

Financial hardship: How your bank can help if you're having money troubles

Banks want to help their customers, especially if they're experiencing financial difficulties, and have specific policies, programs and practices to do this. Depending on your circumstances, banks may be able to assist in a variety of ways. This fact sheet outlines some of the arrangements banks can offer you when you're experiencing financial hardship and the steps you'll need to take to access those arrangements.

What is financial hardship?

Financial hardship occurs when you're willing but unable to meet your existing financial obligations for a period of time. Financial hardship may be caused by a number of factors, such as an unexpected event or unforeseen change in your circumstances, such as illness or injury, or a change in employment.

What can your bank do?

If you find yourself experiencing financial difficulties, you need to take some action because money troubles don't usually just go away. Talking to your bank as early as you can is an important step.

When your bank becomes aware of your situation, it will assess your circumstances to see what arrangements or options may be suitable for you. The earlier your bank knows you're experiencing financial difficulties, the more options may be available to help you.

What are some hardship assistance options?

Hardship arrangements cover the time between when your circumstances change and when you can start repaying your debts in full or varied as agreed.

In most cases, people just need some temporary help to get them through the tough times and arrangements of between three and six months are generally suitable.

The arrangements available will depend on your personal circumstances and financial situation. Some measures may include:

- deferring or reducing loan repayments
- restructuring and consolidating loans
- altering loan repayments to interest-only
- changing limits on lines of credit (e.g. credit card)
- waiving certain fees and charges

- waiving penalties for early withdrawal of a term deposit
- freezing loans in exceptional circumstances, such as after an emergency event or natural disaster
- providing a moratorium on collections action
- providing alternative banking arrangements.

When considering the type of assistance that might be appropriate, banks will assess the situation on a case-by-case basis and consider your specific circumstances, such as your overall financial position and whether assistance would genuinely be able to help you. Banks also have to factor in business considerations, such as whether providing the assistance is consistent with their internal policies, commercial costs and management practices.

If your financial situation has permanently deteriorated and you can't meet regular repayments over the long term even with your bank's help, you might need to consider other options and make some difficult decisions. While people rarely have to face this situation, if it occurs you may have to sell your property, refinance your business or consider bankruptcy or insolvency arrangements.

What can you do?

If you think you might be experiencing financial hardship, you should take the following steps:

Step 1: Assess your personal circumstances

Take a close look at your income and expenses (known as your "financial position") so you understand how much you can afford to repay on your loans.

Importantly, you should consider your overall living expenses and work out which are priorities (for example, food, rent, mortgage payments and utility bills) and which aren't essential.

You should also contact your other creditors, including your gas, electricity and phone or Internet service provider, to discuss your situation.

Did you know? *Being prepared with this information will make the process easier for you and your bank. However, if you're confused or overwhelmed, don't give up. Contact your bank and it can help you work out your financial situation.*

Step 2: Contact your bank

If you'd like your bank to help, you should call or email your bank and let them know that you can't afford your repayments because your financial situation has changed, and that you would like the bank to consider whether it can provide you with hardship assistance.

When you contact your bank, ask to speak to the "financial hardship team".

Remember: It's important to be open and honest about your personal circumstances and financial situation so your bank can determine if, and how, it can help you.

You should make sure you only offer to pay what you can afford after you've considered your overall living expenses.

Step 3: Provide information to your bank

Your bank may ask you for some information to help it assess your financial situation. This information will help your bank understand your financial situation, and allows you to explain how your personal circumstances have changed and whether you expect them to improve in the future.

The type of information your bank will need depends on a number of factors, but may typically include: evidence of your financial position (income, expenses, assets and liabilities), evidence of employment and income, such as payslips or social security payment details, and evidence of any medical circumstances.

Step 4: Keep talking to your bank

If your bank offers a hardship arrangement and you accept, you'll need to make sure you meet your side of the agreement. The bank will provide you with details of the arrangement and, if applicable, a new repayment plan.

If you can't meet the terms of the new repayment plan, you should contact your bank as soon as possible and discuss the situation. Your bank could agree to enter into a new arrangement.

You should make sure you keep a record of all discussions with your bank.

What are your rights?

There are three key frameworks that govern how banks can provide hardship assistance to their customers:

1. The National Credit Code (schedule to the *National Consumer Credit Protection Act 2009*)
2. The Code of Banking Practice
3. The Australian Government's hardship principles.

More information about these frameworks can be accessed on the ABA's website at www.bankers.asn.au.

Where to go for more information

The ABA's 'DoingItTough' website provides information about financial hardship, including how to identify if you're experiencing financial hardship, how to apply for hardship assistance, and tips to help you manage your money. See www.doingittough.info.

ASIC's 'MoneySmart' website provides information and tools to help you make the most of your money. See www.moneysmart.gov.au.

After speaking to your bank, you may wish to seek advice from a professional financial counsellor about your options. For more information about financial counselling services, go to Financial Counselling Australia's website at www.financialcounsellingaustralia.org.au or phone the toll-free number on 1800 007 007. Financial Counselling Australia also has a "Debt Self Help" tool. See www.debtselphelp.org.au.

If you're not satisfied with the support your bank has provided, you've got the right to lodge a complaint with your bank and with other parties. The Financial Ombudsman Service (FOS) is an independent complaints scheme that is free to bank customers. Generally, the FOS won't deal with your dispute unless you've first given the bank the chance to resolve things. For more information, go to www.fos.org.au or phone 1300 780 808.

For further information, please contact the Australian Bankers' Association:

Website: www.bankers.asn.au
Ph: 02 8298 0417

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This consumer fact sheet has been produced as part of an industry commitment to support customers experiencing financial hardship.