



ASIC
Australian Securities &
Investments Commission

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and Investments Commission**

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To: CEOs of all lenders

30 August 2023

Dear CEOs

Supporting consumers experiencing financial hardship

This letter is to advise you of ASIC's heightened focus on lenders' approach to financial hardship, and our expectations for lenders in this area.

ASIC is aware of increasing evidence suggesting that some consumer cohorts are experiencing financial distress and hardship due to increasing cost of living pressures. For example, there has been a 28% increase in calls to the National Debt Hotline in 2023 compared to this time last year, and surveys indicate that a growing number of consumers are reporting very high levels of financial stress. Delinquencies and hardship application volumes are also starting to increase, although from relatively low levels.

It is in this context that it is critically important that you prioritise ensuring that your organisation has appropriate arrangements to respond to and support consumers experiencing financial hardship.

ASIC's focus on financial hardship

Ensuring that lenders support consumers experiencing financial hardship is a priority for ASIC, and will be of increased focus during the next twelve months.

In the short term, we are commencing a data collection involving 30 large lenders. For each of those lenders, we will be collecting application-level information relating to financial hardship.

We are also commencing a review of 10 large home lenders to understand their approach to financial hardship. We will issue questionnaires, review documents, and meet with staff of the selected lenders. We will also review case studies and conduct a hypothetical applicant exercise to understand differences in lenders' approach to hardship.

We expect to publish the results and insights (including better practices) from this work in early to mid-2024.

Although your organisation is not directly involved in this work at this time, ASIC will be monitoring a range of data sources and will extend its work to other lenders as necessary.

ASIC's expectations of lenders

We take this opportunity to remind you of your organisation's obligations under section 72 of the *National Credit Code*, whereby you must consider varying a consumer's credit contract if a consumer notifies you that they are or will be unable to meet their credit obligations.

Your organisation must also do all things necessary to ensure that the credit activities authorised by your licence are engaged in efficiently, honestly and fairly.

Based on ASIC's early engagement with some lenders, we have identified several areas that are important for lenders to focus on to ensure they meet their obligations to consumers who are experiencing financial hardship. Our expectations are outlined in *Appendix A: ASIC's financial hardship expectations for lenders*, which accompanies this letter.

We expect that you will take action to ensure your organisation meets its obligations and operates consistently with the expectations outlined in Appendix A. Our work will consider, among other things, the extent to which lenders have acted to operate consistently with these expectations.

Next steps

We request that you:

1. Share this letter with your Board.
2. Discuss with your Board the steps that your organisation is taking to ensure it has appropriate arrangements in place to support and respond to consumers experiencing financial hardship.

If you have any questions about this letter, please contact us by email at ASICHardship@asic.gov.au.

Yours sincerely

Danielle Press
Commissioner

Appendix A: ASIC's financial hardship expectations for lenders

Under section 72 of the *National Credit Code* your organisation must consider varying a consumer's credit contract if a consumer notifies you that they are or will be unable to meet their credit obligations.

Your organisation must also do all things necessary to ensure that the credit activities authorised by your licence are engaged in efficiently, honestly and fairly.

To meet its obligations, we expect that your organisation will, among other things:

1. Proactively communicate to consumers about when and how they can seek hardship assistance and the options that may be available to them.
2. Make it easy for consumers to seek hardship assistance – including providing clear information about the process, and allowing consumers to seek assistance through multiple channels (e.g., by telephone as well as through digital contact).
3. Ensure that all customer-facing staff are trained and have procedures in place to help them identify consumers experiencing hardship, and know how to support and respond to those consumers.
4. Genuinely consider a consumer's request and individual circumstances, and, where possible, work with them to develop a sustainable solution to their financial hardship. You should tailor solutions for consumers where a standardised 'one-size-fits-all' approach may not meet a particular consumer need. For example, if a consumer has had their loan repayments deferred, you should ensure that how a consumer will catch up on missed repayments is manageable and offer alternatives.
5. Ensure all consumer communications are clear and provide consumers with sufficient information to make an informed decision about the available assistance. This should include details of how the assistance will affect the consumer's loan and repayments over the short and long term – including the effect of capitalising interest – and alternative options, where applicable.
6. Where a consumer's request for hardship assistance is declined, provide the consumer with written reasons that allow the consumer to understand why the assistance has been declined. You must ensure that consumers are aware of their other options, including to make a complaint to AFCA about the decision. Lenders should also encourage consumers to reach out to them to talk further about their options (including non-hardship arrangement options).

7. Check in with consumers throughout the period of assistance as needed to ensure that the assistance provided remains appropriate and continues to meet their needs.
8. Contact individual consumers as their period of assistance comes to an end, to understand their financial circumstances at that time, consider whether any further assistance is required, and ensure they understand what will happen next. This includes ensuring that consumers understand what they need to do in relation to any arrears that may exist at the end of the hardship assistance period.
9. Identify where consumers may be experiencing some form of vulnerability, and have processes in place to offer additional support to these consumers. This might include having these consumers supported by specially trained staff and/or ensuring the consumer is aware of other support services that might exist.
10. Have the resources available to respond to consumers seeking financial hardship assistance in a timely and effective manner, including the ability to scale to accommodate potential increases in volumes. To support this, your staffing models should be flexible and you should be undertaking both short and long-term forecasting of application volumes and staffing needs. In doing so, you should also take into account both new applications and the need to support consumers that have ongoing hardship arrangements in place.
11. Have appropriate governance and oversight arrangements in place to ensure your organisation is meeting its obligations. This includes ensuring that there is someone with end-to-end responsibility for hardship, that periodic reviews are undertaken, there are effective quality assurance/hindsight reviews that operate on an end-to-end basis, and that there is reporting that focuses on consumer experience and outcomes
12. Have adequate systems to support your organisation in meeting its obligations. For example, you should ensure that your organisation has the systems in place to respond within the required timeframes when a consumer gives notice of hardship.