



# Negotiations with lenders during COVID-19

The ever-changing environment of the COVID-19 pandemic is impacting the lives of people across the world, including in Australia. Care has developed a series of COVID-19 factsheets about your consumer rights related to banking and credit law. **This factsheet offers guidance for negotiations with banks and financial service providers when you are in financial hardship.** The information may also be useful for negotiations when you need to reduce or suspend your loan or credit repayments for other, long term reasons.

## What is financial hardship?

You may be in financial hardship if you find it difficult to pay your bills and make repayments on your loans and other debts when they are due. The COVID-19 pandemic has increased pressure on many households due to unemployment, reduction in hours and income, illness, increases in expenditure, and other factors.

**Detailed information about financial hardship and an application process is provided in our factsheet 'Financial Hardship during COVID-19' which you can view on our website by [clicking here](#).**

You may struggle with paying one, some, or all your loan and bill repayments, which may include:

- mortgages
- car loans
- personal loans
- credit cards
- payday loans
- consumer leases
- 'buy now pay later' products
- telephone, gas and electricity bills.



If you could never afford the loan or a financial product from the time when or just after you applied for it, **you should get legal advice immediately.** In the ACT, you can call Care Consumer Law on (02) 6143 0044 or send an email to [CLC.Admin@carefcs.org](mailto:CLC.Admin@carefcs.org).

You may also contact free National Debt Helpline on 1800 007 007 to speak with a financial counsellor and get assistance specific to your individual circumstances.



## Documents and preparation



### Evidence of hardship

When preparing for speaking with a bank or other provider, it may be useful to gather and review all documentation which shows an accurate picture of your current financial situation and that you are experiencing financial hardship.

It is important that you can clearly show:

- the reason you are experiencing hardship
- your current income and other major financial expenses
- what repayments you can afford.

Depending on your circumstances, this may include information and documents about your financial, health, employment, family and other factors. For example:

- pay slips and documents from your employer or your ATO tax return
- Centrelink and other government records
- medical certificates and hospital discharge documents
- statements from your bank accounts and other financial records
- evidence of your financial obligations such as mortgage or loan documents
- bills and receipts.

Your lender may publish on its website specific information related to COVID-19 assistance or a financial hardship policy, indicating what documentation or evidence are required to successfully apply for a financial hardship variation.

If you are not sure what documents you should provide, or if a lender is asking you for information and documents which you do not want to provide (such as your private medical records), contact a financial counsellor for support.

### Types of hardship relief that may be available

Banks and financial institutions have a wide discretion about what assistance can be offered in your circumstances, provided that you can reasonably repay the debt. Some common example of hardship assistance include:

- a temporary payment deferral (often also capitalising the referrals and extending the term of the loan)
- a payment arrangement with reduced payments, frequency or interest rate
- an agreement to refund or waive late payment and default fees or enforcement expenses fees
- allowing access to the funds in your loan if you are ahead on your repayments.



## Types of other relief that may be available

If there is a permanent change in your financial situation and your capacity to recover and meet repayments in a reasonable time is unlikely, your application for hardship relief will be refused.

However, banks and financial providers have a wide discretion and can offer other support. For example, your lender may agree to:

- vary your loan contract or offer a refinance
- reduce your interest rate
- discuss other options such as a refinance or selling your property

If your financial situation is such that you do not expect to be able to meet your financial obligations in future, you should also obtain independent advice about your bankruptcy or insolvency options.

It may also be a good idea to contact your insurer to discuss if you have any policies which may cover you in your circumstances.

## Before you talk to your lender – answer the following questions:

Ahead of your conversation with your bank or a financial institution, it is important to try to have a clear answer to the following questions:

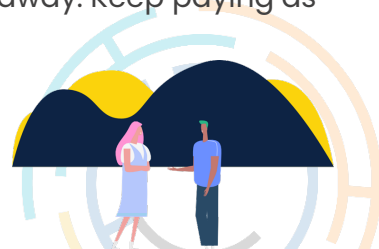
- How much can I afford to repay per week/fort night/month?
- When will the debt be paid off? Is the amount I propose sustainable and realistic?
- Is my financial position likely to change in the near future?
- What is the reduction in my net income compared to when I got the loan?

It is a good idea to do a household budget to help you work out what you can afford. If you need help preparing a budget, or working out what is affordable for you, speak to a financial counsellor for assistance.

## Pay what you can

It is in your best interest to keep paying what you can, even before any hardship or other assistance if offered by your lender. This will ensure that the interest does not continue to accrue on top of your debt and will make it easier to resume normal repayments when your situation improves. If you find you cannot meet repayments agreed under a new hardship arrangement, tell your lender or service provider straight away. Keep paying as much as you can afford, even if it is not as much as you agreed to.

If you are unsure about how much you can afford, contact a financial counsellor on the National Debt Helpline  
**1800 007 007**





## During and after negotiations

### Keep records

It is important to keep record of your communications. Your notes should include:

- dates and times of all communications
- details of what was discussed and of any agreements made
- full name and official role of the person with whom you spoke.

If you wish to record a verbal conversation, you **must** get the consent of the other person. A recording obtained without such consent can not be used as evidence in court proceedings and may also be in breach criminal law.

### Internal and external dispute resolution

If your request for financial hardship or other assistance is refused by your bank or financial institution, you must be told the reasons for this refusal. You must also be given the contact details of the lender's Internal Dispute Resolution scheme (IDR) and your right to lodge a complaint with an independent Ombudsman body, the Australian Financial Complaints Authority (AFCA).

You can contact a financial counsellor or lawyer for further advice and guidance on ways to help resolve the dispute. If your bank or loan lender is taking legal action against you, please contact a lawyer immediately.

### Useful links

- National Debt Helpline, [COVID-19 Financial Survival Guide](#)
- Australian Financial Complaints Authority, [COVID-19 pandemic - support hub](#)
- Money Smart, [COVID-19 making financial decisions](#)

### Get in Touch

**Help is available.** If you live in the ACT, please contact our team at Care Consumer Law for free legal advice.

 **02 6143 0044**

 **[clc.admin@carefcs.org](mailto:clc.admin@carefcs.org)**

 **[www.carefcs.org](http://www.carefcs.org)**

