

Credit  
Ombudsman  
Service

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The Credit Ombudsman Service Limited (COSL) has released its new Guideline on Financial Hardship aimed at giving struggling borrowers a fair go.

COSL's Hardship  
Guidelines

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## Media Release Issue 08

### Credit Ombudsman takes the lead on financial hardship

The Credit Ombudsman Service Limited (COSL) has released its new Guideline on Financial Hardship aimed at giving struggling borrowers a fair go.

The Credit Ombudsman, Mr Raj Venga, has urged borrowers finding it difficult (or who are unable) to meet their loan repayments because of short-term financial difficulties, to speak to their lenders as soon as possible.

*"In order to avoid defaulting on their loan, incurring default fees and enforcement expenses and ultimately losing their home, borrowers must approach their lender with haste and seek to vary their repayment obligations on grounds of financial hardship" said Mr Venga. "Financial counselling services and community and consumer credit legal centres are an invaluable resource that borrowers shouldn't overlook", continued Mr Venga.*

*"If the lender is a member of the Credit Ombudsman Service and does not agree or respond to a request for a hardship variation, the borrower should refer this to us quick smart", added Mr Venga.*

*"We can generally consider a complaint where a lender has declined or not responded to a request for hardship relief at any time up until judgement for possession. Once we receive the complaint, the lender will generally suspend or withdraw recovery action until we have considered the merits of the case", continued Mr Venga.*

Under the new COSL Guideline, a lender must provide the borrower with a timely response and not impose additional conditions before agreeing to the variation, such as requiring the early release of the borrower's superannuation.

*According to Mr Venga, "Although we do not substitute our decision for that of the lender's where an assessment has been properly made, we will ask the lender to reconsider its decision where, for example, the borrower has put forward a reasonable repayment proposal or where the lender has taken into account factors that they should not have, such as the borrower's prior payment history or the high loan to value ratio of the loan."*

*"Our experience to date suggests that our non-bank lender members and mortgage managers are prepared to genuinely consider requests for variations", continued Mr Venga.*

COSL's new Guideline on Financial Hardship also draws on the Code of Practice of the Mortgage and Finance Association of Australia which requires its non-bank lenders to actively assist borrowers in financial hardship.

Mr Venga described the COSL Guideline on Financial Hardship as representing best practice in the finance sector.

*According to Mr Graeme Matthews AM, COSL Chairman, "Almost 10% of all complaints and enquiries received by COSL in the last six months related in some way to financial hardship. COSL's Financial Hardship Guideline will provide significant guidance to lenders as to how they should actively assist hapless borrowers facing difficult times."*

### Editors please note:

1. COSL's Financial Hardship Guideline is at: [www.cosl.com.au](http://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 disputes with members of COSL.
3. For more information: Graeme Matthews AM - (08) 9840 8360 or Raj Venga - 0407 001 264