



Australian Banking
Association

2025

Industry guideline: Banks' financial difficulty programs

1 JULY 2025

Contents

1. Purpose	2
1.1 Context	2
Legal protections for customers	2
Banking Code of Practice	2
Guidelines and protocols	2
Financial Assistance Hub	3
1.2 Application	3
1.3 Review mechanism	3
2. Explaining financial difficulty	4
2.1 What is financial difficulty?	4
2.2 What may lead to financial difficulty?	4
3. Getting customers the help they need	5
3.1 How to communicate with customers	5
Encourage customers to tell their story	5
Let them know help is available	5
Reach out to provide help early	6
Refer customers to the right team	7
Keep the customer up to date	7
Make it easy to stay in contact	8
3.2 How to provide help	9
Tailor the assistance	9
Make the assessment process efficient, easy and appropriate	10
Provide extra care to customers experiencing vulnerability	12
Deal fairly with third party representatives	13
3.3 Creating good governance structures	14
Train employees to take extra care	15
Manage complaints fairly	16
Appendix 1 – High level summary of financial hardship under the National Credit Code	17
Appendix 2 - Industry Guiding Principles on Debt Management Firms (DMFs)	20
Appendix 3 - Industry Guideline: Sale of unsecured debt	22
Appendix 4 – Financial Counselling Authorisation Form	25
Appendix 5 – Glossary	30

1. Purpose

This guideline outlines good industry practice for how banks can support and provide extra care for customers experiencing financial difficulty.

The term '**customers**' includes individuals, small businesses and guarantors.

It explains:

- what financial difficulty is
- how a bank may recognise that a customer is experiencing financial difficulty, and
- the steps a bank can take to help when they are aware a customer is experiencing financial difficulty.

1.1 Context

Legal protections for customers

There are many key protections and safeguards under the law for bank customers. These include consumer protections, anti-discrimination safeguards and privacy requirements.

The National Credit Code (**NCC**)¹ provides a regulatory framework for individuals to advise their bank that they are in financial hardship in relation to consumer credit.² This framework is summarised in

Appendix 1 – High level summary of financial hardship under the National Credit Code.

The term '**financial hardship**' is used in this document when referring to NCC obligations. It has a specific definition and only applies to consumer credit, which means that it is not interchangeable with the broader term 'financial difficulty'.

The Privacy Act³ and Credit Reporting Code⁴ set out the information that banks disclose to credit reporting bodies for individuals who have entered a financial hardship arrangement.

Banking Code of Practice

The Banking Code of Practice (**Banking Code**) sets out standards of practice and service in the Australian banking industry for individual and small business customers, and their guarantors, when dealing with a bank that has signed up to the Banking Code.⁵ The overall objective of the Banking Code is to provide customers with safeguards and protections not set out in the law. The Banking Code is intended to complement the law and, in some areas, set higher standards than the law.

Part D of the Banking Code outlines how banks will assist customers when things go wrong, including in times of financial difficulty. For small business customers, the Banking Code contains contractually enforceable protections covering appropriate lending, guarantors, monetary and non-monetary defaults and specific financial difficulty obligations not contained in the National Credit Code.

Guidelines and protocols

The ABA publishes and maintains guidelines and protocols on consumer matters. Current guidelines include:

- [Extra care for customers experiencing vulnerability](#) (November 2024)

¹ National Consumer Credit Protection Act 2009 (Cth), Volume 2, Schedule 1. Available at: <https://www.legislation.gov.au/C2009A00134/2020-06-23/text>.

² The NCC applies to credit provided to individuals or strata corporations but does not apply to credit obtained for commercial or business purposes.

³ Privacy Act 1988 (Cth). Available at: <https://www.legislation.gov.au/C2004A03712/latest/text>

⁴ Privacy (Credit Reporting) Code 2014 (Cth). Available at: <https://www.oaic.gov.au/privacy/privacy-registers/privacy-codes/privacy-credit-reporting-code-2014-version-2.3>

⁵ ABA, Banking Code of Practice ('Banking Code'). Available at: https://www.ausbanking.org.au/wp-content/uploads/2024/06/Banking-Code-of-Practice_2025.pdf.

- [Customer Advocate Guiding Principles](#)⁶ (July 2021)
- [Preventing and responding to financial abuse \(including elder financial abuse\)](#)⁷ (Updated March 2021)
- [Preventing and responding to family and domestic violence](#)⁸ (Updated March 2021)
- [Responding to requests from a power of attorney or court-appointed administrator](#)⁹ (Updated November 2020)
- [Fact sheet: Communication with residents during foreclosure](#) (2023).

Note, all industry guidelines are updated periodically.

Financial Assistance Hub

The [ABA's financial assistance hub](#) provides information for customers seeking help from their bank.¹⁰ It outlines the steps individuals, small businesses and farmers can take if they are finding it hard to manage their debt.

1.2 Application

This guideline reflects good industry practice, and the ABA encourages members to use the principles in this guideline to put in place internal processes, procedures, and policies.

Industry guidelines are voluntary in nature and do not impose binding obligations on individual banks. There may be many ways of complying with the Banking Code, legislation and regulation, and any help provided to customers will depend on their individual circumstances. Examples in this guideline are examples only and do not represent a requirement or commitment on behalf of any member bank. It is up to each member bank to independently decide whether it adopts any of the practices set out in this guideline.

Should a member bank choose to adopt any of the practices set out in this guideline, the member should take steps to implement those practices within 12 months of the guideline's release date.

In this industry guideline we use:

- **'will'** where an action is required by the Banking Code, legislation, or regulation
- **'should'** where a bank should consider an action as good practice, but this does not mean that they should necessarily follow that detailed or prescribed course of action or take that action in all circumstances; and
- **'may' or 'could'** where an action is only one of several ways of meeting a principle set out in this guidance.

A glossary of key terms used in this guideline is provided in Appendix 5 – Glossary.

1.3 Review mechanism

The expectations of customers and the community are rapidly evolving. The ABA proposes to review this industry guideline every three to four years to keep pace with these changes.

The ABA will consider completing a review earlier than three years if it receives significant feedback from members or community stakeholders that the guideline requires updating to address a significant issue such as a change in law or judicial guidance.

⁶ Available at: <https://www.ausbanking.org.au/wp-content/uploads/2021/09/ABA-Customer-Advocates-Guiding-Principles-July-2021.pdf>.

⁷ Available at: <https://www.ausbanking.org.au/wp-content/uploads/2021/03/ABA-Financial-Abuse-Industry-Guideline.pdf>.

⁸ Available at: https://www.ausbanking.org.au/wp-content/uploads/2019/05/ABA_Industry_Guideline_-_Financial_Abuse_and_Family_and_Domestic_Violence-Nov-2016.pdf.

⁹ Available at: <https://www.ausbanking.org.au/wp-content/uploads/2020/11/Banking-Industry-Guideline-Power-of-Attorney.pdf>.

¹⁰ Available at: <https://www.ausbanking.org.au/financial-assistance-hub/>.

2. Explaining financial difficulty

This section explains what financial difficulty is and why it may arise.

2.1 What is financial difficulty?

Financial difficulty occurs when a customer:

- is unable to pay what they owe
- expects to be unable to pay upcoming repayments, or
- is experiencing difficulty meeting their repayment obligations.¹¹

Financial difficulty includes, but is broader than, the concept of financial hardship in the National Credit Code. For example, it extends to small business customers and guarantors who are not protected by the NCC financial hardship protections. It also extends to assistance that a bank may provide even if a customer is not in formal hardship arrangement under the NCC.

2.2 What may lead to financial difficulty?

A customer's ability to meet their repayment obligations can change over the course of their relationship with the bank, as unexpected events and changes in individual circumstances occur.

The reasons why a customer may experience financial difficulty are many and varied. Financial difficulty is often (but need not be) the result of an unexpected event or unforeseen changes outside of a customer's control, including impacts from:

- an illness or injury
- loss of employment
- family and domestic violence
- death in the family
- separation from a partner
- cost of living pressures
- a pandemic, or
- natural disasters such as droughts, fires, floods or earthquakes.¹²

There can be multiple, inter-related causes for financial difficulty. For example, a dual income family may ordinarily be able to manage their mortgage repayments during a period of where one individual is being treated for an illness and is on unpaid leave. However, they may find themselves struggling to do so in an environment where consumer prices also rise rapidly.

