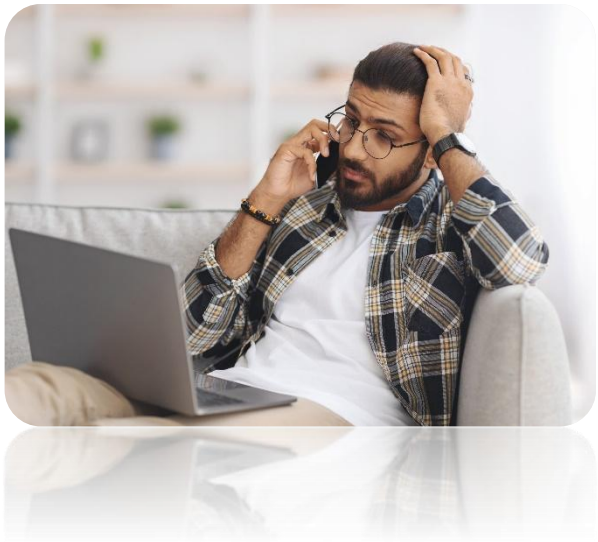
Hardship Variation

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, as of 15 August 2023.

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 CCLS to see if he can do anything to help him meet his repayments on his credit card whilst he looks for work. CCLS 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.

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:

- 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.

Do not propose an arrangement you cannot afford. A free financial counsellor may be able to assist you establish what is affordable.

Financial hardship information may also appear on your credit report. Please see our fact sheets on Credit Reports and Repayment History Information.

How do I apply for a hardship variation?

We recommend you apply for a hardship variation **in writing** to your lender's internal dispute resolution (**IDR**) department. You can find your lender's IDR contact information through the Australian Financial Complaints Authority's "find a financial firm" search tool at: Info about finding Financial Firm (afca.org.au)

You can use our sample hardship variation letter to help you draft your letter. This letter can be found under our Letter Templates on the CCLS website.

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

Your lender must advise you if your hardship variation request 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 the Australian Financial Complaints Authority (AFCA). Therefore, if your request for a variation is unreasonable 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 (free call).

Your lender cannot take legal action while AFCA considers your complaint, however, interest may continue to accrue. We recommend that you keep repaying any amount you can afford in the meantime.

For further information
Consumer Credit Legal Service (CCLS) 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 (NDH) Website: https://ndh.org.au/ Advice Line: 1800 007 007
Financial Counsellor's Association of WA Website: https://fcawa.org/