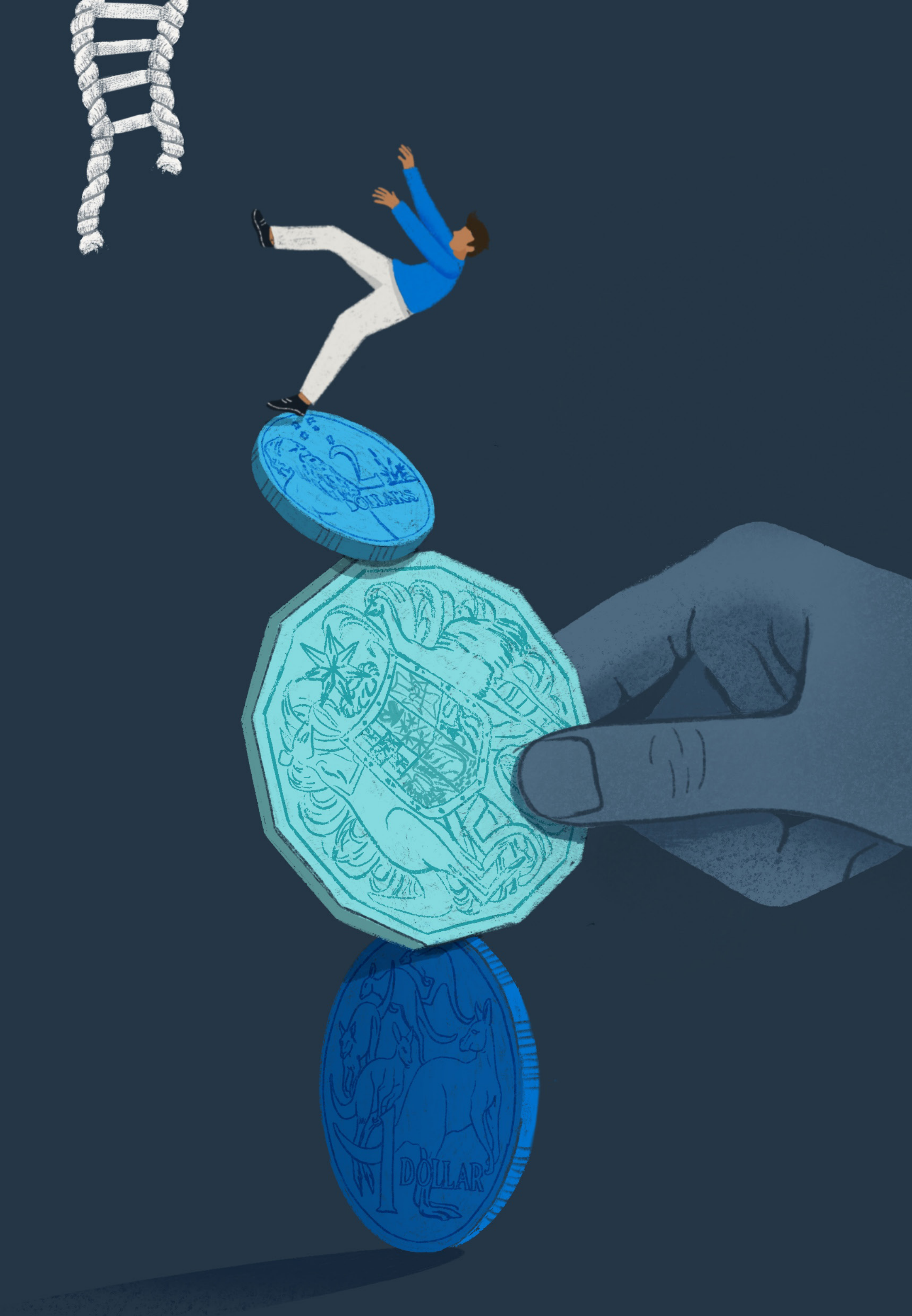
Hardship, hard to get help

Lenders fall short in financial hardship support



REPORT 783 • MAY 2024

ABOUT THIS REPORT

In late 2023, ASIC reviewed 10 large home lenders to understand how they are supporting customers experiencing financial hardship. This report outlines the key findings from that review. More information, including detailed, practical actions for lenders, is included in the full report – Report 782 *Hardship, hard to get help: Findings and actions to support customers in financial hardship* (REP 782).

ABOUT ASIC REGULATORY DOCUMENTS

In administering legislation ASIC issues the following types of regulatory documents: consultation papers, regulatory guides, information sheets and reports.

DISCLAIMER

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations. Examples in this report are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements. For privacy reasons, the names of case-study subjects have been changed.

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Overview

Increasing numbers of customers have been experiencing difficulty in making repayments on their home loans (financial hardship).

In the last quarter of 2023, there was a 54% increase in the number of hardship notices related to home loans compared with the same period in 2022.