¹¹ Banking Code, Part D1, paragraph 127 and 168.

¹² As declared by an Australia Federal, State or Territory Government, or, if not such declaration is made, where we are satisfied on other grounds that a natural disaster has occurred.

3. Getting customers the help they need

This section provides:

- practical guidance on what banks may do to assist their customers experiencing financial difficulty, and
- examples that member banks may consider and offer if appropriate.

This is not intended to be an exhaustive or binding list of possible measures.

3.1 How to communicate with customers

Encourage customers to tell their story

The Banking Code encourages customers to tell their bank that they are experiencing financial difficulty as soon as possible.¹³ Customers can and should contact their bank as soon as they think they are heading towards financial difficulty - before they even miss a repayment. The sooner that a customer contacts the bank, the sooner the bank can help.

Customers do not have to use certain terminology or formally apply for assistance to have their bank provide support. For example, they may use other phrases such as 'money problems', 'low on funds', 'strapped', 'can't afford' or 'struggling'. If it is unclear whether a customer is in financial difficulty during contact with them, the bank should enquire gently and with compassion to better understand the customer's circumstances.

The Banking Code requires that banks be compassionate in trying to understand the customer's situation and when discussing the ways the bank may be able to help.* Customers may react negatively to language like 'hardship', or 'financial difficulty' and any such discussions need to be handled carefully.

Some customers that are experiencing financial difficulty may readily tell the bank about their circumstances. Others may not. Customers may not disclose information for many reasons; for example, they may be unaware the bank can help; they may feel shame or fear discrimination; they may have accessibility constraints; or they may fear ramifications to their own health or safety.

To assist customers in feeling confident to share, banks should focus on creating a supportive and safe environment for disclosures. In creating this environment, it is important to recognise:

- customers may be more likely to make such disclosures when banks give clear signals, explanations, and reassurance that assistance is available, and
- to give these clear signals, banks need to understand the barriers that currently deter customers from disclosing.

Examples

- Provide information on why customers may need financial support, the various ways the bank can help, and what customers can expect during the process.
- Inform customers of how their information may be collected, used, and disclosed.
- Review communications material to make sure they are Plain English and easy to understand.

Let them know help is available

Banks have committed to make information publicly available about their processes for working with customers in financial difficulty.¹⁴ Letting customers know that they have a right to seek assistance and about the types of help available makes it more likely they will seek assistance early before they fall behind on their repayments or make decisions that leave them in a poorer financial position. Banks

* Banking Code, Part D1, paragraph 169.

¹³ Banking Code, Part D1, paragraph 167.

¹⁴ Banking Code, Part D1, paragraph 176.

should also help inform customers about how they can request assistance and what the process for getting help will be.

Banks should make information available through a range of channels, including digital and physical. It should be clear that customers can seek help whenever they anticipate they will not be able to meet their repayment obligations (not just when a failure to meet an obligation has occurred). The request does not have to be tied to a particular life event or change in personal circumstances.

Examples

- Confirm that financial difficulty assistance information is prominently presented and readily accessible in both physical locations and through digital channels, such as websites and smartphone or tablet applications.
- Make information available through a range of channels about the availability of hardship assistance and how customers can request that assistance.
- Include links on a dedicated financial assistance webpage to key facts about financial difficulty assistance provided by the bank (including what help is available and how to apply for help), a toll-free telephone number for the dedicated financial difficulty team, details for financial counselling services and the National Debt Helpline, and emergency support information following natural disaster events.
- Send out communications to customer cohorts that are at elevated risk of financial difficulty due to specific events or circumstances, such as an interest rate increase or a natural disaster.
- Build awareness of financial difficulty programs through media campaigns and appearances.
- Provide information in an Easy Read or Plain English version.

Reach out to provide help early

Early intervention can prevent customers that are experiencing issues with their financial situation from falling further into difficulty and defaulting on a credit obligation. The Banking Code outlines that banks will employ a range of practices that can identify common indicators of financial difficulty.¹⁵

Common signs that a customer may be experiencing financial difficulty may include:

- being in arrears with a loan
- carrying persistent debt or regularly exceeding the credit limit of a product
- frequently rescheduling, cancelling or dishonouring direct debit payments
- consistently making late payments on a credit card, or
- not responding to overdue notices.

Tailored financial assistance can only be provided with the cooperation of the customer. If the bank identifies that a customer may be in financial difficulty, it should get in contact with them to check their circumstances. The bank must tell the customer about the hardship provisions of the National Credit Code if they apply to them.¹⁶ In addition, banks have committed to offering eligible customers an eligible basic bank account when contacting customers about financial difficulty (where the bank offers such a product).¹⁷

¹⁵ Banking Code, Part D1, paragraph 173.

¹⁶ Banking Code, Part D1, paragraph 181.

¹⁷ Banking Code, Part D1, paragraph 174.

Examples

- Proactively contact customers who are rolling off interest only periods and/or fixed rate periods onto significantly higher interest rates to let them know about financial difficulty options.
- Contact a customer soon after they miss a payment to find out whether there has been a change in their circumstances.

Refer customers to the right team

The bank must respond promptly to a request from a customer or their representative to discuss their financial difficulties.¹⁸ They should strive to design procedures that limit the number of times customers need to repeat their story, no matter who they make initial contact with at the bank. Customers are more likely to become distressed and less likely to engage with their bank if they are required to repeat their circumstances every time they engage with the institution.

Banks can reduce or eliminate these barriers by creating policies and procedures that specify a consistent practice for recording customers' personal and sensitive information across the organisation that are compliant with the Privacy Act. Customers may make disclosures to the bank through a range of channels, including in person, over the phone, via digital channels or third-party representatives. It is vital that the bank identify and seek to record these attempts by a customer to communicate their circumstances.

The bank should ensure a consistent practice for the customer to be referred to the financial difficulty team or equivalent team/assigned relationship manager in the case of agribusiness customers. To assist with this, banks should check their financial difficulty function operates with an appropriate focus on customer experience and outcomes throughout the process, including during hand offs between teams.

Examples

- Make it simple and easy for customers to make a disclosure to the bank; for example, providing a simple and direct mechanism for customers to disclose a situation – temporary or permanent – that affects their financial situation.
- Allow customers to communicate about their circumstances through a range of channels.
- Identify potential channels through which a customer's declaration of financial difficulty may be given and ensuring there are adequate systems, processes and training in place to manage those notices.
- Confirm collections staff make reasonable inquiries about why a customer has failed to make a payment when carrying out collections' activities. If the customer advises that they are unable to meet their obligations, then this is a notice of financial difficulty.

Keep the customer up to date

Once the customer has been referred to the financial difficulty team, they should be encouraged to keep in contact with the bank, particularly if their personal circumstances or financial situation changes. It is also important for the bank to keep the customer up to date with the processes being undertaken by the bank, including assessment of a request for financial difficulty assistance and the outcome.

When a decision is made, the bank must tell the customer in writing whether it will provide them with a formal hardship arrangement and the reasons for the decision.¹⁹ If the bank agrees to a contract variation, it must tell the customer in writing about the main details of the arrangement, including the repayments, what will happen at the end of the new arrangement and whether accepting the proposed new arrangement will have any adverse consequences in relation to banking services or their credit history. This does not apply to minor individual instances of help provided, such as deferrals, refunds or fee waivers.²⁰

¹⁸ Banking Code, Part D1, paragraph 172.

¹⁹ Banking Code, Part D1, paragraph 184.

²⁰ Banking Code, Part D1, paragraph 185.

The bank should contact customers at the end of the arrangement to discuss next steps, unless there are pre-agreed exceptional circumstances in place. Banks could also check in with customers during their support arrangement in some circumstances; for example, where an alternative solution is identified that could benefit a customer.

