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**By only:** [Jess.Boddington@ausbanking.org.au](mailto:Jess.Boddington@ausbanking.org.au)

Dear Jess,

**Australian Banking Association (ABA) 2025 Industry Guideline: Bank's financial difficulty programs (Guideline)**

We value our relationship with the ABA and the work the ABA does to improve banking services for consumers.

Thank you for the opportunity to provide feedback on the Guideline.

The feedback structure follows the same structure as the Guideline. If you have any questions, please reach out to Ebony Bake, [ebony.bake@mortgagestress.org.au](mailto:ebony.bake@mortgagestress.org.au).

**Purpose**

1. ASIC's 2024 Hardship, hard to get help report (ASIC Report) identified that the root cause for poor practices is 'lenders tended to focus more on financial risk and operational efficiency, rather than on customer experience and outcomes.'<sup>1</sup> The

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<sup>1</sup> [Report REP 783 Hardship, hard to get help: Lenders fall short in financial hardship support](#) at page 5.

Guideline should foster the provision of customer centred support. To address this, the tone of the Guideline should be set by adding to the purpose, directly below the heading “Purpose” – Customer experience and outcomes are as important as financial risk and operational efficiency.

2. Above the heading Explaining financial difficulty insert the heading ‘Focus on customers’ and underneath it recommend that customers are placed at the centre of decision making when creating policy and procedure about assistance to customers experiencing financial difficulty and when providing hardship assistance.

### **Communicating with Customers**

1. Communicating effectively with different communities and demographics requires different approaches. This section of the Guidelines should preface this by recommending that banks conduct research and community consultation to identify and put into practice the most effective methods of communicating the information under the below headings with different communities and demographics.
2. All communications should be in plain English unless a legal requirement requires certain language to be used. This section should also be prefaced with a recommendation to use plain English wherever possible when communicating with customers.

### **Encourage customers to tell their story**

3. The experience of the community legal and financial counselling sector is – people prioritise payments to their home loan over other payment obligations. Home loan payments may be up to date but the customer is falling behind on other bill payments, debts or even skipping meals. Include an acknowledgement in the Guideline that this is a reason to encourage open communication with customers because it may not be apparent to a bank by viewing a person’s account history that they are experiencing financial difficulty.

4. Add a recommendation to the Guideline that customers should be able to relate to the messaging, stories and case studies used by banks in their signalling, for example
  - Case studies should be about a variety of people, from a variety of backgrounds and demographics with different issues causing their financial difficulty.
5. Concerns that hardship assistance will cause a bad credit rating is a common misconception and reason people do not enter hardship arrangements. The Guidelines should recognise this and recommend banks provide information to customers about how hardship assistance interacts with their credit report early (before they experience financial difficulty) to mitigate this being a barrier later.
6. Examples of barriers that may deter customers from disclosing should be included in this section and referred to in the section about training. From our experience barriers include:
  - a. Safety – a customer may not be safe to disclose information at the time of the communication or the method of communication may not be safe, for example – a customer’s email may be monitored, or a perpetrator of violence may be listening to the phone call. They may be unsafe because they are experiencing mental illness.
  - b. Language – A person may not understand what is being communicated to them or be able to communicate to the bank because of a language barrier.
  - c. Shame/embarrassment – a customer may be feeling shame about experiencing financial difficulty and therefore not forthcoming with information. A person’s cultural background may contribute to shame they experience about financial difficulty.
  - d. Fear – a customer may be feeling fear of re-percussions from the bank if they provide information about their financial difficulty. They may be worried that they bank will take legal action or take their house if they communicate their experience of financial difficulty.

- e. Internal process – if a banks processes for assessing financial difficulty are overcomplicated or complex it may cause customers to become distressed and stop engaging.<sup>2</sup>

This is not intended to be an exhaustive list.

Including a list of common barriers to communicating in the Guideline will assist banks to identify that these areas of training may be required for staff.

### **Let them know help is available**

4. In the list of examples make these changes and additions:
  - a. At the last dot point in the list of examples edit the example so it states – ‘Provide information in an Easy Read version using plain English.’ Banks should use plain English wherever possible to ensure published information is accessible.
  - b. Provide customers with plain English information packs about financial difficulty, hardship assistance available and how to seek it when they enter a credit contract.

### **Keep the customer up to date**

5. In the list of examples add:
  - a. Provide customers with the contact details and names of organisations located in their state or territory where they can seek advice about whether the hardship assistance is suitable for them and/or about how to seek a review if assistance has been declined.<sup>3</sup>

### **Make it easy to stay in contact**

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<sup>2</sup> Ibid at page 4.

<sup>3</sup> Refer people with a mortgage over only one property in Victoria to MSV and household income of \$75,000 or less, except where they are experiencing family violence.

