

FACT SHEET

# Financial Hardship during COVID-19

The ever-changing environment of the COVID-19 pandemic is impacting the lives of people across Australia.

If you are experiencing financial hardship as a result of the COVID-19 pandemic, support is available to help you. This factsheet provides information about the legal protections that exist for someone experiencing financial hardship under

the National Credit Law, as well as useful information and guidance on the resources available to help you respond to any financial concerns.



## What is financial hardship?

You are in financial hardship if you find it hard to pay your bills and make repayments on your loans and other debts when they are due. The COVID-19 pandemic has placed increased pressure on many households due to unemployment or a reduction of income; illness; a death in the family; and/or an increase in other bills or expenditures.

## Two main reasons for financial hardship are:

1. You could originally afford the loan or debt, but your circumstances have changed (e.g. unemployment or reduction of income, illness or injury, a death in the family or an increase in other bills or expenditure)
2. You could not afford to repay the loan when it was originally obtained (**Get legal advice immediately**)

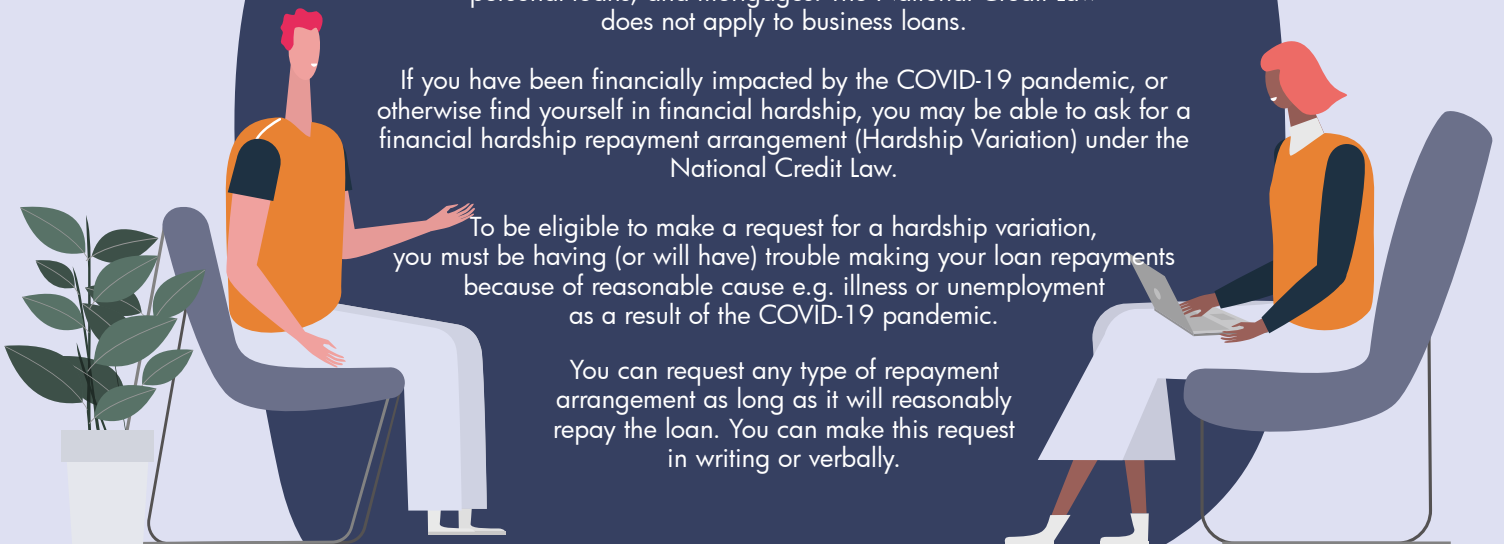
## Financial Hardship and the National Credit Law

The *National Consumer Credit Protection Act 2009* and Regulations make up the consumer protection law for credit in Australia (the National Credit Law). The National Credit Law applies 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.

If you have been financially impacted by the COVID-19 pandemic, or otherwise find yourself in financial hardship, you may be able to ask for a financial hardship repayment arrangement (Hardship Variation) under the National Credit Law.