Examples

- Where possible, speak with customers before approving or declining requests for assistance to check they understand the decision and effects on them. This contact should be trauma and culturally informed; for example, bank employees should be aware of the potential for 'gratuitous concurrence'.
- Explain in clear, plain language the type of help the customer will be offered, including any adverse consequences in relation to banking services or their credit history. This communication should signpost to the customer what they need to do and what they can expect going forward.
- Use Plain English scripting to explain how repayment history and financial hardship information will be recorded on a customer's credit report and the implications of doing so. Where possible, provide links to resources that provide further information in Plain English (for example, the Credit Smart webpage).²¹
- Explain to customers in clear, plain language the reasons why financial assistance might have been declined, including information about the customer's rights to complain to the bank and the Australian Financial Complaints Authority (AFCA), and making the customer aware of their options to receive further assistance or support.
- Introduce a structured approach to communicating with customers who break the terms of financial assistance agreements and providing them with sufficient time to remedy the broken terms.
- Introduce a structured approach to communicating with customers as their assistance period comes to an end to understand their financial circumstances at the time, consider whether further assistance is required, and check they understand what will happen next (including what they need to do in relation to any arrears).

Banks must provide guarantors with written notice if the borrower has advised they are experiencing financial difficulty which has resulted in a change to their loan.²² This notice will be provided to the guarantor within 14 days of the bank being advised by the customer of their change in circumstances.

If the customer is a small business and is in default, the bank must tell them if they have reported a payment default to a credit reporting body²³. The bank must also tell the customer that they may be able to independently obtain a copy of their credit report directly from a credit relating body (although the body may charge a fee).²⁴

Make it easy to stay in contact

Banks have committed under the Banking Code to working to improve inclusivity and accessibility for their customers.²⁵ Bank employees and systems should be flexible in situations where customers have difficulty using standard contact methods to offer a range of communication options. For example, where appropriate and practicable, banks must organise or refer customers to external support services free of charge, including interpreter or communication services (such as Auslan or National Relay Services).²⁶ The aim is to communicate with customers in a timely manner and ensure the information given is useful and clear.

²¹ Available at: <https://www.creditsmart.org.au>.

²² Banking Code, Part B6, paragraph 115. This commitment does not apply to Commercial Asset Financing Guarantors, Sole Director Guarantors, Trustee Guarantors or Partnership Guarantors.

²³ Banking Code, Part D1, paragraph 186.

²⁴ Banking Code, Part D1, paragraph 186.

²⁵ Banking Code, Part B1, paragraph 45.

²⁶ Banking Code, Part B1, paragraph 46.

Examples

- Verify that financial difficulty assistance information is readily accessible through multiple channels (including digital channels and mobile banking applications).
- Confirm self-service is not the only option and that customers can easily talk to a bank employee when required.
- Promote and proactively offer the availability of free interpreter services, including by publishing information about interpreters on key banking pages and use of the interpreter logo.
- Make key documents and electronic content available in several languages for customers that have limited English comprehension, where possible and as practicable.
- Allow customers to provide supporting information through non-digital methods, such as over the phone or by mail.

3.2 How to provide help

Tailor the assistance

The Banking Code outlines that a bank will work with their customer to help them find a sustainable solution to their financial difficulties. Any help will depend on the customers' individual circumstances and will be provided on a case-by-case basis.²⁷

The following table sets out a non-exhaustive list of examples of assistance that banks may determine is available to individual customers, depending on their circumstances.

Restoring the customer's financial position is possible²⁸

Banks' financial difficulty or hardship arrangements focus on situations from which a customer can recover their financial position if an appropriate arrangement is put in place.

Options for individual customers may include:

using funds saved in an individual's loan redraw or 'rainy day' account²⁹

- temporarily postponing or deferring payments
- agreeing to reduced payments or interest only payments for a short period
- extending the term of the loan to reduce the customer's repayments
- waiving fees and charges
- capitalising arrears
- changing the payment date or frequency
- reviewing the interest rate, or
- subject to responsible lending laws, consolidating multiple loans or debts into one balance with a lower interest rate.

Note: Banks will not require customers to access their superannuation to pay any amount owed under a loan unless they are borrowing for a self-managed superannuation fund.³⁰

²⁷ Banking Code, Part D1, paragraph 175.

²⁸ Banking Code, Part D1, paragraph 178.

²⁹ If the bank combines or set-offs a customer's accounts, then it must promptly inform the customer it has done so. The bank must not combine accounts if it actively considering a customer's financial situation; the customer is complying with an arrangement with the bank; or doing so breaches the *Code of Operation: Recovery of Debts* from the Department of Human Services Income Support Payments or Department of Veterans' Affairs Payments. However, the bank can require a customer keep funds in an account while it is considering their customer's financial situation and until it is decided whether to agree to their request. Banking Code, Part D1, paragraphs 192 – 194.

³⁰ However, the customer may wish to discuss this option with a financial counsellor. They can also find out more about this from the Department of Human Services, see www.servicesaustralia.gov.au. Banking Code, Part D1, paragraph 182.

Restoring the customer's financial position is unlikely³¹

A permanent change to a customer's financial situation may mean it is unlikely that their financial position can be recovered, even if their existing loan was changed. However, even in these circumstances, banks may be able to offer help.

Options may include:

- agreeing on an alternative arrangement, plan or contract
- changing the terms of the customer's loan
- giving the customer time to sell their property
- providing a moratorium while the customer gets advice from a financial advisor or financial counsellor, or
- making customers aware of free alternatives to paid debt management services.

The above options may also be available to small business customers, depending on their individual circumstances. There may also be additional forms of assistance available to small business customers. For example, a bank may be able to temporarily increase a small businesses' overdraft facility to help them overcome a seasonal issue. If the small business customer is a farmer experiencing a drought or natural disaster, the bank will not charge default interest on a loan.³²

If a guarantor has received a demand to pay under their guarantee but they are experiencing financial difficulty, then the bank will work with the individual to discuss their options once they notify the bank of their circumstances.³³ For example, the bank may provide a reasonable extension of time to comply with the guarantee.

Case study: Exploring a customer's circumstances

Rita had a savings account and a mortgage with the bank. She missed a repayment on her home loan when she was unable to work as a mobile pet groomer due to her van breaking down. Calling the bank's general contact number, Rita explained that she wanted to make up the payment as quickly as possible and offered to make a double payment the following month.

The customer service representative asked Rita if making a double payment would be affordable. She confirmed that it would be. The representative asked gently for further detail on when the van would be fixed, her expected income and expenditure and any outstanding debts.

Rita provided further information that indicated she would not be able to afford two payments in one go. The representative suggested spreading the arrears over three months so that the repayment amounts were affordable. They also moved the payment date to fit in with Rita's invoicing schedule. Rita agreed and was grateful for the bank's help.

Make the assessment process efficient, easy and appropriate

It is important that customers are placed at the centre of decision-making when creating assessment processes that are designed to assist them. Customers in financial difficulty will often be experiencing significant stress, may use disjointed storytelling, feel uncertainty and anxiety about their financial situation and/or other vulnerability circumstances. Their situation may make it difficult for them to navigate a complex, multi-step or evidentiary process to obtain assistance.

³¹ Banking Code, Part D1, paragraph 178.

³² Banking Code, Part B7, paragraph 128. This is subject to the requirements in paragraph 129.

³³ Banking Code, Part B6, paragraph 127.

There may be minor individual instances of help that banks can provide to the customer informally without the need for formal financial hardship arrangements, such as waiving a fee or providing a short payment grace period. However, where a hardship notice has been received by a bank, and the NCC applies, the processes set out in the NCC will need to be implemented and followed by the bank. Banks should be careful so that employees are trained to recognise the need for when more formal processes are required.