6. The Guideline should be more specific by identifying the reasons different channels of communication are necessary (see paragraph 8).
7. The Guideline should include a recommendation that banks create internal best practice guides and use systems and practices which make it easy for people listed below to communicate with banks:
  - a. People who don't speak English well or at all.
  - b. People with hearing impairment.
  - c. People with physical disabilities.
  - d. People whose safety is at risk.
  - e. People in regional and remote areas.
  - f. People experiencing mental illness
  - g. Financial difficulty (For example - can result in a person having their phone or internet connection disconnected).

The Guideline should recommend banks consult with specialist peak bodies and community groups about establishing the internal guides, systems and practices for each of the above areas.

### **How to provide help**

#### **Tailor the assistance**

8. In the table titled 'Restoring the customers financial position is possible' add the following to the list of options:
  - a. Review/reduction of the interest rate.
  - b. Change to the payment frequency or date.

The first addition is a helpful option that banks already agree to in certain circumstances and therefore shouldn't be omitted from the list.

At MSV we find in our casework that banks are often reluctant or decline requests to change the payment frequency or date. Some customers find it difficult to manage payments because they do not align with the day they receive their

wages or Centrelink payments. Changing the payment frequency or date is a simple way to assist customers to meet their payment obligations and better manage their budget. By adding it to the list of options it will signal to banks that this option should be properly considered.

9. In the same table referred to in paragraph 9 under the heading 'Restoring the customers financial position is unlikely' edit the second dot point so it states, 'Changing the terms of the customers loan including, reducing the interest rate, extending the term and reducing or waiving the principal.' Through our casework we know these are all options a bank will offer customers experiencing financial difficulty; therefore, they shouldn't be omitted from the list.
10. Through our casework at MSV we've found that being in arrears can be a barrier to accessing hardship assistance. For example, a partial payment arrangement being unavailable while a customer is in arrears. This is counter intuitive as the refusal of partial payments exacerbates the persons financial difficulty. The Guideline should recommend that banks will work with customers and engage one or a combination of the options listed to help them recover from financial difficulty whether or not they are in arrears.
11. Insert the heading "Long term financial difficulty" and under it include recommendations for assisting people who are experiencing same. At MSV we regularly assist clients who are experiencing long term financial difficulty. Our clients and our caseworkers are often unable to secure long term or permanent arrangements from banks. Arrangements are usually put in place for 3 months at a time even when it's clear the persons financial difficulty is unlikely to resolve within that period. ASIC's Report comments on this at page 10.<sup>4</sup> When short term arrangements of 3 months or less are approved by banks it reduces the number of people services like ours can assist as we need to continue advocating for our client every 3 months reducing our ability to intake new clients. This is detrimental to banks as less people with resolvable financial difficulty receive the advocacy they need.

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<sup>4</sup> [Report REP 783 Hardship, hard to get help: Lenders fall short in financial hardship support.](#)

Further, it's detrimental to customers, it's distressing and time consuming for customers who must consider their position every three months with the bank or advocates while working, supporting a family and/or attending appointments and meetings for the other issues in their life that they are trying to resolve. We strongly believe long term or permanent solutions must be offered up front in certain circumstances such as the ones listed below.

12. Under the new heading 'Long term financial difficulty' include examples of circumstances where long term or permanent arrangements may be offered:
  - a. If a customer has separated from their partner and is engaging in family law negotiations or court proceedings relating to the division of assets, family law proceedings usually take not less than 6 months to finalise.
  - b. If a person is making an income protection or total and permanent disability insurance claim as these types of claims can take 6 months or longer to process.
  - c. If the person is fleeing family violence.

This is not intended to be an exhaustive list.

The Guideline should encourage banks to provide long-term (a minimum 6-months) or a permanent arrangement such as a term extension and/or interest rate reduction when a customer is experiencing long term financial difficulty. Assistance could include any one or a combination of options listed in this section.

13. The Guideline should recommend that banks clearly explain the consequences of their tailored arrangement and refer the customer to a financial counsellor or free legal service for further assistance if needed.
14. The Guideline should encourage banks to identify if a customer presents with long term circumstances such as the ones listed above, recognise that a 3 month or shorter-term arrangement will likely not be suitable and work with the customers to



come up with a longer term (minimum 6 month) or permanent arrangement (such as a term extension and interest rate reduction) at first contact.

