



Financial hardship during COVID-19

The ever-changing environment of the COVID-19 pandemic is impacting the lives of people across the world, including in Australia. Care has developed a series of COVID-19 factsheets about your consumer rights related to banking and credit law. If you are experiencing financial hardship because of the COVID-19 pandemic, or for other reasons, support is available.

This factsheet provides information about legal protections that exist for people experiencing financial hardship and guidance on how to respond to financial concerns.

What is financial hardship?

You may be in financial hardship if you find it difficult to pay your bills and make repayments on your loans and other debts when they are due. The COVID-19 pandemic has increased pressure on many households due to unemployment, reduction in hours and incomes, illness, increase in expenditure, and other factors.

Your financial hardship will usually have to be because of a 'reasonable cause' and unforeseen – such as due to an illness, unemployment, unexpected expenses or other factors. **You must also be able to show that your financial hardship is temporary, and you will be able to reasonably repay your loan.**

If your financial difficulties are ongoing, you may still be able to negotiate with your lender and agree on an outcome that is sustainable for you in the long term.

Protections under the National Credit Law

The National Consumer Credit Protection Act 2009 and Regulations (the National Credit Law) provide important consumer protections in relation to loans for personal, domestic, and household purposes, including credit cards, personal loans, and mortgages. The National Credit Law does not apply to business loans.

One of these protections is your ability to apply for a variation of your loan or credit contract because of financial hardship. This variation may include suspending or reducing your repayments, capitalising any arrears or other support.

Asking for a hardship variation

It is important to contact your bank or other financial services provider as soon as possible when you become aware you may not be able to meet your bills or repayments and discuss what support can be offered. If you request a financial hardship variation, you must receive a response within 21 days. You can be asked to provide supporting documents. If your request is refused, you must be informed of the reasons for the refusal.

You must also be informed about your right to lodge a complaint with an independent Ombudsman body, the Australian Financial Complaints Authority (AFCA).





Hardship variations and your credit file

When you ask for a hardship variation, it may also be a good idea to negotiate that any recent overdue payments are removed from or not listed as a default on your credit file. From the date of your hardship variation (until 1 July 2022) missed or reduced repayments that are part of an agreed hardship variation will not be recorded in your credit file.

From 1 July 2022, new laws will require hardship variations to be recorded in your credit report with a flag alongside your repayment history information, indicating that the repayment history is associated with a special arrangement. Lenders will have access to this financial hardship information, including when you apply for new credit. You should ask your lender how a hardship arrangement entered before this date will affect your credit file.

What if the lender wants to start court proceedings?

If you have received a Default Notice or your lender intends to start legal proceedings, you must act urgently. You should immediately:

- Apply for a hardship variation if your default on a loan repayment is due to financial hardship.
- If your hardship variation is refused or you are served with court documents before you receive a response from your lender, lodge an application with AFCA (ph **1800 931 678** or email info@afca.org.au)
- Contact the National Debt Hotline on **1800 007 007** or get legal advice (in the ACT call Care Consumer Law on **(02) 6143 0044**).

A bank or other financial institution can not commence court proceedings against you after you have lodged a dispute with AFCA until the dispute is determined or AFCA informs you that it can not consider your dispute.

Financial institutions response to COVID-19 hardship

Most banks and financial institutions are supportive through this challenging time and are offering several options to ease the financial pressures on their customers.

The earlier you contact your bank or financial institution the more options for assistance may be available, including:

- reducing or deferring repayments
- accepting a reduced fixed home loan or
- accessing funds if you are ahead on repayments.



Check with your bank or financial institution's website or contact them directly for more information on the assistance available.



If you are experiencing financial hardship Care can help

Care has been supporting the Canberra community since 1983 and we believe in financial fairness for all. We are a community organisation that provides free and confidential support and assistance to people living on low to moderate incomes, and those who are vulnerable or are experiencing financial difficulty. Care's programs can support you.

Care Consumer Law offer free legal assistance to people living in the ACT in the areas of credit, debt and consumer law, including in the context of domestic and family violence and financial abuse. To make an appointment with a lawyer, call us on **02 6143 0044** or email clc.admin@carefcs.org.

Care Financial Counselling provides free, confidential and independent services to assist people experiencing financial difficulty. Financial counsellors can also undertake financial safety planning. If you would like to speak to a financial counsellor about your situation, contact the National Debt Helpline on **1800 007 007** or via the live chat feature on www.ndh.org.au

Care Community Loans offers 0% interest loans for up to \$1,500 for people on low to moderate incomes in Canberra and the surrounding NSW community to purchase essential goods and services. It also has a specialist loans program, Assistance Beyond Crisis, for people who have experienced and left a domestic or family violence, for up to \$5,000 at 0% interest. For more information call **02 6257 1788** or email microfinance.admin@carefcs.org or visit Care's [website](http://www.carefcs.org).

Useful links

- National Debt Helpline, [**COVID-19 Financial Survival Guide**](#)
- Australian Financial Complaints Authority, [**Coronavirus \(COVID-19\) pandemic - support hub**](#)
- Money Smart, [**COVID-19 making financial decisions**](#)

Get in Touch

Help is available. If you live in the ACT, please contact our team at Care Consumer Law for free legal advice.



02 6143 0044



clc.admin@carefcs.org



www.carefcs.org