In designing assessment processes, banks should consider the following:

- Ensuring standard assistance offerings are sufficiently broad to suit a wide range of customer circumstances, but flexible enough to meet individual needs. Where the standard solutions are not appropriate or a customer is experiencing exceptional circumstances, there should be processes for staff to escalate and/or look outside standard processes to try to assist customers.
- Only requesting information and/or supporting documentation that is relevant to assessing a customer's ability to meet their financial obligations and/or to determining what (if any) assistance to provide.
- Considering the method by which customers provide information to the bank, noting that customers should be able to provide information over the phone where appropriate.
- Scaling requests for information and supporting documentation, taking into account a customer's individual circumstances and not taking a 'one size fits all' approach to the information requested. In general, it is likely to be appropriate to collect less information for first-time, short-term assistance, particularly where there is a clear resolution to the reason for the financial difficulty.
- Considering the information available to the bank about the customer, including information the customer has given the bank about their financial situation as well as their account history.³⁴ This includes enquiring gently and with compassion, where necessary.
- The customer's circumstances and financial position when determining what support options may be available. Even when a customer requests a specific type of assistance, banks should determine whether that assistance is appropriate for the customer's circumstances and inform them about other options that might be available in clear, easy to understand language.
- That the assistance is affordable and not likely to cause the customer significant financial stress, considering other essential expenses and liabilities that the customer may have. Banks should provide some allowance for unexpected and/or discretionary expenses (i.e. a savings buffer). Noting that it is generally better for the customer to pay what they can beyond this buffer.
- Longer term arrangements should not include accumulating default interest. Where a customer's circumstances indicate that a short-term solution will not help the customer overcome their financial difficulty, but the longer-term solution may be effective, the longer-term solution should be favoured. Examples of circumstances where long-term or permanent arrangements may be suitable include where the customer is engaging in family court proceedings, where they have made an insurance claim for total and permanent disability, or where they are experiencing family and domestic violence.
- The treatment of missed repayments and interest at the end of the arrangement considering the customer's individual circumstances. Noting that, in some cases, it may be preferable to gradually scale a customer's repayments back to the level they were before the assistance was provided.

³⁴ Banking Code, Part D1, Paragraph 177.

Examples

- Confirm policies for financial difficulty or hardship matters involving joint borrowers are clear to employees. For example, the bank should be able to assist one borrower with a financial difficulty request without involving the other borrower initially, noting instances where it may be necessary to involve a secondary borrower later in the process.³⁵
- Verify policies regarding the assessment of a claim under a consumer credit insurance policy are clear and processes are in place to alert customers to their potential ability to make a claim.
- Tailor written requests for information and supporting documentation to a customer's individual circumstances and ensuring that requests are clear about what is required from the customer.
- Put in place arrangements to follow up requests for information and/or supporting documentation. This should generally include making multiple contact attempts using more than one communication channel well in advance of issuing a decline notice.
- Make sure customers who are likely to require long-term or permanent hardship arrangements are referred to specialist teams that have the authority to make such decisions.

Provide extra care to customers experiencing vulnerability

Spotlight on family and domestic violence

There is profound link between family and domestic violence and financial difficulty. Financial abuse is a common tactic used by perpetrators to maintain control in a relationship, which can include restricting access to funds, sabotaging employment opportunities, or creating joint debts that trap victims. In addition, victim-survivors also often face significant economic challenges when leaving an abusive relationship.

Banks should adopt compassionate and supportive policies that recognise these dynamics, allowing for flexible hardship assistance, expedited requests, and the provision of tailored financial solutions that prioritise the safety and well-being of customers affected by family and domestic violence. For example, banks should provide assistance when a customer notifies them that they did not know they were responsible for a credit obligation. This could include a debt, credit card, or credit card limit increase in the individual's name or as a guarantor, as well as joint debts.

The nature of financial difficulty means that many customers will be at an increased risk of harm, particularly where a bank fails to act with appropriate levels of care. This is because financial difficulty itself may contribute to customers experiencing heightened stress which may negatively impact their decision making and their ability to engage with the bank.

Some customers will also be at an increased risk of harm for other reasons, for example due to an age-related or cognitive impairment. Banks are committed to taking extra care of customers who are experiencing vulnerability, no matter the cause.³⁶ For customers experiencing financial difficulty, banks should ensure policies and procedures set out circumstances when extra care should be offered.

³⁵ Banking Code, Part C1, Paragraph 149.

³⁶ Banking Code, Part B2, Paragraph 52.

Recovery from emergency events or natural disasters

While the Banking Code does not specifically deal with emergency events or natural disasters, during these events banks may want to quickly help customers. This includes floods, bushfires, cyclones, earthquakes or pandemics.

Banks recognise that customers may not have access to their homes and/or financial records at these times. In these circumstances, banks may not require customers to complete standard financial difficulty processes, such as providing information or supporting documentation to obtain assistance. This gives customers time to come to terms with their situation without the pressures associated with their debts and financial obligations. Banks should work with the customer to determine a suitable arrangement when the immediate event has passed, and recovery from the event has commenced.

Examples

- Introduce a central contact point in banks' hardship teams with decision making authority for customers experiencing vulnerability.
- Have a policy on supporting documentation that expressly contemplates circumstances under which documentation requirements may be limited or waived, especially for customers who are experiencing vulnerability.
- Expedite hardship requests when family and domestic violence is disclosed, understanding that the standard 21-day response timeframe may be insufficient and stressful. Customers that are experiencing family violence should be referred to specialist care teams within the bank.
- In some circumstances, adopt a case management approach for customers experiencing vulnerability. For example, this may be appropriate where a customer is experiencing family and domestic violence.
- If appropriate, allow customers to nominate a support person to be present (in person or on the phone) when the customer is speaking to the bank.
- Provide information on free alternatives to paid debt management services.

Deal fairly with third party representatives

Some customers experiencing financial difficulty need additional support in making decisions or rely on others to make some decisions on their behalf. Common types of third-party representatives include financial counsellors, legal aid or community lawyers, paid legal or financial representatives, court-appointed administrators, or powers of attorney. Banks have committed to dealing with a customer's financial counsellor or representative when they are in financial difficulty, provided the customer provides their contact details in writing.³⁷

However, the bank may deal directly with the customer in the following situations:

- the customer has asked the bank to,
- the bank has made reasonable attempts to contact, or deal with, the financial counsellor or representative and has been unsuccessful, or
- the representative is not a financial counsellor and the bank reasonably believes that the representative is not acting in the customer's best interest, or it is otherwise reasonable to do so in the circumstances.³⁸

For more information on these circumstances, see Appendix 2 - Industry Guiding Principles on Debt Management Firms (DMFs).

Banks will recommend that customers seek independent advice or contact a financial counselling organisation or other appropriate third-party support (such as a small business counsellor) that may be

³⁷ Banking Code, Part D1, paragraph 170.

³⁸ Banking Code, Part D1, paragraph 171.

able to help them upon request and if it is appropriate.³⁹ For example, it may be appropriate if a customer exhibits difficulty self-advocating or has multiple debts with different lenders. Banks should not require customers to speak to a financial counsellor before providing them with assistance.

In general, any form of authority consistent with the requirements of the Privacy Act should be regarded as acceptable by the bank. This includes a signed authority for a registered financial counsellor or community or legal aid lawyer to act on the customer's behalf. It can also include a verbal authorisation given by a customer in circumstances where it can be recorded (e.g. via file note). All banks should accept the industry standardised Financial Counselling Australia authorisation form (see Appendix 5 – Financial Counselling Authorisation Form).

Case study: Providing appropriate referrals

Kylie and Steve's money problems started when Steve fell ill a couple of years ago and could only work on and off. The family was carrying a significant amount of credit card debt from several bank and non-bank lenders and that meant when their income was reduced, at times, to one, their ability to stay on top of their debt was gone.

Kylie contacted a debt management firm which was going to deduct fees from the monthly amount they could afford to pay on their credit cards. When talking to her primary bank, a member of the financial difficulty team highlighted that not-for-profit debt advice firms existed and that they may be able to help. Kylie ultimately followed up on this advice, and was able to secure a fee-free debt plan that meant they could make repayments on her sole income.

Examples

- Verify approved third-party authorities are visible to, and enacted by, relevant teams that deal with financial hardship assistance.
- Consider signing up to the Financial Counselling Australia portal to easily verify if a nominated financial counsellor is a registered financial counsellor.
- Advise customers of free alternatives to using DMFs, for example the National Debt Helpline, community legal centres, financial counsellors or Way Forward Debt Solutions.⁴⁰

3.3 Creating good governance structures

The Banking Code's obligations for customers experiencing financial difficulty are important safeguards and protections for all customers, regardless of their circumstances.

Banks should have arrangements in place to assess whether the financial difficulty function is operating effectively, including through monitoring key performance measures and customer experience and outcomes. Sufficient information should be provided to senior management to assist their oversight.

³⁹ Banking Code, Part D1, paragraph 183.

⁴⁰ Available at: <https://wayforward.org.au/>.

