your bank and give a hardship notice

Let the bank know you either can't afford, or don't think you will be able to afford your repayments. This is known as providing a 'hardship notice'. You can give this notice either verbally or in-writing, once you give this notice you and your bank have responsibilities to take actions within certain timeframes.

When you speak to the financial hardship team, be **frank and honest** with them about your personal circumstances so they can determine if, and how, they can help you.

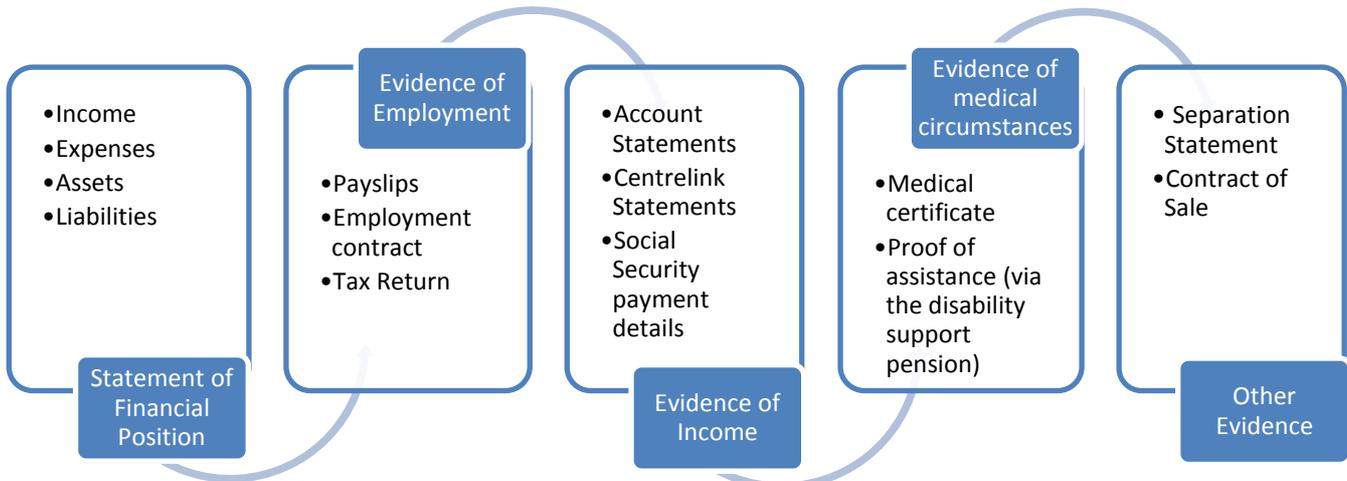
Let them know your financial situation has changed and that you would like the bank to consider whether it can provide you with hardship assistance. The bank may then ask you what has caused your financial position to change and for some relevant information.

If you're experiencing financial hardship, you should call the [Specialist Hardship Team](#) at your bank as soon as possible. Visit <http://www.doingittough.info/Need-Help-Right-Now-/Contact-your-bank/Contact-your-bank> for a list of bank contacts.

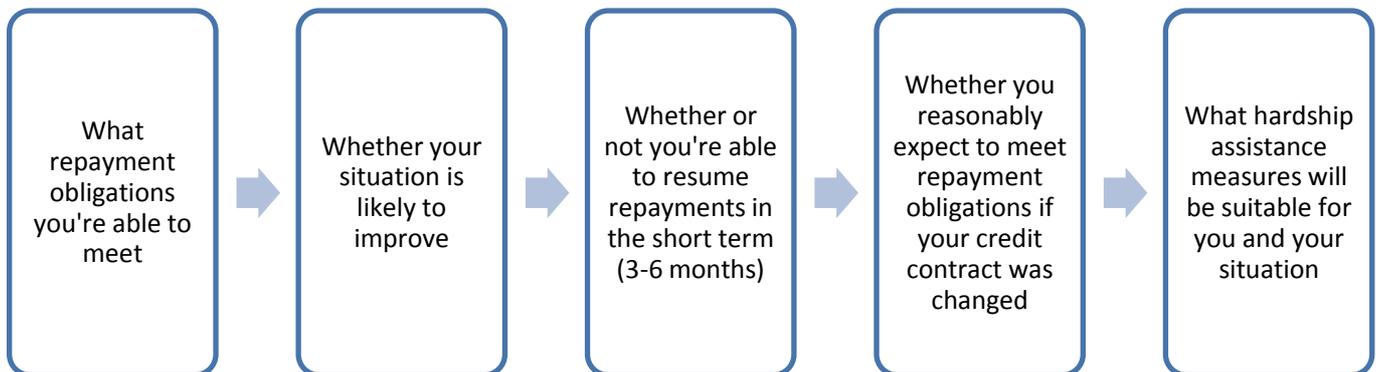
Step 3: Provide information to your bank

Your bank may ask you for some information to help it assess your financial situation and are allowed to ask for this under the law – the [National Consumer Credit Protection Act \(2009\)](#).