15. We understand that some teams at banks may not have authority to approve longer term or permanent arrangements. The guide should recommend if a customer will likely require a long term or permanent arrangement, the customer should be referred immediately to a team who has authority to make such decisions.
16. The Guidelines should recommend that banks consider all accounts held when offering solutions. Considering accounts in isolation will likely not resolve a person's financial difficulty.
17. MSV's experience is that banks are reluctant to assist people who have received assistance multiple times or have a significant arrears balance. This should not be a barrier to working with customers and/or their advocates. The Guideline should recommend that this should not be a barrier to offering further assistance if the financial difficulty is resolvable.
18. The paragraph after the table includes information about small business customers and guarantors. By stating that 'assistance available to small business customers may be similar to the examples listed above,' it reads as though the options in this section may or may not apply to business customers and is ambiguous. It should be clear that these options are available to small business customers. Therefore, the sentence should be changed to - 'The above options are available to small business customers depending on their circumstances. There may also be additional...'

More detailed Guidance about how banks should work with guarantors experiencing financial difficulty should be included, such as offering reasonable extensions of time to comply with the guarantee and first assessing whether any of the above options can be invoked especially if the guarantor or mortgagor will likely be homeless because of enforcement action.



### **Make the assessment process efficient, easy and appropriate**

19. Add to the list of dot points banks should clearly explain what information they need from the customer to assess their circumstances.
20. Add to the list of dot points; that banks should not require customers to complete hardship application forms when making their assessment.

### **Provide extra care to customers experiencing vulnerability**

21. Add a recommendation that banks imbed Safety by Design processes across all financial difficulty programs to prevent the potential for products and services to be weaponised against consumers experiencing family violence.
22. Recommend that customers experiencing family violence are referred to specialist care teams immediately.

### **Deal fairly with third party representatives**

23. Like many other community legal centres MSV uses our own authority to represent form (ATP). We do not use the Financial Counselling Australia form. Our ATP form is broad and allows any caseworker at MSV to advocate on behalf of a client which has obvious benefits if staff take leave or resign. We have experience being unable to advocate on behalf of our clients after submitting our ATP on many occasions.

Barriers to advocating for clients relating to this include:

- a. When there has been a change of caseworker, refusing to speak to a new caseworker until a new authority has been provided,
- b. requiring us to call after submitting the form via email to confirm our identity,
- c. asking our staff for their personal identification documents,
- d. different bank departments having different ATP requirements.
- e. responding by asking us to use their form.

We recently experienced a case where delay to accepting an authority caused our client financial loss.

24. We are grateful the guideline indicates our authorities should be accepted. In the above examples our authorities were accepted, but only after we jumped through unnecessary hoops. To ensure this doesn't continue the Guideline should be further clarified to include recommendations that:
- f. Whole organisation ATP forms should be accepted, and a change of caseworker should not require a new ATP form is submitted unless the previous form specified that the bank only communicate with one caseworker or person.
  - g. Different teams at banks should not have different ATP form requirements.
  - h. Further confirmation of identity should not be required unless there is good reason (for example – the banks believes it's fraudulent).
  - i. Same day acceptance of an ATP form by a bank is best practice; and
  - j. Each bank has a method of processing and accepting ATPs urgently, and the method/contact point should be communicated to legal services and financial counsellors.

### **Good governance structures**

#### **Train employees to take extra care**

25. To the list of area's for training add:
- k. Barriers to accessing hardship assistance and overcoming these barriers.
  - l. Plain English and trauma informed communication.
  - m. On new best practice guides, internal policies and practices created in response the Guideline.
  - n. The relationship of hardship arrangements and credit reporting.

## Appendix 1

- <sup>26</sup>. ASIC's report found written responses explaining why assistance was declined were often inadequate because they were broad and generic.<sup>5</sup> Edit the paragraph after the first dot point on page 17 of the Guideline, so it further states 'the written explanation as to why it could not provide hardship assistance should be specific to a person's circumstances and not broad or generic.'

### Other additions

#### **Internal reporting and Feedback**

27. A commitment to continuously improve the provision of financial difficulty programs should be included in the Guideline including a recommendation to capture feedback throughout different stages of the financial difficulty assistance process and implement changes to improve the programs.
28. ASIC's Report identified that for most lenders 'there was limited oversight and internal reporting that focused on customer experience and outcomes.'<sup>6</sup> The Guideline should recommend banks internally report on hardship processes with the aim to improve them and regularly review and improve quality assurance programs.

#### **Strength based language**

29. Referring to customers who have different accessibility needs, living with disability, family violence or mental illness, as 'vulnerable' or 'experiencing vulnerability' infers these customers have some deficiency or weakness. The ABA should consider changing its terminology in this Guideline and other publications and instead use

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<sup>5</sup> Ibid. At page 5.

<sup>6</sup> [Report REP 782 Hardship, hard to get help: Findings and actions to support customers in financial hardship](#) at page 27.



# Mortgage Stress Victoria

strength-based language which reflects the strength and resilience of customers who live in a society which is predominantly designed in a way that prevents them from engaging with it. We recommend consulting with leaders such as disability advocates and family violence support services about strength-based language and adopt it in this Guideline and others.

Yours sincerely,

**Mortgage Stress Victoria**

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