Examples

- Ensure that there is a sufficient focus on customer experience and outcomes in the purpose and key performance indicators for the financial difficulty team, as well as for the staff and managers.
- Implement quality assurance arrangements that look at the end-to-end financial difficulty and collections process from a customer's perspective. For example, testing experiences of customers experiencing financial difficulty through activities such as auditing, focus groups and deep dives.
- Monitor whether staff are correctly identifying, recording and referring hardship notices. For example, conducting routine and targeted quality assurance reviews to verify that front-line employees are supporting customers in a timely manner and in accordance with the Banking Code. Samples reviewed may include customer phone calls, emails, chats and letters.
- Monitor customer experience and outcomes measures to confirm there is adequate resourcing for the financial assistance function and having in place a plan for responding to increased volumes of requests for financial difficulty assistance.
- Conduct testing and monitoring of the use and outcomes experienced by customers engaging with the bank via online channels, including reviewing customer needs disclosed in internal systems and the appropriateness of the bank's response.
- Review processes and policies to confirm they are treating customers fairly who are experiencing financial difficulty, including by conducting thematic and data-driven reviews.
- Review customer complaint information to identify how banking products and systems can be improved.
- Establish a customer outcome forum that supports front-line employees to escalate complex or sensitive customer cases with senior decision-maker input and guidance.
- Share the discovery of industry-wide issues with peers to improve the way banks detect, prevent and respond to risks of customer harm.
- Ensure there are adequate systems and technology to manage the end-to-end hardship process, including adequate data capture of key fields to support compliance with legislative timeframes and to monitor customer outcomes.
- Conduct testing and monitoring of the use and outcomes experienced by customers self-advocating versus those that are supported by a third party, such as a financial counsellor.

Train employees to take extra care

Banks should train employees and representatives with roles that may impact customers experiencing financial difficulty to recognise when a customer may be experiencing financial difficulty and to refer them to the appropriate internal support. Training should be provided at induction and refreshed regularly.

In addition, specialised teams, such as customer assistance, financial difficulty and debt collections teams should receive training about:

- how financial difficulty might occur
- how to assess their customer's circumstances
- how the bank's programs can assist and
- how and when to refer customers to appropriate external assistance (for example, to financial counsellors).

Training should also be provided to specialised teams to identify and provide extra care to customers experiencing vulnerability. Banks will train staff to treat diverse customers, as well as customers who are or who appear to be experiencing vulnerability with sensitivity, respect and compassion.⁴¹

Examples

- Monitor employees' training for completion via internal learning platforms.
- Remove barriers for employees to take extra time to have empathetic and compassionate conversations with customers.
- Verify employees that interact with small business and agribusiness lending are sufficiently trained to recognise and respond to customers experiencing financial difficulty.
- Place supporting guidance for employees on intranet sites to easily locate during a customer interaction.
- Provide frontline employees training to help them understand how to actively listen for information that could indicate financial difficulty and, where relevant, seek information that may allow them to respond appropriately.
- Train employees to proactively raise awareness of basic accounts.²⁵
- Provide training and resources to employees working in communications and marketing on how to develop accessible materials.
- Ensure employees understand that a customer can give a hardship notice even when their change in circumstances is long-term or permanent, and even when they have not experienced a life event (e.g. where the customer cannot meet repayments due to a rise in living expenses).

Manage complaints fairly

Banks will ensure their processes for handling complaints are fair and reasonable.⁴² They should have in place processes to meet legislative and regulatory requirements and to handle complaints fairly and objectively.

If a customer is unable to resolve a complaint to their satisfaction, the bank will provide information on how to take the complaint to the Australian Financial Complaints Authority (AFCA) and how to contact it. If a customer wants to report an alleged breach of the Banking Code of Practice, they can also report the matter to the Banking Code Compliance Committee (BCCC).

Banks should publish and make readily available information about their internal dispute resolution processes and their external dispute resolution provider through branches, telephone banking services, their website and other digital channels.

⁴¹ Banking Code, Part A2, paragraph 7.

⁴² Banking Code, Part D2, paragraph 196.

Appendix 1 – High level summary of financial hardship under the National Credit Code

This appendix outlines the application of the financial hardship provisions in the National Credit Code (NCC) which is contained as Schedule 1 in the *National Consumer Credit Protection Act 2009 (NCCP Act)*. The term ‘**financial hardship**’ is used in this document when referring to NCC obligations.

The NCC applies to credit provided to individuals or strata corporations for personal, domestic or household purposes or for investment in residential property.⁴³ It does not apply to credit obtained wholly or predominantly for commercial or business purposes.

This summary is illustrative only. Each bank will have its own processes to comply with its NCC obligations, which may differ from what is set out below.

Overview

The NCC outlines that if a bank is given an oral or written ‘notice’ by an individual that they are or will be unable to meet their obligations under a credit contract (a ‘hardship notice’), the bank must decide whether to agree to change the contract.⁴⁴ Customers do not have to use particular terminology or formally apply for hardship to have their bank take action on their financial hardship notice.

This decision will have one of two outcomes:

- a) the bank agrees to change the contract—if this occurs, the bank must give the individual written notice stating that the change has been agreed and setting out the details of the change;⁴⁵ or
- b) the bank does not agree to change the contract—if this occurs, the bank must give the individual written notice that includes reasons for their decision, contact details for the AFCA scheme and the customer’s rights under that scheme.

Similar requirements apply for consumer leases and certain Buy Now Pay Later products.

Assessment process

The bank may require the customer to provide certain information to assess whether they are able to provide financial hardship assistance.⁴⁶ The specific information requested may depend on a number of factors, including the period of time hardship assistance is required, the type of arrangement that may be offered, or whether a third party requires additional information (e.g. a provider of lenders mortgage insurance).

In assessing the financial hardship application, banks should typically consider:

- the customer’s financial position, including income, expenses and equity position (banks will consider any assets and their value and any liabilities and outstanding debts)
- the customer’s ability to meet the commitments under the hardship arrangement and future repayments under the contract, and
- the customer’s ability to rehabilitate their circumstances (based on whether the hardship assistance will offer genuine relief and whether the customer can restore their financial situation).

Confirming a financial hardship arrangement

If a bank agrees to a financial hardship arrangement, the customer must comply with the repayment terms of any new arrangement to avoid the resumption of collections activity.⁴⁷

Banks are required to provide their customers with a written notice where the bank has agreed to change the credit contract in prescribed timeframes unless an exemption applies.⁴⁸

⁴³ NCC section 5(1)(b).

⁴⁴ NCC section 72(1).

⁴⁵ A bank is not required to provide this notice if they agree to a change in the credit contract that defers or otherwise reduces the obligations of the debtor under that contract for a period not exceeding 90 days— see NCC section 72(4A).

⁴⁶ NCC section 72(2).

⁴⁷ NCC sections 72(4)(a), 88(1), 89A and 94.

⁴⁸ NCC section 73(1) however, see note below (Informal Arrangements).

This notice must set out particulars of the change to the credit contract, and should also include details such as:

- amount of outstanding debt
- key details of the arrangement (such as an alternative arrangement or repayment plan)
- details of whether the arrangement will affect the credit contract or outstanding debt
- whether the customer will need to pay interest
- the duration of the arrangement
- whether, and at what point, the arrangement will be reviewed
- the customer's obligations under the arrangement and at the end of the arrangement
- what happens if the customer cannot make the repayments required under arrangement
- how the customer will be expected to catch up on accrued arrears (where applicable), and
- implications for a customer's credit reporting including repayment history and financial hardship information.

Banks should notify customers prior to the conclusion of the arrangement and explain the payment options after the arrangement has ended. For example, that interest-only payments cease or repayments increase.

When a financial hardship application is declined

Under the NCC, banks do not have to change their customer's credit contract. For example, where a bank does not believe there is a reasonable cause for the customer's inability to meet their contractual debt obligations, or if the bank reasonably believes their customer couldn't meet their repayment terms even if the credit contract was changed.

Other reasons a bank may refuse to change the credit contract following a hardship notice by the customer include:

- hardship assistance would be detrimental to the customer, for example, it could put the customer in a negative equity position with their property⁴⁹
- the customer would be unable to meet their financial obligations in the future, and
- based on the information provided the customer can afford the loan and does not appear to be in hardship.

