[YOUR BUSINESS NAME]

[Australian Credit Licence No. XXXXXX]

POLICY & PROCEDURE

Financial Hardship Policy

How we identify, assess and respond to customers experiencing financial hardship

Document type	Policy & Procedure
Applies to	All employees, contractors and representatives involved in customer contact, credit assessment, collections, hardship and complaints handling
Document owner	*[Compliance Manager / Responsible Manager name]*
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Classification	Internal use — Staff and Authorised Representatives

How to use this template

Text shown in *orange italics in square brackets* marks a placeholder — replace it with your organisation's own details before this policy is issued. Everywhere else, review the wording against your own products, systems, delegations and risk appetite: this template reflects the *National Credit Code*, *ASIC Regulatory Guide 271 (RG 271)* and the *AFCA Approach to Financial Difficulty* as at the date of preparation, but regulatory guides and case law are updated periodically — have a qualified compliance professional or lawyer confirm currency before adoption.

Document Control

Version	Date	Author	Summary of changes
1.0	*[DD/MM/YYYY]*	*[Name / role]*	Initial issue

Approval

Reviewed by	Approved by	Approval date
[Name / role]	*[Name / role — e.g. Responsible Manager]*	*[DD/MM/YYYY]*

1. Purpose

This policy sets out how *[Your Business Name]* ("we", "us", "our") identifies, responds to and manages customers who are experiencing, or may be at risk of, financial hardship in connection with a credit contract or other regulated product we provide, service or collect on.

This policy is intended to help us:

- recognise a hardship notice as soon as it is raised, in whatever form it takes;
- respond within the timeframes required by the *National Credit Code* (NCC);
- assess requests fairly, consistently and without unnecessary documentation burden;
- offer a genuine range of sustainable solutions; and
- meet our internal and external dispute resolution obligations under ASIC *Regulatory Guide 271* (RG 271) and the *Australian Financial Complaints Authority* (AFCA) framework.

This policy should be read together with the **Hardship Application – Standard Operating Procedure**, the **Financial Hardship Application Form**, and our Complaints Handling Policy, Vulnerable Customer Policy and Privacy Policy.

2. Scope

This policy applies to:

- all employees, contractors, agents and authorised representatives of *[Your Business Name]* who have contact with customers regarding accounts, repayments, collections, complaints or hardship;
- all consumer credit contracts regulated by the National Credit Code that we hold, service or collect on
- *[optional – delete if not applicable: and, as a matter of best practice, small business or other lending arrangements not otherwise covered by the NCC]*

This policy does not limit any additional protections we choose to offer, or any obligations that apply under other legislation (including the *Privacy Act 1988*, the *Australian Consumer Law* or our Australian Credit Licence conditions).

3. Definitions

Term	Meaning
Hardship notice	Any communication — verbal or written — from a customer (or someone authorised to act for them) indicating they are unable to meet, or expect to be unable to meet, their obligations under a credit contract. No particular form of words or form is required.
Hardship variation	A change to the terms of a credit contract sought or agreed under section 72 of the National Credit Code because of hardship (e.g. deferral, reduced payments, extended term).
Genuine hardship	A reasonable cause exists for the customer's inability to meet their obligations (e.g. illness, job loss, relationship breakdown, family/domestic violence, natural disaster, bereavement) and, with a reasonable variation, the customer could meet their obligations going forward.
Vulnerable customer	A customer who, due to their personal circumstances (e.g. family violence, mental health, cognitive impairment, elder abuse, financial abuse, language barriers, natural

Term	Meaning
	disaster), is at greater risk of harm or detriment and may need additional support to engage with our processes.
IDR	Internal Dispute Resolution — our own complaints handling process, conducted in line with RG 271.
EDR / AFCA	External Dispute Resolution — the Australian Financial Complaints Authority, the independent external dispute resolution scheme we are a member of.
Responsible Manager	The person(s) nominated on our Australian Credit Licence responsible for ensuring compliance with our credit and hardship obligations.

4. Legislative & Regulatory Framework

This policy is built around the following instruments. Confirm you are working from the current version of each before relying on this policy — ASIC and AFCA update their guidance from time to time.

