

Loans & Financial Hardship

This Fact Sheet explains what financial hardship is, your options if you can't pay your loans, and what to do if your lender refuses to help.

What is financial hardship?

Financial hardship is when you are struggling to pay your bills, loans or other debts on time.

This can happen because of unexpected events like losing your job, getting sick or family breakdown.

Hardship can affect your ability to meet your financial commitments, but you have legal rights to ask for help.

Hardship variations

If you are experiencing financial hardship, you can ask your lender to change the terms of your loan.

This is called "hardship variation".

You can request things like:

- Delaying or reducing your repayments
- Pausing interest on your loan
- Waiving late fees or penalties
- Setting up a new repayment plan

When you ask for a hardship variation, explain your circumstances, what you can afford to pay, and when you think you will be able to return to normal payments.

What if your lender says "no"?

If your lender refuses your request:

- Keep paying whatever you can afford.
- The lender must tell you in writing why they refused.
- You can challenge their decision.

First make a complaint directly to the lender through their internal dispute resolution process.

If that doesn't resolve the issue, you can complain to the Australian Financial Complaints Authority (AFCA). AFCA is a free and independent service that can help resolve disputes.

Irresponsible lending

Lenders must follow responsible lending laws, meaning they must check you can afford the loan before giving it to you.

If a lender gives you a loan you cannot afford, you may be able to:

- Have the loan changed or cancelled
- Only repay the amount you borrowed (without interest or fees)
- Receive compensation
- Have part or all the loan written off

If you think a lender didn't follow the rules, complain to them first using their internal dispute resolution process.

If that doesn't work, complain to AFCA.

Redfern Legal Centre

Gadigal Land, 73 Pitt Street, Redfern NSW 2016
tel (02) 9698 7277 **email** info@rlc.org.au **web** rlc.org.au

This fact sheet is for information only and is not legal advice.