After a bank has explained why it could not provide hardship assistance, it may refer the customer to the collections team and resume normal debt collections processes for any arrears.⁵⁰

Depending on the circumstances, 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. A bank may consider other options or approaches noted above, and including:

- giving customers more time to sell a property (noting that time-to-sell arrangements can also be hardship arrangements)
- discussing other relevant support measures that might be available (including government programs, such as mortgage assistance schemes), and
- suggesting the customer seek other assistance (including from a professional financial counsellor, financial adviser, legal aid officer or legal practitioner).

If a customer is not satisfied with the response or assistance provided by the bank, customers have the right to make a complaint to their bank or to AFCA.

⁴⁹ It may be appropriate for a customer to enter into a temporary position of negative equity. For example, if a property sale is about to occur and/or the period will be short-term and the customer can demonstrate that they will recover and have the capacity to repay.

⁵⁰ Collections activity will stop when a hardship notice is being considered or a hardship arrangement is in place. There are time periods specified in section 89A of the NCC as to when banks can start or recommence enforcement proceedings following a hardship notice.

Understanding hardship, default and collections

Banks cannot engage in collections activity when a hardship notice is being considered, or when a hardship arrangement is in place and the customer is complying with the terms of that arrangement.⁵¹ There are time periods specified in section 89A of the NCC as to when banks can start or recommence enforcement proceedings following a hardship notice. However, following these periods, a bank may exercise its right to issue a default notice and recommence the collections processes in accordance with the NCC and subject to any subsequent hardship notices.

If this happens, the customer will receive a default notice⁵² from the bank which must include (amongst other things) information about their rights after default, including the right to give a hardship notice and to seek a postponement of enforcement proceedings and how to seek a review of the bank's decision regarding a hardship notice by raising a complaint to AFCA (external dispute resolution scheme).⁵³ Similar notification requirements apply for consumer leases and certain Buy Now Pay Later contracts.

The NCC provides that if after 30 days the default has not been remedied or a new arrangement has not been agreed, the bank can take enforcement action against the customer.⁵⁴ In this instance, if the customer's financial situation has deteriorated, the bank and the customer will have to consider alternative actions.

Simple deferrals and reductions

The NCC exempts banks from providing:

- a notice agreeing to change a contract in response to a hardship notice; and
- a notice setting out the particulars of the change in the contract

where the parties have agreed to a change to a credit contract or consumer lease that defers or reduces the obligations of the debtor or lessee for a period not exceeding 90 days.⁵⁵

Under this exemption, it is important to note that the rest of the NCC hardship rules apply, including the time periods for consideration and response.

⁵¹ Banking Code, Part D1, paragraph 190. This is subject to the exceptions in paragraph 191 of the Code.

⁵² Unless not required under section 88(4) of the NCC.

⁵³ NCC section 88(3).

⁵⁴ A bank must not begin enforcement proceedings in relation to a credit contract unless the bank has given the customer (and guarantor) a default notice with 30 days to remedy the default (see section 88 of the NCC).

⁵⁵ NCC section s72(4A).

Appendix 2 - Industry Guiding Principles on Debt Management Firms (DMFs)

Providers of debt management services (**debt management firms or DMFs**) must hold an Australian credit licence with an authorisation that covers debt management services.

Approach to customers represented by DMFs

Banks may contact a customer directly where the customer requests direct communication with the bank or the bank has a reasonable belief that the DMF or its agents:

- does not respond to bank communications within a reasonable time (normally seven days)
- is providing a 'debt management service' under the NCCP Act or 'financial services' under the *Corporations Act 2001* (Cth) (**Corporations Act**) without being licensed to do so
- is banned from lodging disputes with AFCA
- is acting and making decisions in a manner that is not in the best interests of the customer
- has not provided the customer with all communication from the bank and informed the customer of all available options, offers of settlement, offers of hardship assistance, potential risks and consequences of a course of action it is pursuing, or any other key information
- has not provided information that is reasonably required by a bank to assess the customer's hardship application or complaint, and has unreasonably refused any such requests
- has engaged in a misleading or deceptive manner with either or both the creditor or the debtor, or
- has behaved in a way that creates an unsafe work environment for bank staff, including by using aggressive, intimidating or threatening language or behaviour.

Where a bank determines that it is reasonable to contact a customer directly instead of dealing with the customer's appointed DMF, the bank may, depending on the circumstances, give the DMF notice of its intention to contact the customer directly, explain why the bank considers it reasonable to do so and give the DMF the opportunity to address the bank's concerns. If the bank's concerns are not able to be resolved the bank may:

- contact the customer directly and provide clear reasons to the customer why it made this decision,
- discuss the customer's situation with them, including the available options to resolve the matter and their preferred means of communication,
- advise customers of free alternatives to using DMFs, for example:
 - Way Forward Debt Solutions, refer <https://wayforward.org.au/>
 - community legal services, refer to ASIC moneysmart <https://moneysmart.gov.au/managing-debt/free-legal-advice>
 - financial counsellors, refer to ASIC moneysmart <https://moneysmart.gov.au/managing-debt/financial-counselling>, or
 - National Debt Helpline, refer to <https://ndh.org.au/>.

After a bank contacts a customer directly, a customer may confirm that they would like the DMF to continue to represent them and be their point of contact despite the concerns raised by the bank.

- This does not prevent a bank contacting the customer directly in the future if the bank considers that the DMF is continuing to engage in conduct set out above.
- In some cases, a bank may continue to engage with the DMF, at the customer's request, but copy in the customer on all correspondence. Alternatively, a bank may determine, on a case by case basis, that there is a legitimate reason (based on the factors set out in part 1.1) to refuse to deal with the DMF, notwithstanding the customer's request that the DMF continue to represent them. In that case, the bank may elect to only deal with the customer or another appropriately authorised representative.

Banks may report instances of unscrupulous or inappropriate behaviour by a DMF to a relevant regulator, or if relevant, an appropriate professional body, for example:

- ACCC for general consumer law, which includes prohibitions against misleading or deceptive conduct and unconscionable conduct
- ASIC where the DMF is providing a 'debt management service' under the NCCP Act without an Australian credit licence or a financial service under the Corporations Act without an Australian financial services licence
- the personal insolvency regulator - the Australian Financial Security Authority - for the administration of debt agreements, or
- a relevant professional body (e.g., Accounting or Legal professional bodies)⁵⁶.

Proactive and targeted customer communications regarding the risks of dealing with DMFs

In circumstances where the bank thinks the customer is entering or experiencing financial difficulty, the bank may provide information to these customers which:

- alerts customers to the costs and potential risks associated with the possibility that a paid representative may not always act in their interests;
- explains to customers that they may request direct communication with the bank at any time or revoke their authorisation of a representative if they wish to do so; and
- outlines assistance available from banks and other organisations (both free and paid).

Customers experiencing vulnerability

The bank should seek to make its communications with its customers as inclusive and accessible as possible, particularly when it is aware that a customer is experiencing vulnerability, lives with a disability or has limited English.

⁵⁶ For example, re Accounting see <https://www.charteredaccountantsanz.com/about-us/complaints/complaints-about-a-member> and re Legal see <https://www.lawsociety.com.au/for-the-public/making-a-complaint/complaint-process>

Appendix 3 - Industry Guideline: Sale of unsecured debt

Purpose

Part D1 of the Banking Code governs what a bank will do when it is recovering a debt. Banks have committed to comply with the following guidelines in relation to debt collection:

- a. The ACCC's and ASIC's [Debt Collection Guideline: for Collectors and Creditors](#)⁵⁷
- b. [The Code of Operation: Recovery of Debts](#)⁵⁸ from Department of Human Services Income Support Payments or Department of Veterans' Affairs Payments.⁵⁹

If banks sell a debt to another party, they will only choose a party that has agreed to comply with the above guidelines; have processes in place to monitor how the buyer is undertaking their collections activities to recover an unsecured debt; and require that the buyer consults with us prior to commencing bankruptcy or insolvency proceedings to recover an unsecured debt.⁶⁰

The banking industry has a range of customer safeguards in place when collecting debts. However, the industry understands that customers who are unable to repay their debts may be experiencing vulnerability and/or significant financial hardship and therefore extra care may need to be taken.

This Industry Guideline is intended to outline additional safeguards for customers when banks are selling unsecured debt to another party. Where this Guideline refers to *debt buyers*, it is intended to refer to any third party a bank sells a debt to.