To be eligible to make a request for a hardship variation, you must be having (or will have) trouble making your loan repayments because of reasonable cause e.g. illness or unemployment as a result of the COVID-19 pandemic.

You can request any type of repayment arrangement as long as it will reasonably repay the loan. You can make this request in writing or verbally.



## Asking for a hardship variation

The first step is to contact your bank or lender as soon as possible if you have been financially impacted by the COVID-19 pandemic. This can involve requesting a hardship variation or simply discussing the support options available to you.

The lender must respond to your request for a repayment arrangement within 21 days. The lender may also ask you to provide further information, but they must make this request within 21 days of your request. Once this information has been provided, the lender has 21 days to respond to your hardship request.

If the lender agrees to the repayment arrangement, then your credit contract will be varied. Keep copies of all communications. If the lender refuses your offer it must tell you that it has not agreed and give you reasons for the refusal.



## Hardship Variations and your Credit Report

When you ask for a Hardship Variation you should also ask the lender not to list a default on your credit report or report your payments as being overdue on your Credit File.

If the lender agrees to your hardship variation but does report your payments as late on your Credit File, you can make a complaint to AFCA.

## What if the Lender is threatening a Court action?

If you received a Default Notice or the lender threatens legal proceedings, you must act urgently. You should immediately:

- apply to the lender for a Hardship Variation
- lodge an application with the Australian Financial Complaints Authority (AFCA) –ph.: 1800 931 678; Email:info@afca.org.au.
- Get legal advice – you can get free legal advice through the Consumer Law Centre on 6143 0044



### IMPORTANT

The lender cannot commence court proceedings against you once you have lodged a written dispute with AFCA until the dispute is determined (or AFCA considers that it cannot consider your dispute).

## How Lenders are Responding to COVID-19

Most lenders have introduced a number of financial relief options to ease the financial struggles their customers are facing during this difficult time.

You may be able to access additional support such as reducing or deferring repayments, taking up a reduced fixed home loan or accessing the available funds in your loan if you are ahead on your repayments.

The earlier you contact your lender the more assistance they will be able to provide.

Please check your lender's website for more information.

**Worried about what to say to a lender?  
Want some more advice and guidance?**

- **Speak to a financial counsellor** if you want advice about your situation or guidance on how to talk to your lender. Financial counsellors are qualified professionals who provide information, advice and advocacy to people in financial difficulty. Their services are non-judgmental, free, independent and confidential. You can speak to a financial counsellor for free by calling the **National Debt Helpline on 1800 007 007**
- **Speak to a consumer credit lawyer** - The Consumer Law Centre provides free legal advice to Canberrans on consumer credit, debt recover, banking, bankruptcy, insurance, simple contracts, and general fair trading and consumer protection.
- **For legal advice call the Consumer Law Centre on 6143 0044.**

**Need some more help?**

You can access further information on financial hardship and COVID-19 from the following websites:

- National Debt Helpline, Covid-19 Financial Survival Guide: <https://ndh.org.au/debt-problems/covid19/>
- Australian Financial Complaints Authority, Coronavirus (COVID-19) pandemic - support hub: <https://www.afca.org.au/coronavirus-covid-19-pandemic-support-hub>
- Australian Banking Association, Support during COVID 19: <https://www.ausbanking.org.au/covid-19/>
- Money Smart, COVID-19 making financial decisions: <https://moneysmart.gov.au/covid-19>
- Financial Rights Legal Centre, Financial Hardship: <https://financialrights.org.au/factsheets/financial-hardship/>
- ACT Government. COVID-19: <https://www.covid19.act.gov.au/home>

**You can also call these services for assistance:**

- National Debt Helpline: **1800 007 007** – speak to a financial counsellor
- Consumer Law Centre: **6143 0044** for legal advice on consumer credit, debt recover, banking, bankruptcy, insurance, simple contracts, and general fair trading and consumer protection.
- AFCA Significant event hotline: **1800 337 444** may be able to offer support and information if you have been financially impacted by COVID-19.
- The ACT Government COVID-19 Helpline: **6207 7244** to provide advice and support for Canberrans across the Territory.