Typically, the information and documentation that may be required includes:



This information, together with an explanation of your circumstances and the steps you're taking to return to a position where you can afford your repayments will help your bank consider things, such as:



Step 4: Keep talking to your bank

Your bank will always look for a suitable solution for you. However, in some circumstances it may not always be possible or appropriate for a bank to provide hardship assistance.

If your **bank does agree to an arrangement**, you will need to make sure that you meet your repayment obligations under the agreement. The bank will also provide you with details of the arrangement and, if applicable, a new repayment plan. If you find that you're unable to meet the new repayment plan as agreed, you should re-contact your bank straight away to discuss your situation. Your bank could decide a new arrangement.

If your **bank doesn't agree to provide you with hardship assistance** because they don't feel that it would be in your best interests and wouldn't help you restore your financial position in the long run, stay calm! – because there may be other options you can discuss with your bank. For example, a bank may exercise its discretion to help customers with an exit strategy or provide other assistance and advice on a case-by-case basis.

While these situations rarely happen to customers, a bank may consider other options or approaches, including:

- Informing the customer about the potential early release of their superannuation (or referring the customer to staff who can discuss their options in more detail);
- Providing other options, including time for the customer to sell a property or debt waiver;
- Discussing other relevant support measures that might be available (including government support programs);
- Suggesting the customer seek other assistance (including from an independent financial counsellor, professional financial adviser, legal aid officer or legal practitioner).

TIPS on how to **MANAGE** your money if you're experiencing **FINANCIAL HARDSHIP**

- 1** Keep paying whatever you can pay
- 2** Keep a budget and make debt repayments (outside essential items) a priority
- 3** Prioritise debts with higher interest
- 4** Speak to your bank about consolidating your loans
- 5** Speak to a financial counsellor if you're feeling overwhelmed and would like some independent advice

On the next page, there is a list of things you should and should not do if you think you're experiencing financial hardship. For more information, visit Doing it tough? at <http://www.doingittough.info/>

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**1. Do get in touch with your bank first**

Banks have specialist teams to help you if you have financial problems. For a list of bank contacts visit: <http://www.doingittough.info/Need-Help-Right-Now-/Contact-your-bank/Contact-your-bank>

**2. Do work out a budget**

Sitting down and assessing your income and expenses can really help you find out where you can cut back on things. For a budget tool visit: <http://www.doingittough.info/Financial-Health-Check/Your-Budget>

**3. Do consider when you think your situation will improve**

Once you have made a budget, think about **HOW** your bank can help you if you can show that you've thought through your issues, your bank will be ready to listen.

**4. Do think about your specific circumstances**

If your circumstances have changed impacting on your ability to repay your debts, such as illness, loss of income, or relationship breakdown, you can ask your bank about hardship assistance. However, you may also have to think about other arrangements or options - when you contact your bank, make sure you give them ALL the facts.

**5. Do be honest with yourself and your bank**

Financial problems can be tough to solve - generally things have taken a while to build up, will take a while to solve. Banks WILL try and help you.

**6. Do think about your products**

Understanding how best to use your financial and credit products will help you manage your money and debts - when you contact your bank, make sure you think about whether you have the right accounts and products for your current situation.

**7. Do remember that your bank will give genuine consideration to your situation**

It's in nobody's interests to see you struggle financially. If the bank can help you back on track, the bank will assess your situation, and put in place a plan.

**1. Don't panic**

Sounds easy, but it can be hard NOT to panic. Stay calm! A systematic approach will help solve the problem in the long-run.

**2. Don't ignore letters of demand, default notices or statements of claim**

We would all rather not have those letters, but ignoring them will not make them go away. Bottom line: The sooner you respond, the quicker your situation can be resolved.

**3. Don't use short term money lenders to pay your bills**

These lenders will almost certainly charge higher interest rates than your bank or other mainstream lenders, and end up costing you more money you don't have.

**4. Don't feel at all uncomfortable talking to banks staff in your banks' financial hardship team or a financial counsellor**

Remember: These people are specially trained and employed to help people just like you.

**5. Don't be confrontational when talking to your bank**

Yes, it can be time consuming and frustrating talking about these things to a stranger... so take a deep breath, and take your time to explain things thoroughly. A constructive approach will help solve the problem in the long-run.

**6. Don't be inflexible**

You may need to think 'outside the box' in order to get your finances in order. The more willing you are to attempt alternative arrangements, the more likely your bank will be to offer them. A free and independent financial counsellor can help talk you through your options.

**7. Don't give up**

It's sometimes tempting to think 'it's all too hard' and give in to debt, financial difficulties, and financial problems. Don't do it! Being financially stable and self-sufficient is one of the best feelings there is.