Instrument	What it requires of us
National Credit Code (Schedule 1 to the National Consumer Credit Protection Act 2009), ss 72–75	Gives customers the right to apply for a hardship variation; sets out response timeframes and the content required in a refusal notice.
National Credit Code, s 88	Restricts a credit provider from beginning or continuing enforcement proceedings while a hardship application, or a related IDR/EDR dispute, is on foot, subject to the Code's conditions.
ASIC Regulatory Guide 271 – Internal dispute resolution (RG 271)	Sets the standards for how we must handle complaints, including complaints about hardship decisions and default notices, timeframes for our response, and what our IDR response must contain.
AFCA Rules & AFCA Approach to Financial Difficulty	Governs how AFCA handles hardship-related disputes referred to it once our IDR process is exhausted or a maximum timeframe has passed, and sets out AFCA's expectations of firms.
Privacy Act 1988 & Privacy (Credit Reporting) Code	Governs what we may record and report to credit reporting bodies while a hardship notice is being considered and while an arrangement is in place.
ASIC Report 782 – Hardship, hard to get help (May 2024)	ASIC's review of how lenders handle hardship notices; sets out supervisory expectations on identification, assessment, communication and outcomes for customers in hardship.

5. Guiding Principles

Principle	What this means in practice
Accessible	A customer does not need to use the word “hardship”, complete a form, or contact a specific team. Any indication they may be unable to pay should be treated as a hardship notice and actioned.

Principle	What this means in practice
Non-judgmental	Staff engage with empathy and without assuming blame. We create space for customers to explain their situation honestly.
Timely	We meet the statutory timeframes in Section 8, and we tell customers what to expect and when.
Proportionate	We request only the information reasonably needed to assess the request — not a standard, one-size-fits-all document list.
Flexible	We consider the full range of options in Section 10 and tailor the solution to what is sustainable for the customer, not just what is easiest for us.
Vulnerability-aware	We identify and respond appropriately to customers who may need extra support (see Section 13).
Transparent	Decisions, reasons, and referral rights (including to AFCA) are explained clearly and in writing.

6. How Customers Can Request Assistance

Customers (or someone authorised to act on their behalf, such as a financial counsellor, family member, or legal representative) can raise a hardship notice through any of the following channels:

- phone — *[phone number]*
- email — *[hardship inbox email]*
- online hardship application form — *[website URL]*
- in writing / by post — *[postal address]*
- in person, or verbally to any staff member during a routine collections or service call
- through a financial counsellor, community legal centre, or other authorised representative

A hardship notice may be made verbally. Staff must not require a customer to put a verbal request in writing before it is treated as a hardship notice — see the Standard Operating Procedure for how to log a verbal notice.

7. Recognising a Hardship Notice

A hardship notice does not need to follow a script. Staff should treat the following (and similar) statements as a hardship notice and action them accordingly, even during an unrelated call:

- “I can't make my payment this month.”
- “I've lost my job / my hours have been cut.”
- “I'm going through a separation and can't keep up.”
- “I'm not coping financially at the moment.”
- “Can I pay less for a while?”

If a staff member is unsure whether a comment amounts to a hardship notice, the default position is to **treat it as one** and escalate per the Standard Operating Procedure. Getting this wrong by under-recognising a notice creates compliance and customer harm risk; treating a borderline comment as a notice does not.

8. Assessment Process & Timeframes

These timeframes are set by law and are **maximums, not targets**. Wherever possible, respond sooner — uncertainty is one of the most stressful parts of financial hardship for customers.

Scenario	Action required	Maximum timeframe	Reference
We have enough information to decide	Notify the customer of our decision	Within 21 days of the hardship notice	NCC s 72(3); RG 271.92–271.93
We need more information and request it	Request only relevant information	Within 21 days of the hardship notice	NCC s 72(4)
Requested information is not provided	Notify the customer of our decision	Within 28 days of the date we requested the information	NCC s 72(4A)
Requested information is provided	Notify the customer of our decision	Within 21 days of the date we received the information	NCC s 72(4A)
Customer is dissatisfied and lodges a complaint about a hardship or default-related decision	Provide an IDR response	Within 21 days of the complaint (maximum — acknowledge sooner; see Section 15)	RG 271.86; RG 271.92–271.93

Step by step

- **Step 1 — Recognise & log:** record the hardship notice on the same day it is received, in the customer's file, with a unique reference and the date/channel received.
- **Step 2 — Acknowledge:** acknowledge receipt within 1 business day (see Section 15) and explain what happens next, including the relevant timeframe above.
- **Step 3 — Pause:** place a hold on outbound collections activity relating to the account while the notice is assessed, in line with s 88 of the NCC.
- **Step 4 — Assess:** gather only the information reasonably needed (Section 9) and assess the customer's circumstances and the sustainability of any proposed arrangement (Section 10).
- **Step 5 — Decide & notify:** make a decision and notify the customer in writing within the applicable timeframe above (Section 11).
- **Step 6 — Implement & monitor:** apply the arrangement in our systems, set a review date, and check in with the customer before the arrangement ends.

