

Default Notices

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. Please note the information provided is correct as of date of production, 15 August 2023.

CASE STUDY

Ameenah skipped a repayment on her credit card last month. Her bank sent her a default notice. Ameenah calls CCLS because she does not know what the default notice means or what to do. CCLS advises Ameenah that a default notice allows her bank to start enforcement action against her if she does not fix the default. If she cannot pay in the short term, she may apply to her bank for a hardship variation.



What is a default notice?

If you fail to make a repayment on a credit card, home loan etc. you are in default, even if it is late by one day only. However, your lender cannot take legal action against you unless they have sent you a default notice which says you are in default and owe money. Once you receive the default notice, you have 30 days to fix the default.

What is in a default notice?

The default notice must tell you that:

- You are in default;
- The amount you owe;
- How to fix the default (usually by paying an amount of money);
- Your lender may start enforcement action if you don't fix the default within 30 days;
- Your lender may repossess secured goods if you don't fix the default within 30 days;

- If you default during the 30-day period again, your lender may enforce without giving you further notice;
- Your right to apply for hardship and postponement.
- The external dispute resolution (EDR) scheme at which you can get help; and
- That the debt may be listed on your credit file if not paid for 60 days.

What are your options?

From the time you receive the default notice, you have 30 days to fix the default.

Your options are to:

1. Request a hardship variation to your credit contract.

You may contact your lender to negotiate a hardship arrangement. For example, you may request to extend the term of your loan or temporarily postpone repayments. We recommend that you put your request in writing. You could use our [Sample Hardship Notice Letter](#) to write to your lender. See our [Fact Sheet](#) on hardship variations for further information.

Note that your lender does not have to agree to your request for a hardship variation, but if they refuse, they should provide you with their reasons.

2. External Dispute Resolution.

If your lender fails to respond or unreasonably refuses your request for a hardship variation, you could lodge a complaint with the Australian Financial Complaints Authority (AFCA).

AFCA provides consumers with free and independent dispute resolution for financial complaints. Your lender must not begin legal proceedings or take other action to pursue debt recovery while AFCA is considering the complaint.

3. Negotiate a different repayment plan.

You could negotiate with your lender to pay back the debt in instalments.

4. Do nothing.

If you do nothing, the debt will increase and your lender may start enforcement action, including going to court. If you take more than 60 days to repay the debt, and a default notice has been issued, your lender may record the debt on your credit file. For more information on credit files, see our [Credit Report Fact Sheet](#).

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| Further information |
| Consumer Credit Legal Services Website: www.cclswa.org.au Advice line: (08) 9221 7066 |
| Australian Financial Complaints Authority (AFCA) Website: https://www.afca.org.au/ Advice line: 1800 931 678 |
| National Debt Helpline Website: https://ndh.org.au/ Advice Line: 1800 007 007 |