

Media
Release
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1. COSL's Financial Hardship Guideline is at: www.cosl.com.au – see Guideline 16
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 and other complaints about members of COSL.
3. COSL operates exclusively in the non-bank sector.

Hardship
Thresholds



Media Release Issue 12 – Hardship Thresholds

1. The Credit Ombudsman, Mr Raj Venga, has applauded the Commonwealth Government's decision to increase to \$500,000 the monetary threshold under which borrowers with loans not exceeding that amount may seek assistance from lenders if they are experiencing financial hardship.
2. "The new threshold will enable a significantly greater number of struggling Australian families to benefit from consumer credit legislation where they can show that their financial hardship is only temporary and that a payment variation will enable them to meet their loan commitments."
3. In March 2008 the Credit Ombudsman Service Limited ('COSL'), which facilitates the resolution of disputes between consumers and non-bank financial services providers, released its own Guideline on Financial Hardship aimed at giving struggling borrowers a fair go. "This was necessary in view of the dramatic increase in the number of enquiries and complaints received by COSL from borrowers experiencing severe mortgage stress or who face losing their homes", Mr Venga said. "This is mainly due to a significant change in their financial circumstances, such as unemployment, family break-up, death of spouse or illness."
4. "We would also like to see a specific legislative provision requiring a lender to respond to an application for hardship relief within a reasonable time; consider the borrower's financial circumstances and hardship relief application in good faith; temporarily stay legal proceedings when an application is made; provide its reasons if it rejects the application; desist from listing a default while considering the application; and consider other types of temporary payment arrangements, including reducing interest rates", added Mr Venga.
5. Mr Venga noted that the Code of Practice of the Mortgage and Finance Association of Australia ('MFAA') requires precisely this of its members. "Our experience to date has been that non-bank lenders and mortgage managers who are members of COSL and the MFAA are genuinely considering requests for payment variations on grounds of financial hardship, even where the loan falls outside the threshold. This may include, for example, postponing or reducing loan repayments for some time, increasing credit limits where possible and deferring or waiving some fees for a period of time", he said.
6. "COSL is the only ASIC-approved dispute resolution scheme that will consider complaints about financial hardship even when legal proceedings against a borrower have commenced. We appointed a dedicated Case Manager to deal exclusively with financial hardship cases and this has yielded a significant number of positive outcomes for borrowers", according to Mr Venga.
7. Mr Venga advises that "If a member of COSL has declined or not responded to a request for a payment variation on grounds of financial hardship; borrowers are urged to refer the matter to us without delay. Our service is free for consumers, and a Case Manager dedicated to considering complaints about financial hardship can be contacted on 1800 138 422."
8. Borrowers should also consider approaching financial counselling services and community legal centres where invaluable services are provided to distressed borrowers.