The causes of financial hardship are many and varied. They include unemployment, injury or illness, and separation from a partner. There can be multiple, inter-related causes for financial hardship – for example, a dual-income family may ordinarily be able to manage a period with one income but struggle to do so in a heightened cost-of-living environment.

Many credit contracts – including home loans – involve a long-term relationship between a customer and their lender. The customer's ability to meet their repayment obligations is likely to change over the course of the credit contract, as unexpected events and changes in individual circumstances occur.

Lenders have an important role in supporting customers in financial hardship. Under the National Credit Code, customers can advise their lender of their inability to meet their obligations under a credit contract (a hardship notice). In response, the lender must consider whether to vary the customer's credit contract to assist the customer in meeting their obligations.

The financial hardship process is a critical protection for customers. It gives them the opportunity to work constructively with their lender to resolve their financial hardship, potentially avoiding both the need to sell their home and the associated financial costs, stress and disruption.

WHAT WE REVIEWED

Given the importance of effective responses to hardship notices in an environment of increasing financial hardship, in late 2023 we reviewed 10 large home lenders to understand how they support customers experiencing financial hardship.

We also collected data from 30 lenders (20 of these being home lenders) about the hardship notices they received between July 2022 and December 2023.

The review included:

- a review of lenders' policies, procedures and internal reporting
- a review of 80 case studies
- hypothetical customer exercises, and
- on-site visits and meetings with more than 170 staff

Our review followed an open letter that we issued to CEOs of lenders in August 2023. The letter outlined 12 expectations for lenders to focus on to ensure they meet their obligations to customers experiencing financial hardship.

WHAT WE FOUND

We found that lenders weren't doing enough to support customers experiencing financial hardship. In the worst cases, lenders ignored hardship notices, effectively abandoning customers who needed their support.

Too often, the hardship process was confusing and frustrating for customers. This resulted in heightened levels of stress and anxiety for customers who were already struggling.

We also found that lenders often adopted standardised approaches to dealing with financial hardship. These approaches did not take into account that each customer's situation is unique and that solutions need to be tailored accordingly.

Although we identified some good practices, we also identified poor practices.

For example, we observed that:

Lenders didn't make it easy for customers to give a hardship notice SEE PAGE 7

Assessment processes were often difficult for customers SEE PAGE 10

Lenders didn't communicate effectively with customers SEE PAGE 11

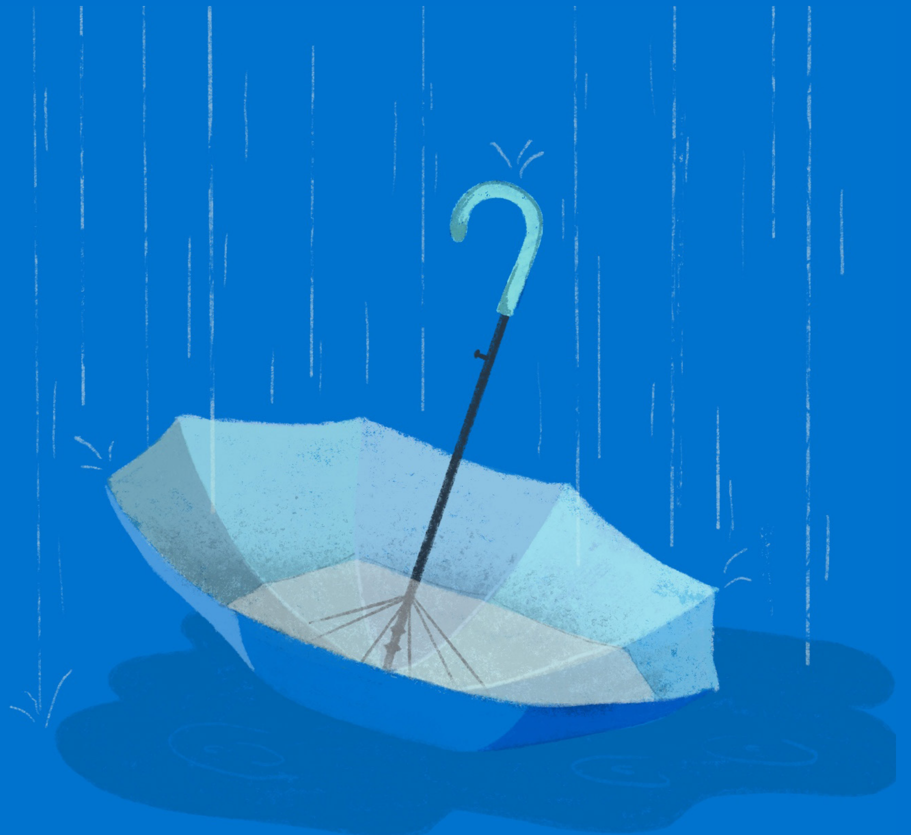
Vulnerable customers often weren't well supported SEE PAGE 12

Of concern, 35% of customers dropped out of the process on at least one occasion after giving a hardship notice – this was often because of unnecessary barriers hindering customers from obtaining assistance.