9. Information We May Request

We only request information that is **reasonably necessary** to understand the customer's situation and assess an appropriate arrangement. We do not request the same information more than once, and we do not use documentation requests as a way to delay or discourage a genuine application.

Depending on the circumstances, this may include:

- a brief description of the reason for hardship (no supporting evidence is required for most requests — see below);
- approximate household income and essential expenses;
- the type of arrangement being sought and for how long; and
- contact details for a financial counsellor or authorised representative, where relevant.

Evidence: we do not require formal evidence (e.g. medical certificates, statutory declarations, police or court documents) as a condition of considering a hardship notice, unless the circumstances make this reasonably necessary — for example, a request for a long-term or complex variation. We never require evidence of family or domestic violence before offering initial support — see Section 13.

10. Hardship Arrangement Options

We consider the full range of options below — individually or in combination — based on what is sustainable for the customer's circumstances, not simply what is administratively easiest for us.

Option	Description
Repayment deferral (moratorium)	Payments are paused for an agreed period; arrears are added to the end of the loan or capitalised, as agreed.
Reduced / partial payments	The customer pays a reduced amount for an agreed period, reflecting what is currently affordable.
Extended loan term	The term of the contract is extended to reduce the ongoing repayment amount.
Interest or fee reduction / waiver	Interest is reduced or waived, and/or hardship-related and default fees are waived, for an agreed period.
Capitalisation of arrears	Missed payments are added to the loan balance rather than requiring immediate repayment.
Combination arrangement	Two or more of the above, tailored to what is sustainable for the customer.
Formal NCC variation vs informal arrangement	A change that defers or reduces repayments for more than 90 days is a formal hardship variation — we must give written notice of the change no later than 30 days after we agree to it (NCC s 74). A change of 90 days or less does not require this written notice, but we still confirm it in writing as good practice.

11. Decision & Notification

If we approve the request

We confirm the arrangement in writing, including:

- the type of arrangement and its duration;
- the revised repayment schedule and any change to fees or interest;
- the date the arrangement ends and what happens then (e.g. review, return to standard repayments);
- who to contact if the customer's circumstances change again.

If we decline the request, or cannot agree the customer's proposed terms

We confirm this in writing, including:

- the decision and the reasons for it, addressing the issues the customer raised;
- that the customer can ask us to review the decision through our complaints process (Section 15);
- AFCA's contact details and the customer's right to take the matter to AFCA;
- information about free, independent financial counselling — the National Debt Helpline, 1800 007 007, ndh.org.au.

A decline is never communicated verbally only. Written confirmation is required in every case, in line with NCC s 72 and RG 271.

12. Record Keeping & Data Reporting

For every hardship notice we record, at minimum:

- the date, channel and content of the notice;
- the information requested and received;
- the assessment undertaken and the decision made, with reasons;
- all customer communications and the dates they were sent; and
- the outcome and any subsequent variations or complaints.

Records are retained in line with our record-keeping policy (commonly a minimum of 7 years under our credit licence obligations — confirm the current requirement with your compliance adviser). We maintain a hardship register to monitor timeframe compliance, identify trends, and support the reporting expected by ASIC *Report 782* and the board/management reporting described in RG 271.117–271.120. Where we are required to submit periodic IDR data to ASIC, hardship-related complaints are captured and reported as part of that process.

13. Vulnerable Customers & Family or Domestic Violence

Some customers face additional barriers to engaging with our hardship process, including family or domestic violence, financial abuse, mental illness, cognitive impairment, elder abuse, language barriers, or the aftermath of a natural disaster.

Where a staff member identifies indicators of vulnerability, they must:

- refer the customer to a trained specialist within our team, per the escalation pathway in Section 15;
- avoid requiring the customer to repeat their story to multiple staff members where this can be avoided;
- never require evidence of family or domestic violence as a condition of initial support, and only ask for details that are genuinely necessary, handled sensitively and by trained staff;
- consider joint account and coerced/economic abuse debt issues (e.g. separating a customer's liability where appropriate and lawful) with specialist or legal input;
- offer extended timeframes and simplified processes where a customer's circumstances warrant it; and
- offer referral to appropriate support — e.g. 1800RESPECT (1800 737 732), the National Debt Helpline (1800 007 007), or *[your organisation's nominated family violence / financial abuse support partner]*.

See the separate Vulnerable Customer Policy for full detail. This section summarises the interaction with hardship handling only.

