



HARDSHIP VARIATION FACT SHEET

Disclaimer: Consumer Credit Legal Service (WA) Inc. produced this information as a general guide only. The information is not legal advice. You may ring us on (08) 9221 7066 for more help.

CASE STUDY

Rob recently lost his job and is having a difficult time making repayments on his credit card. He hopes to get a new job in the next 6 months. Rob called CCLSWA to see if he can do anything to help him meet his repayments on his credit card whilst he looks for work. CCLSWA advised him to write a letter to his lender and apply for a 'hardship variation'.

What is a hardship variation?

If you experience financial hardship (e.g. due to illness or unemployment) and struggle to make repayments on a credit contract, you could request your lender to vary your contract for a temporary period of time. Your lender will consider your application and either accept or reject it.

In assessing your application, your lender will consider if you will be able to resume making regular payments after the temporary hardship period. Your lender will not grant a hardship variation if you cannot resume regular repayments in the future.

Who can apply?

There are maximum thresholds for credit contracts. If your loan amount exceeds the threshold, you cannot apply for a hardship variation.

The threshold amounts vary depending on the dates of the credit contract. See below:

<u>Date of entry into contract</u>	<u>Threshold amount</u>
On or before 30/06/2010	Floating threshold (varies depending on the month, see the list at www.moneysmart.gov.au)
On or between 01/07/2010 – 28/02/2013	\$500,000
On or after 01/03/2013	No maximum threshold

What type of variation can you ask for?

Possible types of variations to your credit contract include where:

- You make no payments for a temporary period of time;
- You make no payments for a temporary period of time and the term of your contract is extended;
- You make reduced payments for a temporary period of time; or
- You make reduced payments and the term of your contract is extended.

Note:

- A hardship variation is a **temporary** solution only
- After the hardship variation period ends, you must resume making regular repayments
- If your lender does not extend the period of your contract, you will pay more for each regular repayment once the hardship variation period ends. That is, you will need to pay a larger amount towards repayments.

Also, if you owe arrears at the time of making your hardship application, you should request your lender to allow you to pay off the arrears in a way you can manage, for example:

- You pay the arrears in an upfront payment;
- You make weekly payments to pay off the arrears; or
- You include payment of the arrears at the end of your contract.

How do I apply for a hardship variation?

We recommend you apply for hardship variation **in writing** to your lender's internal dispute resolution department (**IDR**). You can find your lender's IDR contact information at:

- Australian Financial Complaints Authority (**AFCA**)'s website:
<https://www.afca.org.au>

You can use our sample hardship variation letter to help you draft your letter. This letter can be found under the 'Hardship' topic on the CCLSWA website: <http://cclswa.org.au/topics/hardship/>.

You may also wish to seek assistance from a financial counsellor who can help you request a hardship variation.

Your lender must advise you if your hardship variation has been accepted or rejected within 21 days of receiving it. Sometimes they may ask you for further information such as your current employment situation, or the state of your health. You must provide this further information within 21 days. After receiving the additional information, your lender has a further 21 days to advise you if they accept or reject your hardship variation.

What happens if your request for a hardship variation is declined or ignored?

Lenders are required to be members of AFCA. Therefore if your request for a variation is unreasonably declined or ignored, you may lodge a complaint with AFCA.

We recommend you lodge your complaint online at www.afca.org.au, but if you are unable to do so, you can telephone AFCA on 1800 931 678.

NOTES:

1. Lodging a complaint at AFCA does not guarantee you a hardship variation. You must still be able to show that you are able to resume making regular payments after the temporary hardship period.
2. Interest continues to accrue on your debt whilst it is being considered by AFCA.

For further information contact:

Consumer Credit Legal Service (WA) Inc.

Website: www.cclswa.org.au

Advice line number: (08) 9221 7066

Other useful contacts:

Australian Financial Complaints Authority

Website: www.afca.org.au

Telephone number: 1800 931 678

National Debt Helpline

Website: www.ndh.org.au

Telephone number: 1800 007 007