The practices of the lenders we reviewed varied significantly. In general, banks performed better than non-banks, and larger banks better than smaller banks. However, we identified gaps in the support provided by all lenders.

THE CORE PROBLEM: AN INADEQUATE FOCUS ON CUSTOMERS

An inadequate focus on customers (compared with financial risk and operational efficiency) appeared to underlie many of the poor practices that we observed. We also saw deficiencies in the systems, data, training and resourcing required to support a customer-centric hardship function.



LESSONS FOR LENDERS: WHERE TO FROM HERE?

In short, lenders need to do more. If customers aren't well supported, they are at increased risk of harm. This includes, in the worst cases, losing their home.

Encouragingly, at the time of our review, at least seven of the lenders had significant programs of work in place to improve the way they manage financial hardship (see page 16). But lenders need to do more to ensure that customers are consistently and appropriately supported.

To this end, we have outlined practical actions that lenders can take in Report 782 *Hardship, hard to get help: Findings and actions to support customers in financial hardship* (full report).

We urge lenders to consider our findings and improve how they support their customers. With an increasing number of customers experiencing financial hardship, it's critical that lenders make this a priority.

ASIC'S RESPONSE: OUR ACTIONS ON FINANCIAL HARDSHIP

We will provide individual written feedback to lenders who were part of this review. We will ask the lenders to prepare an action plan outlining how they intend to respond to the issues identified, and follow up with lenders to ensure they've taken those actions. We are also considering further regulatory action in relation to some of the issues we identified.

In addition, we'll be commencing a campaign to increase customers' awareness of what financial hardship is and how to access assistance.

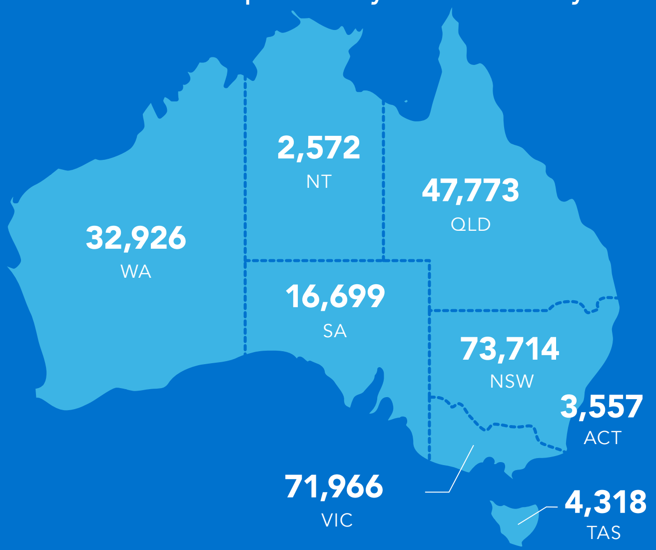
Snapshot: Home loan hardship in Australia

We collected data from the 10 lenders in our review as well as 10 other large home lenders about hardship notices relating to home loan accounts.

During the period from 1 July 2022 to 31 December 2023:

Number of hardship notices by quarter

Number of hardship notices by state or territory



Top 5 reasons for notice

1st Overcommitment
2nd Reduced income
3rd Medical
4th Unemployment
5th Separation

Number of hardship notices by property purpose

202,506
OWNER OCCUPIED

38,594
INVESTMENT

15,741
UNKNOWN

+250k
hardship notices received in relation to 144k accounts

+52.8k
hardship notices received in Oct–Dec 2023

54%
increase in the number of hardship notices received in the last quarter of 2023 compared with the same period in 2022

+80%
of these hardship notices related to owner-occupied home loans

$312k
Median home loan balance for customers requesting hardship

Note: See Appendix 2 for the data shown in these figures (accessible versions).

FINDING #01

Lenders didn't make it easy for customers to give a hardship notice

We reviewed what steps lenders were taking to ensure that customers know that financial hardship assistance is available, and when and how to request that assistance. We also assessed whether customer-facing staff could identify and respond to hardship notices.

We found that some lenders weren't proactive in informing customers about hardship assistance. Of particular concern, some lenders failed to identify when a customer was giving a hardship notice. This meant that customers didn't receive timely assistance, or didn't receive assistance at all.

Lenders didn't provide adequate information about hardship assistance

- The quality of some hardship information was poor. For example, information from some lenders suggested hardship assistance is only available following specific life events (e.g. an illness). This could lead to customers mistakenly believing they aren't eligible to request hardship assistance for other reasons.
- Some lenders didn't communicate in a timely manner after a customer missed a payment. This sometimes meant a customer wasn't made aware of the availability of hardship assistance before this affected their credit report.
- Lenders didn't use all available channels to inform customers that hardship assistance may be available. For example, some lenders didn't include hardship information on statements or in notifications about interest rate increases.

