

Credit Ombudsman Service

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MFAA's Hardship Relief



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Credit Ombudsman welcomes hardship relief

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The Credit Ombudsman, Mr Raj Venga, described the hardship provision in the MFAA Code of Practice as representing best practice in the finance sector and strongly encouraged other industries in the sector to adopt a similar provision in their codes of practice.

The hardship provision was developed in conjunction with COSL. "We in turn consulted with senior consumer advocates as to the wording and scope of the hardship provision and were amply rewarded by the depth of their practical experience in this area", said Mr Venga.

The overwhelming majority of COSL members are contractually bound to comply with the MFAA Code of Conduct. "COSL will therefore be able to better assist borrowers in financial hardship by referring non-bank lenders to the hardship provision in the MFAA Code", added Mr Venga.

Under the MFAA's hardship provision:

- Members of COSL who are lenders or mortgage managers are under a positive obligation to assist borrowers experiencing financial hardship
- Lenders must have regard for the borrower's financial circumstances and consider in good faith and within a reasonable time borrower's request to vary their repayment obligations
- Significantly, while considering the borrower's request, the lender must suspend any action to recover payments from the borrower and refrain from listing the borrower's default with a credit reporting agency
- A lender must not require a borrower to apply for the early release of superannuation or obtain funds from family members, friends or other third parties.

According to Mr Graeme Matthews AM, COSL Chairman, "COSL's Annual Report on Operations indicates that 5% of all complaints and enquiries received by COSL in the year ending June 2007 related to borrowers experiencing financial hardship. MFAA's hardship provision will provide significant guidance to lenders as to how they must actively assist hapless borrowers facing difficult times."

Editors please note:

1. *COSL's Annual Report on Operations can be viewed at: www.creditombudsman.com.au.*
2. *COSL is an external dispute resolution scheme approved by the Australian Securities and Investments Commission to provide consumers with an alternative to legal proceedings for resolving credit-related disputes with members of COSL.*
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