Policies and contractual arrangements

Each bank should develop an internal policy that documents the matters outlined in this guideline. Each bank should ensure that relevant staff are adequately trained on the provisions of that policy and that adherence to the policy is considered through the bank's internal assurance processes.

Banks should also consider how to include aspects of this guideline in their contractual arrangements with debt buyers.

Prior to sale of unsecured debt

During the collections process, where a bank is able to make contact with the customer and the customer is willing to disclose their total indebtedness with the bank, the bank should consider whether regulation and internal lending criteria allow restructuring of the customer's debt to make repayments more affordable. Banks may only know about a customer's other debts, including other debts with the bank, if the customer tells the bank.

Under the Banking Code, banks have committed to not selling the debt when it is actively considering a customer's financial situation, the customer is complying with an agreed arrangements, or the customer is experiencing vulnerability and the bank is of the view that the vulnerability is likely to be ongoing and there is no reasonable prospect of the debt being recovered.⁶¹ This should apply even when the hardship arrangement relates to another debt held with the bank. These requirements do not apply to sales that are part of a funding arrangement, like a securitisation, or sales as part of a sale of business.⁶²

ABA member banks should not sell debt if:

- the debt is statute-barred; or
- the customer is in the process of disputing that they owe the debt and the bank has not yet finalised its consideration of the issue.

⁵⁷ Available at: <https://download.asic.gov.au/media/hw4nf11g/rg96-published-13-april-2021.pdf>.

⁵⁸ Available at: https://www.ausbanking.org.au/wp-content/uploads/2024/06/Banking-Code-of-Practice_2025.pdf.

⁵⁹ Banking Code, Part D1, clause 187.

⁶⁰ Banking Code, Part D1, clause 188.

⁶¹ Banking Code, Part D1, clause 190.

⁶² Banking Code, Part D1, paragraph 191.

Selection and monitoring of debt buyers

Bank policies should set out minimum selection criteria for debt buyers and should include:

- alignment between the individual bank's corporate values and those of the debt buyers they are contracting with and the importance of being customer-focussed, as assessed by the bank during the tender process and during on-going audits. Further to this, banks should reassess their relationships with debt buyers if there is significant evidence of a misalignment between the bank's corporate values and the behaviour of the debt buyer.
- a requirement that debt buyers comply with ASIC Regulatory Guide 271⁶³ and are members of AFCA or another external dispute resolution scheme.

When contracting with debt buyers for the sale of unsecured debt, banks will have processes in place to monitor how debt buyers are undertaking their collections activities.⁶⁴ These processes should include, at a minimum, mandatory reporting of:

- volumes of and the types/nature of complaints and targeted audit (by the bank) of complaints handling.
- the number and types of actions being taken by the debt buyers including litigation, enforcements (specifying the number and type, including sequestration orders, garnishee orders, charging orders, instalment orders, writs of possession of goods, writs of possession of property etc.) and bankruptcy applications.
- results of annual audits to ensure compliance with regulatory and contractual obligations.
- results of due diligence activities (e.g. internal and/or independent audits, customer surveys/NPS, internal quality control) undertaken to meet and monitor compliance with regulatory and contractual obligations.

On sale of debt

When a debt is sold, the bank usually agrees to provide the debt buyer, on request, with a copy of the following documents in their possession and within 30 days:

- the contract under which the debt arose – including terms and conditions;
- statement of account evidencing current arrears; and
- details of any hardship arrangements in the preceding 12 months.

Bankruptcy proceedings initiated by debt buyers

Banks recognise that initiating bankruptcy proceedings, especially in relation to unsecured debt, is a serious step that has significant repercussions for their customers. Where a debt buyer believes that commencing bankruptcy proceedings is necessary to recover an unsecured debt, banks will require that the debt buyer consults with them prior to commencing these proceedings.⁶⁵ As part of this process, the debt buyer should explain to the bank what they know about the customer's circumstances and why they believe bankruptcy is the most appropriate option at this stage. Should the bank identify a vulnerability they may have the option to consider whether to buy back the debt under their contract with the debt buyer.

Threshold for creditor petitions

The Bankruptcy Act 1966 (**Bankruptcy Act**) prescribes a minimum level of debt (\$10,000) for a creditor petition. All ABA member banks should determine and document an appropriate amount of unsecured debt to apply in their business and through arrangements with debt buyers. If the bank considers that a higher minimum debt level is appropriate before a creditor petition should be issued, then they should document that both in their internal procedures and in their contractual arrangements with debt buyers.

⁶³ Available at: <https://asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-271-internal-dispute-resolution/>.

⁶⁴ Banking Code, Part D1, paragraph 188(b).

⁶⁵ Banking Code, Part D1, paragraph 188(c).

National Redress Scheme

The National Redress Scheme - for people who have experienced institutional child sexual abuse - started on 1 July 2018 and will run for ten years. Each ABA member bank is treating Scheme payments sensitively. Each bank is also working – on a best endeavours basis – to provide protection for identified Scheme payments, so that customers are not required to use these payments to repay debts owing to that bank, unless the customer wishes to use their payment for that purpose. Banks should, where possible, ensure this approach is also taken by debt buyers they contract with.

Appendix 4 – Financial Counselling Authorisation Form

Financial Counselling Agency Authorisation Form

Purpose of the Authority form

By signing this authority, you authorise the financial counselling agency to act on your behalf with the named third party, such as a creditor, debt collector, external dispute resolution scheme or a telecommunications company. When acting on your behalf, the financial counselling agency may (among other things):

- seek and exchange personal information about you and your account/s;
- negotiate; and
- enter into arrangements.

Authorisation

Third party:	
Reference no.:	

I/We:

Full Name (#1):	
Date of birth:	
Address:	

Full Name (#2):	
Date of birth:	
Address:	

Your Business details (if applicable)

Business name:	
ABN	
Address:	

Authorise:

Name of financial counselling agency: (Authorised Representative)			
Financial counsellor's name:		Registration number:	
Address:			
Phone:		Mobile:	
Email:			

Signature

Name (#1):		Date:	
Name (#2):		Date:	

This form was developed by Financial Counselling Australia in consultation with industry, peak bodies and EDR schemes | March 2021

GUIDE | Financial Counselling Agency Authorisation

Purpose of the authority

The purpose of this form is to have an agreed acceptable authority a financial counsellor can send to a third party. A third party could be a creditor, debt collector, external dispute resolution scheme or a telecommunications company. The authority covers all accounts that a person has with that third party.

It is important that your client is aware of how the authority will work.

The ACCC/ASIC Debt Collection Guideline at Section 9 provides information regarding the expectation of creditors and debt collectors that they will accept this authority.

Using the authority

A client may give a financial counselling agency the authority to act on their behalf with a third party. This means that the third party will deal with the agency.

The financial counselling agency and its representatives must do the following:

1. Include the financial counsellor's national registration number on all correspondence with the third party including the authorisation form (this enables the third party to verify your identity);
2. Notify the third party in writing if the financial counselling agency stops assisting the client (notification is not necessary if the matter has settled); and
3. Notify the third party if the financial counsellor acting on behalf of the client changes.

Separate authorities

A separate authority is required for each third party. You only need one authority for each entity (for example, if a bank has divisions the authority covers the bank and those divisions). A separate form is also required to make a complaint to an external dispute resolution scheme. This is to ensure that:

- Each third party gets a clearly addressed authority; and
- There is no confusion about how many third parties there may be; and
- To avoid explaining the possible privacy implications of sharing this information.

Explaining the authority

You must explain to your client why they are signing the authority form. This information will cover the following:

- The authority is required to access the personal information of the client that is held by the third party. The Privacy Act requires that the third party has the client's consent to access any of the client's personal information.
- The authority also means you can act on behalf of the client to deal with the third party. This means that the third party will deal with the financial counsellor as if it were dealing with the client.
- That you have professional and ethical obligations as a financial counsellor and these include that you will at all times keep the client informed of developments.
- That you will seek instructions from the client when major decisions are required. By then acting on those instructions you are then able to make arrangements or settlements with the third party that are binding (on behalf of your client).
- Explaining that it is important that the information provided to the third party must be true and correct.
- Explain that the third party may still send routine correspondence to the client or correspondence as required by law (for example, account statements). Correspondence relating to the dispute or inquiry must be sent to the financial counselling agency.
- The client can revoke the authority at any time and you will inform the third party accordingly.
- When you close the client's case, you will also revoke the authority with the third party.