If lenders make it easy for customers to give a hardship notice, this increases customers' chances of financial recovery and minimises poor outcomes (e.g. ending up with significant arrears or being reported to credit reporting bodies for missed payments).

Hardship notices weren't consistently identified and acted on

- There were inconsistencies in when collections teams would identify a hardship notice and refer a customer for hardship assessment. We saw examples where collections staff didn't explore why a customer had missed a payment and whether the customer may be in financial hardship. We also saw examples where collections staff focused on the immediate payment of arrears, rather than ensuring the customer could meet their obligations going forward.
- Policies and training material sometimes reflected an incorrect understanding of what constitutes a hardship notice. Some policies and training material focused on financial hardship being short-term and/or the result of a specific life event. However, a hardship notice can be given by a customer any time they are unable to make their repayments.
- Some customer-facing staff didn't refer customers to the hardship team immediately. Some customer-facing staff attempted to resolve a customer's situation instead of referring them to the hardship team. While this is often done with good intent, this could lead to hardship notices not being actioned in accordance with the lender's legal obligations. There were also gaps in how referrals were made to the hardship team, such as customers being told to contact the hardship team themselves rather than being transferred.

For more information, see Sections C and D of the full report.

CASE STUDY

Sumit's story[†]

Sumit works casually and has held his home loan for over 18 years. When he started to fall behind on his mortgage payments, he contacted his lender. Unfortunately, his lender repeatedly failed to recognise that he needed hardship assistance.

JANUARY

Sumit provided hardship notice #1

Sumit called the lender's collections team. He explained that he hadn't been able to work because of floods in his area and had fallen behind in his repayments. Sumit asked if he could skip next week's payment.

When Sumit asked whether skipping the payment would affect him, the agent explained that it would affect his credit score. Because of this, Sumit decided that he would not skip the payment and stated that he could always borrow the money instead.

Lender recognised hardship notice	✗
Lender referred Sumit to hardship team	✗

FEBRUARY

Sumit provided hardship notice #2

Sumit called the lender's collections team. He explained that he had taken a week off work, was 'not in a good headspace' and wanted to see if his mortgage could be put on hold until next week.

The collections agent tried to transfer him to the collections agent dealing with his account, but they were unavailable.

> **'I haven't worked a whole week because I haven't been well, so I am not going to get paid next week so I have to work out how I am going to do it.'**
>
> SUMIT

The call ended without Sumit speaking to the hardship team or being assessed for hardship assistance, even though there was uncertainty about how he was going to make the next repayment.

Lender recognised hardship notice	✗
Lender referred Sumit to hardship team	✗

MARCH

Sumit provided hardship notice #3

Sumit called the lender's collections team. He explained that his roof needed repairing and he needed to put his payment on hold for a week.

The agent put his direct debit on hold for one week and asked Sumit to call back in two weeks to discuss entering a 'promise to pay' arrangement to clear the arrears.

Lender recognised hardship notice	✗
Lender referred Sumit to hardship team	✗

[†] Name changed for privacy reasons.

CASE STUDY

Sumit's story[†]

Sumit provided six hardship notices over six months. But only the last notice was identified and referred to the hardship team by his lender.

MAY

Sumit provided hardship notice #4

Sumit received a call from the lender's collections team. Sumit explained his situation:

> **'Last couple of weeks I have just had some tough times, I wasn't well so I haven't been able to work. I am only casual and I haven't been able to pay the mortgage … I won't be able to catch up on the whole amount until at least for the next three or four weeks.'**
>
> SUMIT

The agent recognised that Sumit may need hardship assistance but transferred him to another collections team. The collections team then entered a 'promise to pay' arrangement with Sumit.

- **Lender recognised hardship notice** ✓
- **Lender referred Sumit to hardship team** ✗

JUNE

Sumit provided hardship notice #5

Sumit called the collections team. He explained that he'd had to take time off work to care for his mother. He asked if he could get some mortgage relief or go on interest-only for a month or two.

The agent considered referring Sumit to the hardship team, but decided to tell Sumit that for interest-only arrangements, he would need to visit a branch – this was despite the lender's hardship team also offering interest-free hardship arrangements.

Sumit visited the branch that day, but the branch told him that he needed to call the collections team.