14. Fees, Enforcement & Credit Reporting During Assessment

While a hardship notice is being genuinely considered, and while a customer is meeting an agreed hardship arrangement:

- we do not charge default or dishonour fees relating to the payments the subject of the notice;
- we do not commence or continue debt collection or enforcement proceedings on the affected debt, except as permitted under NCC s 88;
- we handle credit reporting in line with our Privacy Policy and the *Privacy (Credit Reporting) Code* — *[confirm and insert your organisation's specific credit reporting treatment for accounts in hardship, e.g. how repayment history information is reported while an arrangement is being met, with legal/compliance sign-off]*.

Note: credit reporting treatment during hardship is a common source of ASIC and AFCA scrutiny (see Report 782). Have this section reviewed by your compliance or legal adviser and aligned to your credit reporting systems before this policy is issued.

15. Complaints & Escalation Pathway

Any customer who is dissatisfied with a hardship decision — or with how their request was handled — has the right to have that decision reviewed. The pathway below sets out how a matter moves from first contact through to external review.

Level	Who	When it applies	What happens
1	Frontline / Hardship Officer	First contact with a hardship notice or a customer question about an existing arrangement.	Resolve at first contact where possible; otherwise escalate to Level 2 per delegation limits in the SOP.
2	Hardship Specialist / Team Leader	Complex cases, declined requests, requests outside frontline delegation, or where the customer disputes the outcome.	Review within the statutory timeframe; provide a written decision.
3	Internal Dispute Resolution (IDR) / Complaints Team	Customer formally disagrees with the outcome, or wants the decision reviewed as a complaint.	Acknowledge within 1 business day; provide a written IDR response within the maximum timeframe — 21 days for a hardship or default-notice related complaint (RG 271.86, 271.92–271.93), 30 days for other complaints (RG 271.56).
4	Responsible Manager / Compliance	High-risk, systemic, vulnerable-customer, or legally complex matters; oversight of IDR outcomes and quality assurance.	Sign-off, remediation decisions, and systemic issue reporting per RG 271.117–271.120.
5	External Dispute Resolution — AFCA	Customer remains dissatisfied after our IDR response, or the maximum IDR timeframe has passed without a response.	Customer may lodge a complaint with AFCA — afca.org.au, 1800 931 678, GPO Box 3, Melbourne VIC 3001.

Flow: Frontline / Hardship Officer → Hardship Specialist / Team Leader → Internal Dispute Resolution (IDR) → Responsible Manager / Compliance (oversight) → AFCA (external dispute resolution).

Every IDR response must state the outcome, the reasons for it (including findings on the material issues raised), and the customer's right to take the matter to AFCA together with AFCA's contact details (RG 271.53–271.54).

16. Staff Training & Competency

All staff covered by this policy complete hardship-handling training:

- on induction, before handling customer accounts unsupervised;
- *[annually / on each material policy update — set your organisation's cadence]*, covering this policy, the SOP, and any regulatory or process changes;
- with specific additional training for staff in specialist hardship, vulnerability, or complaints-handling roles.

Training completion is recorded in *[your training register / LMS]* and reviewed as part of our compliance monitoring program.

17. Related Documents

- Hardship Application – Standard Operating Procedure
- Financial Hardship Application Form
- Complaints Handling (IDR) Policy
- Vulnerable Customer Policy
- Privacy Policy & Credit Reporting Policy
- Collections & Default Management Policy
- *[Delegations of Authority Matrix, if maintained separately]*

18. RG 271 & National Credit Code Cross-Reference

This table maps the obligations most relevant to hardship handling to the section of this policy that addresses them, to support your compliance evidence and internal audit.

Requirement	Addressed in	Reference
Definition of a complaint	Section 15	RG 271.27–271.35
Acknowledging a complaint within 1 business day / 24 hours	Section 15	RG 271.51–271.52
Standard maximum IDR timeframe (30 calendar days)	Section 15	RG 271.56
Maximum timeframe for credit default notice complaints (21 days)	Section 8, Section 15	RG 271.86
Maximum timeframe for credit hardship / postponement complaints (21 days)	Section 8, Section 15	RG 271.92–271.93

Requirement	Addressed in	Reference
Content of the IDR response (outcome, reasons, AFCA referral)	Section 11, Section 15	RG 271.53–271.54
Identifying and escalating systemic issues	Section 12	RG 271.117–271.120
Board / management reporting on complaints and hardship data	Section 12	RG 271.119
Monitoring first-contact resolution and root causes	Section 8, Section 12	RG 271.156
Underlying right to a hardship variation and response timeframes	Section 8, Section 10	National Credit Code, ss 72–75
Restriction on enforcement while a dispute is on foot	Section 14	National Credit Code, s 88

Paragraph references are drawn from RG 271 as published by ASIC and are provided as a navigation aid. ASIC periodically updates RG 271 — verify paragraph numbers against the version in force when you issue this policy.