Account numbers

Providing at least one account number or a reference number on the form will assist the third party in identifying the client's accounts. If an account number is not available leave this section blank but explain why in any cover letter or email.

Additionally, the account number, product

type and account holders should be included in any cover letter or email.

Client details

You should provide as much information as you can to help the third party identify your client. This information may include your client's full name, date of birth and address, plus the address where the service was provided where relevant.

There may be circumstances where a client cannot provide their address. This could be because, for example, the client is homeless or is escaping family violence. If this situation applies then you should leave this section blank and explain why or provide further information in the cover letter that the third party can use to identify the client.

Revoking the authority

An authority can be revoked at any time and for any reason. Common situations when an authority is revoked are:

- The financial counselling agency ceases to act on behalf of the client;
- The client has not responded within a reasonable period of time; or
- The client puts in place another authority.

You need to revoke the authority in writing when you cease to act for the client. If the matter is settled then there is no need to revoke the authority if it is clear between the parties that the matter has concluded.

Can the third party creditor contact your client directly?

A third party can contact your client directly if:

- Your client requests that the third party contact them;
- You do not respond to communications from the third party within a reasonable time (7 days) and the third party has warned you that they will contact your client if you do not respond in a reasonable time (7 days); and
- The third party asked for written authority and you do not provide that written authority in a reasonable time.

Note: If the third party contacts the client directly it does not revoke this authority.

[Text alternative for the images above](#)

Financial Counselling Agency Authorisation Form

Purpose of the Authority form

By signing this authority, you authorise the financial counselling agency to act on your behalf with the named third party, such as a creditor, debt collector, external dispute resolution scheme or a telecommunications company.

When acting on your behalf, the financial counselling agency may (among other things):

- Seek and exchange personal information about you and your account/s;
- negotiate; and
- enter into arrangements.

Authorisation

Form Field – Third party

Form Field – Reference no.

I/We:

Form Field – Full Name (#1)

Form Field – Date of birth

Form Field – Address

Form Field – Full Name (#2)

Form Field – Date of birth

Form Field – Address

Your Business details (if applicable)

Form Field – Business name

Form Field – ABN

Form Field – Address

Authorise

Form Field – Name of financial counselling agency (Authorised Representative)

Form Field – Financial counsellor's name

Form Field – Registration number

Form Field – Address

Form Field – Phone

Form Field – Mobile

Form Field – Email

Signature

Form Field – Name (#1)

Form Field – Date

Form Field – Name (#2)

Form Field – Date

Guide | Financial Counselling Agency Authorisation

Purpose of the authority

The purpose of this form is to have an agreed acceptable authority a financial counsellor can send to a third party. A third party could be a creditor, debt collector, external dispute resolution scheme or a telecommunications company. The authority covers all accounts that a person has with that third party.

It is important that your client is aware of how the authority will work.

The ACCC/ASIC Debt Collection Guideline at Section 9 provides information regarding the expectation of creditors and debt collectors that they will accept this authority.

Using the authority

A client may give a financial counselling agency the authority to act on their behalf with a third party. This means that the third party will deal with the agency.

The financial counselling agency and its representatives must do the following:

1. Include the financial counsellor's national registration number on all correspondence with the third party including the authorisation form (this enables the third party to verify your identity);
2. Notify the third party in writing if the financial counselling agency stops assisting the client (notification is not necessary if the matter has settled); and
3. Notify the third party if the financial counsellor acting on behalf of the client changes.

Separate authorities

A separate authority is required for each third party. You only need one authority for each entity (for example, if a bank has divisions the authority covers the bank and those divisions). A separate form is also required to make a complaint to an external dispute resolution scheme. This is to ensure that:

- Each third party gets a clearly addressed authority; and
- There is no confusion about how many third parties there may be; and
- To avoid explaining the possible privacy implications of sharing this information.

Explaining the authority

You must explain to your client why they are signing the authority form. This information will cover the following:

- The authority is required to access the personal information of the client that is held by the third party. The Privacy Act requires that the third party has the client's consent to access any of the client's personal information.
- The authority also means you can act on behalf of the client to deal with the third party. This means that the third party will deal with the financial counsellor as if it were dealing with the client.
- That you have professional and ethical obligations as a financial counsellor and these include that you will at all times keep the client informed of developments.
- That you will seek instructions from the client when major decisions are required. By then acting on those instructions you are then able to make arrangements or settlements with the third party that are binding (on behalf of your client).
- Explaining that it is important that the information provided to the third party must be true and correct.
- Explain that the third party may still send routine correspondence to the client or correspondence as required by law (for example, account statements). Correspondence relating to the dispute or inquiry must be sent to the financial counselling agency.

- The client can revoke the authority at any time and you will inform the third party accordingly.
- When you close the client's case, you will also revoke the authority with the third party.

Account numbers

Providing at least one account number or a reference number on the form will assist the third party in identifying the client's accounts.

If an account number is not available leave this section blank but explain why in any cover letter or email.

Additionally, the account number product type and account holders should be included in any cover letter or email.

Client details

You should provide as much information as you can to help the third party identify your client. This information may include your client's full name, date of birth and address, plus the address where the service was provided where relevant.

There may be circumstances where a client cannot provide their address. This could be because, for example, the client is homeless or is escaping family violence. If this situation applies then you should leave this section blank and explain why or provide further information in the cover letter that the third party can use to identify the client.

Revoking the authority

An authority can be revoked at any time and for any reason. Common situations when an authority is revoked are:

- The financial counselling agency ceases to act on behalf of the client,
- The client has not responded within a reasonable period of time, or
- The client puts in place another authority.

You need to revoke the authority in writing when you cease to act for the client. If the matter is settled then there is no need to revoke the authority if it is clear between the parties that the matter has concluded.

Can the third party creditor contact your client directly?

A third party can contact your client directly if:

- Your client requests that the third party contact them;
- You do not respond to communications from the third party within a reasonable time (7 days) and the third party has warned you that they will contact your client if you do not respond in a reasonable time (7 days); and
- The third party asked for written authority and you do not provide that written authority in a reasonable time.

Note: If the third party contacts the client directly it does not revoke this authority.

Appendix 5 – Glossary

Term	Definition
Bank	Means a bank that has signed up to the Banking Code.
Banking service	Means any financial service or product provided by a bank in Australia to a customer: <ul style="list-style-type: none"> a) whether supplied directly or through an intermediary; and b) if provided by another party and distributed by a bank, extends only to the distribution or supply, and not to the service or product itself.⁶⁶
Customer	Means a customer to whom the Banking Code applies under paragraph 1 of the Banking Code. It includes individuals, small businesses and guarantors.
Debt management services	For the purposes of the NCCP Act and the credit licensing requirements, a 'debt management service' covers debt management assistance and credit reporting assistance, provided: <ul style="list-style-type: none"> • the activity is in relation to consumer credit contracts, and • a fee, charge or other amount is paid or payable by or on behalf of the consumer in relation to the service.
Financial Difficulty	Means a customer: <ul style="list-style-type: none"> a) is unable to pay what they owe; b) expects to be unable to pay upcoming repayments; or c) is experiencing difficulty meeting their repayment obligations. <p>This can be as a result of an unexpected event or unforeseen changes outside the customer's control including impacts from:</p> <ul style="list-style-type: none"> a) an illness or injury; b) loss of employment; c) a pandemic; or d) natural disasters such as droughts, fires, floods and earthquakes (as declared by an Australian Federal, State or Territory Government) or, if no such declaration is made, where the bank is satisfied on other grounds that a natural disaster has occurred.
Financial Hardship	Is used in this document when referring to NCC obligations (see appendix 1). It only applies to consumer credit, which means that it is not interchangeable with the broader term 'financial difficulty'.
Financial counsellor	Financial counsellors are qualified professionals who provide free information, advice and advocacy to people in financial difficulty. Financial counsellors are based in community organisations throughout Australia, from large charities to smaller community centres, as well as local government agencies.
Legal aid or community lawyer	Legal Aid is a government-initiated, means-tested service, whereas Community Legal Centres are not-for-profit entities offering free legal services primarily for individuals experiencing vulnerability.

⁶⁶ Refer to the Banking Code, Part E definitions for the full definition of Banking Service