- **Lender recognised hardship notice** ✓
- **Lender referred Sumit to hardship team** ✗

Sumit provided hardship notice #6

Shortly after visiting the branch, Sumit called the collections team and explained his circumstances:

> **'I was speaking with Adam 25 minutes ago regarding some help with my home loan. He told me to go to the branch. Then the branch said for me to give you guys a call.'**
>
> SUMIT

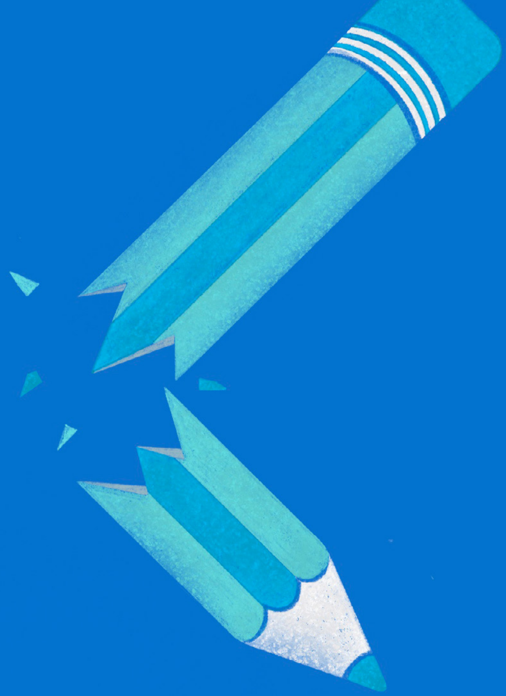
The collections team finally transferred Sumit to the hardship team. Sumit explained his circumstances to the agent in the hardship team.

This was the fourth time Sumit explained his circumstances that day. The agent took his statement of financial position and approved a three-month hardship arrangement.

- **Lender recognised hardship notice** ✓
- **Lender referred Sumit to hardship team** ✓

† *Name changed for privacy reasons.*

FINDING #02



Assessment processes were often difficult for customers

We reviewed how lenders assessed hardship notices and determined the type of assistance they would provide.

We found that assessment and approval processes were often stressful, inefficient and inflexible. This resulted in customers not getting the assistance they needed.

Assessment processes were often stressful and frustrating for customers

- Some lenders insisted on customers completing detailed application forms, even when this was difficult for the customer. By contrast, better lenders accepted most applications over the phone (and sometimes provided a decision on the spot).
- Customers often needed to explain their circumstances multiple times to different people, which caused frustration and distress.
- Some lenders issued onerous requests for documents, requesting information that was not clearly relevant to the lender's consideration of the hardship notice.
- In some cases, information and documents appeared to be collected by lenders to 'tick-a-box' rather than to determine the most appropriate solution.
- Lenders didn't always follow up with customers after requesting information. This contributed to cases where applications were declined because customers didn't understand that their lender was awaiting information from them.

35% of customers dropped out of the assessment process on at least one occasion.

Assistance wasn't always tailored to customers' circumstances

- Most customers who got through the assessment were provided with some assistance. However, lenders tended to focus on providing short-term assistance, usually for up to three months at a time.
- Some lenders adopted overly inflexible, standardised approaches. In some cases, this meant that customers weren't given assistance even though they had a plan to recover their financial situation.

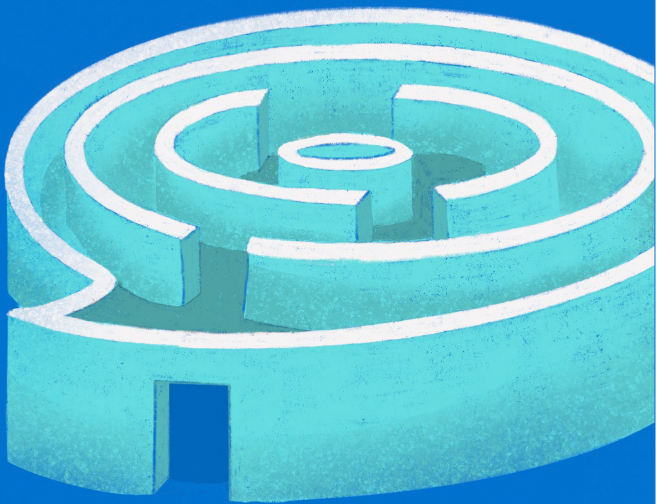
ONE SIZE DOESN'T FIT ALL

A customer wanted a six-month interest-only period during a period of parental leave. The lender advised the customer that they can offer interest-only repayments on hardship grounds for a maximum of three months. The customer ultimately decided not to progress with the hardship notice.

A different lender declined to provide hardship assistance to a customer on parental leave for a six-month period (until they returned to work) on the basis that the hardship situation was not short term. This decision was overturned after the customer complained.

For more information, see Sections E and F of the full report.

FINDING #03



Lenders didn't communicate effectively with customers

We assessed how lenders communicated approval and declined decisions. We also assessed the contact lenders had with customers during and towards the end of the hardship assistance period.

We found that there were inconsistencies in how lenders communicate with customers about the outcome of a hardship notice and during the assistance period. We're concerned that this is resulting in customers not understanding what is required of them, and falling back into arrears.

Outcomes of hardship assessments were poorly communicated

- Lenders did not provide adequate written reasons for declining hardship notices. The reasons were often so broad and generic that it would have been difficult for customers to understand why the lender didn't agree to change their credit contract.
- Quite often, lenders didn't clearly explain the impact of hardship assistance and what was required from the customer. This resulted in some customers not being aware that they would have arrears at the end of the assistance period that would need to be cleared.
- Lenders provided inconsistent and sometimes inaccurate information about credit reporting impacts. This may have contributed to some customers not accepting hardship assistance even where it was in their financial interests to do so.

EXAMPLE REASON FROM LENDER FOR DECLINING ASSISTANCE

'Your application did not disclose any method that would enable you to discharge your obligations and your contract if the contract was changed or varied.'

Communications during and at the end of the assistance period were inconsistent

- When customers broke their arrangements, some lenders didn't have a set approach for communicating with them. This meant that customers weren't given sufficient time to remedy the broken arrangement.
- Some lenders made minimal attempts to contact their customers at the end of their assistance period (e.g. only a letter or single outbound call attempt). This resulted in customers not knowing that their hardship assistance period had ended or what was required from them. Better lenders made multiple contact attempts over several days using multiple contact channels.
- Customers fell into arrears right after the hardship period ended. We found that in approximately 40% of cases where payments were reduced or deferred, customers fell into arrears right after the assistance period ended. In over a third of these cases, the customer gave another hardship notice within three months of the assistance ending. Based on our case studies, this was sometimes in response to lenders calling the customer as part of their collections process after the customer fell back into arrears.

40% of cases where payments were reduced or deferred, customers fell into arrears right after the assistance period ended.

For more information, see Sections G and H of the full report.

FINDING #04

Vulnerable customers often weren't well supported

We reviewed whether lenders had arrangements in place to support customers experiencing vulnerability.

We saw multiple examples where lenders failed to identify, and provide appropriate support to, customers experiencing vulnerability. This resulted in increased distress and confusion for customers.

Lenders failed to consistently identify customer vulnerability

- Despite training that had been provided by lenders to staff, we saw instances where staff didn't recognise a customer's vulnerability in a timely manner. As a result, it took longer for the lender to provide additional care and support.

Lenders sometimes failed to adjust their approach

- Lenders sometimes failed to take extra care with customers experiencing vulnerability. For example, customers needed to repeatedly explain their circumstances even though that was distressing for them. Concerningly, we saw an example where a lender failed to act in accordance with the customer's requests for how the lender should communicate with them in a family violence situation.
- Lenders sometimes failed to provide additional support to vulnerable customers. For example, we saw instances where staff failed to adjust assessment processes or refer customers to support services.

> **'I'm trying to do the right thing and it's frustrating when I do the right thing and you guys don't get it … I am in fear of my own life at the moment, so really this is the last of my worries.'**
>
> MIRRAH

For more information, see Section I of the full report.

MIRRAH'S STORY†

Mirrah was experiencing domestic violence and had recently left her partner. Her ex-partner wasn't contributing to the mortgage repayments and Mirrah couldn't afford them on her own. She was already receiving hardship assistance, but it was about to expire. Mirrah wanted further assistance until she underwent court proceedings to get her property sold to pay off the mortgage. We saw a range of issues with how Mirrah's lender handled her case, for example:

- When Mirrah asked for further hardship assistance, the hardship team asked her to call back after her court hearing. A missed repayment was reported to credit reporting bodies for that month.
- Mirrah and her ex-partner previously had a third party authorised to act on their behalf, who no longer represented Mirrah. The lender refused to remove the authority until Mirrah requested this in writing.
- The lender didn't stop the direct debits correctly, creating further stress for Mirrah: 'It took all my other bill money and I had the bank reverse it because I needed to put food on the table for my daughter.'
- Mirrah had to explain her circumstances each time she called the lender as they didn't provide a direct number for the hardship team.

† *Name changed for privacy reasons.*

CASE STUDY

Amy's story[†]

Amy was experiencing family violence. She was living in the home that she owned with her partner, and wanted to obtain a deferral on her loan so that she and her daughter could move into an apartment. Amy couldn't afford to make repayments and pay rent as her partner had removed the funds from their offset account. She contacted her lender to obtain assistance, but unfortunately didn't receive the assistance she needed.

Amy was experiencing significant distress but in order to get hardship assistance, it took

3 phone calls	**3** explanations of her situation	**1** hour on hold
2 applications	**3** emails	**5** weeks

[†] *Name changed for privacy reasons.*

Initial contact

Amy called her lender in distress. She explained her situation and requested a pause on the loan. The lender put Amy on hold while they attempted to transfer her to the hardship team.

After one hour on hold, the call dropped out.

Amy called the lender back and explained her circumstances again:

> **'I was on hold for over an hour – you were going to transfer me to the services team. I am in an abuse situation and I need to put a pause on my loan so that I can try and move somewhere safe.'**
>
> AMY

After verification, the agent asked,

> **'Can you please repeat what you're inquiring about?'**
>
> LENDER

Amy explained her circumstances for the third time that day. The lender put Amy on hold while they transferred her to the hardship team.

After 12 minutes, the call dropped out.

CASE STUDY

Amy's story[†]

One week after initial contact

Amy submitted a hardship application online, and attached supporting documentation.

Four weeks after initial contact

Monday: Amy called her lender as she hadn't received a response to her online application.

> **'I called a few weeks ago because I am not in a very good home situation. I have actually put through a hardship request online. I have sent through some paperwork. This is really hard to talk about sorry, I am actually escaping a domestic violence situation.'**
>
> AMY

> **'There's been a bit of a problem with that portal – is there any way you can submit everything via email?'**
>
> LENDER

> **'It was the online version of the form and it took me so long to fill out and it had all the financials and everything.'**
>
> AMY

Four weeks after initial contact *(cont.)*

The agent said they'd prioritise the application and then emailed the application form with a generic request for information.

Tuesday: Amy resubmitted her application via email. In her email she said:

> **'I am extremely anxious and overwhelmed by this situation.'**
>
> AMY

She requested a call back as her next payment was due in less than a week.

Friday: Amy still hadn't heard from her lender so she emailed the lender requesting that they call her. The lender attempted to call Amy but was unsuccessful. The lender then emailed Amy saying that they hoped to confirm approval via email on Monday.

Five weeks after initial contact

Amy emailed the lender asking whether her payment, which was due that day, would be debited from her account. In the evening, the lender confirmed that a three-month deferral period had been approved.

† *Name changed for privacy reasons.*

THE CORE PROBLEM

An inadequate focus on customers

We reviewed whether lenders focused on customer experience and outcomes. We also looked at whether they had the systems, training and resourcing in place to support their hardship function.

We found that lenders tended to focus more on financial risk and operational efficiency, rather than on customer experience and outcomes. This appeared to be the root cause for some of the poor practices we saw.

Hardship functions weren't managed in a customer-centric way

- Some lenders focused on collections objectives more than on hardship objectives. For example, they focused on maximising the performance of the lending portfolio through management of arrears, rather than helping customers in their time of need. This was reflected in both team and role descriptions we saw (see below).
- Some lenders didn't have a single person or team responsible for the end-to-end hardship customer journey. This sometimes resulted in poor hand-offs between different teams and contributed to poor customer experiences.
- Most lenders didn't have specific performance measures relating to the hardship function. If they did, measures focused on financial risk or didn't cover customer experience and outcomes.

Arrangements to support a customer-centric hardship function were inadequate

- Key data points on customer experience weren't captured properly (or at all) because of system limitations. Thus some lenders may not have been monitoring compliance with legislative timeframes (e.g. dates of information requests) or customer outcomes.
- Some lenders didn't allocate enough resources to the hardship function and this had a negative effect on customer experiences and outcomes.
- Training material included limited content on the types of assistance available and on how to make decisions that considered a customer's individual circumstances.
- Some lenders didn't have adequate processes for ensuring they met the hardship-specific complaint requirements in Regulatory Guide 271 *Internal dispute resolution*.

HARDSHIP ROLE DESCRIPTIONS: LENDER-FOCUSED VS CUSTOMER-CENTRIC

Lender-focused: 'The purpose of the Head of Collections role is to successfully maximise the performance of lending portfolios through the effective Leadership of the Collections Team and the management of arrears in line with company, industry and investor expectations and measures.'

Customer-centric: '[The purpose of the Head of Assist is…] helping our customers in times of need including natural disasters, life events or hardship. Support our customers through leading and developing a skilled workforce of specialist people to deliver fair and consistent outcomes, whilst balancing the need to collect. Aim is to exceed regulatory and community expectations.'

For more information, see Section B of the full report.

Lenders are making improvements, but more work is required

Lenders engaged with us constructively throughout the review and acknowledged the importance of supporting customers experiencing financial hardship.

At least seven of the ten lenders had significant programs underway to improve their approach to financial hardship. Some were commencing or expanding their improvement programs in response to our work.

Most lenders recognised that further work is necessary to ensure they consistently support their customers experiencing financial hardship. Our review also identified the need to do more.

Through our review we observed examples of improvements and good practices that would enhance outcomes for customers in hardship if they were adopted by a broader range of lenders. Some of these are outlined on this page.

Providing more tailored solutions to customers

- During 2023, a lender expanded their financial hardship solution options so that they can better tailor their support to the needs of individual customers. This included the introduction of 'interest only' periods, simplified arrears capitalisations, and loan term extensions as part of the hardship process.
- Other lenders have reviewed the solutions they offer or told us they intend to do so.

Improving customer communications

- In 2023, a lender introduced in-app notifications that updated customers on the progress of their hardship notices.
- Several lenders told us they were making improvements to their customer communications. This included providing clearer reasons in written communications for declining hardship notices, and changes to the way they communicate with customers during and at the end of a hardship assistance period.

Making the process easier for customers

- Just before our review commenced, a lender introduced a streamlined assessment process that limits or waives the supporting documentation requirements for customers needing short-term, first-time assistance. This approach (which was also used in some form by six other lenders) has significantly reduced the customer dropout rate and the time taken to provide customers with a decision.
- As a result of our review, the lenders who previously required a customer to complete an application form or provide supporting documentation for every hardship notice have introduced more flexibility to these requirements or are considering doing so.

Improving staff capability

- Several lenders advised us that they had delivered new or refreshed training on how to handle hardship notices. Some of this training focused on helping customer-facing staff to better identify and support vulnerable customers.
- In 2023, one lender rolled out a training program for its hardship team that focused on hardship arising from cost-of-living pressures. The program included an address from a behavioural psychologist on the psychological needs of people and what drives them to make decisions in relation to their debt.

Where to from here?

Based on our review, we have identified areas for lenders to focus on to ensure they support their customers experiencing financial hardship.

We expect lenders to review the full report and take steps to improve their approach to supporting customers experiencing financial hardship.

The full report provides more information about each of these focus areas including practical actions that lenders can take.

- Ensure customers know hardship assistance may be available
- Identify and respond to hardship notices
- Make the assessment process efficient and easy
- Work with customers to develop sustainable solutions
- Clearly communicate the outcome of a request for assistance
- Communicate during and at the end of the assistance period
- Identify and support customers experiencing vulnerability
- Manage the hardship function in a customer-centric way
- Have sufficient supporting arrangements

Our actions on financial hardship

Feedback and monitoring

We will be issuing individual feedback to lenders who were part of this review. We will ask the lenders to prepare an action plan outlining how they intend to respond to the issues we have raised and follow up with lenders to ensure they complete those actions.

We are also considering further regulatory action in relation to some of the issues identified through our review.

Ongoing data collection

We will continue to collect hardship-related data from lenders and engage with lenders where we identify indicators of poor customer outcomes.

We are already making inquiries of a further five lenders (three home lenders and two non-home lenders) who we have identified as outliers based on data that we have received so far.

An enforcement priority

We have identified compliance with financial hardship obligations as an enforcement priority for 2024.

This means that we'll prioritise the investigation of potential non-compliance. We may take a range of enforcement actions in response to non-compliance, including commencing court action seeking civil penalties.

Improving customer awareness

We will be commencing a consumer campaign that will increase awareness of what financial hardship is and how to access hardship assistance.

The campaign will be informed by consumer research and will direct consumers to ASIC's Moneysmart website – a trusted, independent and easy-to-understand source of information for all Australians.

APPENDIX 1:

Methodology

REVIEW OF POLICIES AND PROCEDURES

We reviewed more than 2,400 documents provided by the 10 lenders, including relevant strategies, policies, processes, procedures and guidance documents, templates of key correspondence to customers, as well as copies of internal reporting, audits or reviews relating to the hardship function.

CASE STUDY REVIEW

We reviewed over 1,400 files collectively from the 10 lenders in relation to 80 case studies, including listening to call recordings for 31 cases.

HYPOTHETICAL CUSTOMER EXERCISE

We asked each lender to apply their hardship policies and processes to five different hypothetical scenarios of a customer who was requesting hardship assistance.

DATA COLLECTION

We collected over 206,000 records from the 10 lenders of hardship notices involving home loans that were received by the lenders in the period between 1 July 2022 and 31 December 2023.

ON-SITE VISIT

We conducted a full-day on-site visit to each of the 10 lenders in late 2023, meeting with more than 170 staff who had a role or responsibility in some part of the hardship lifecycle across the lenders.

THE 10 LENDERS

The following lenders were included in our review:

- Bank of Queensland Limited
- Bendigo & Adelaide Bank Limited
- Commonwealth Bank of Australia
- ING Bank (Australia) Limited
- Macquarie Bank Limited (and Macquarie Securitisation Limited)
- National Australia Bank Limited
- Pepper Money Limited
- Resimac Limited (and related entities)
- Secure Funding Pty Limited (trading as Liberty Financial)
- Westpac Banking Corporation

APPENDIX 2:

Accessible versions of figures

This appendix is for people with visual or other impairments. It provides the underlying information for the figures presented in this report.

Table 1: Number of hardship notices by quarter

Quarter	No. of hardship notices
July to September 2022	30,562
October to December 2022	34,396
January to March 2023	42,892
April to June 2023	45,527
July to September 2023	45,925
October to December 2023	52,826

Table 2: Number of hardship notices by property purpose

Property purpose	No. of hardship notices
Owner-occupied	202,506
Investment only	38,594
Unknown	15,741

Table 3: Top 5 reasons for hardship related to home loans

Reason	No. of hardship notices
Overcommitment	58,437
Reduced income	51,361
Medical	38,982
Unemployment	29,882
Separation	18,760

Table 4: Number of hardship notices by state/territory

State/Territory	No. of hardship notices
Northern Territory	2,572
Australian Capital Territory	3,557
Tasmania	4,318
South Australia	16,699
Western Australia	32,926
Queensland	47,773
Victoria	71,966
New South Wales	73,714