

A guide to dealing with financial difficulty



Who are we?

The Financial Ombudsman Service (FOS) Australia offers fair, independent and accessible dispute resolution for consumers who are unable to resolve complaints with member financial services providers.

Our members include banks, insurers, credit providers, financial advisers and planners, debt collection agencies and other businesses that provide financial products and services.

A not-for-profit, non-government organisation, FOS resolves disputes quickly and efficiently, providing a cheaper alternative than going to court. Our service is free of charge for applicants, with the costs of running the service being met by our members.





How we help

We resolve disputes between consumers and Financial Services Providers:

- › in a cooperative, efficient, timely and fair manner
- › with minimum formality and technicality, and
- › as transparently as possible, taking into account our obligations for confidentiality and privacy.

This involves understanding all aspects of a dispute without taking sides, and making decisions based on the specific facts and circumstances of each dispute.



What is financial difficulty?

Individuals and small businesses can sometimes find themselves in situations where they are unable to meet their repayment requirements under a credit facility (such as a home loan, business loan or credit card). We call this financial difficulty.

Sickness, unemployment, over-commitment and events such as natural disasters can all cause financial difficulty.



What can I do if I am experiencing financial difficulty?

Contact your financial services provider

Act quickly. If you are finding it difficult to make repayments, or if your bank, credit union or other financial services provider has sent you an overdue reminder and you are unable to pay, you should contact them straight away. Many financial services providers have a dedicated financial hardship team that you can speak to.

Be prepared to:

- provide information about your income and expenses
- tell them when you think your situation will improve
- explain what help you think you will need and how long you will need it for.

Prepare a budget

Preparing a budget is the best way to help you and your financial services provider find a solution that may work for you.

A budget will help you understand your financial position and the level of repayments you are able to make. You need to think about what you can afford now and what you will be able to afford in the future if your situation changes.

Free services are available to help you prepare a budget and for other general advice on how to manage money. Online budget planning resources we recommend are:

- ASIC's MoneySmart – see www.moneysmart.gov.au/tools-and-resources/calculators-and-tools/budget-planner
- Australian Bankers' Association's Doing it tough? – see www.doingittough.info/your-budget
- Other tools/links on the FOS website – www.fos.org.au

Talk to a financial counsellor

A financial counsellor can help you get a clear picture of your overall financial situation and explain your options. Most financial counsellors work in community organisations and their services are free, confidential and independent.

For more information, call the national financial counselling helpline on 1800 007 007 or visit www.financialcounsellingaustralia.org.au.

Ask questions

If your financial services provider cannot help you, ask if you can provide any additional information that would enable it to reconsider.

Keep making any repayments you can

Keep making any repayments you can afford while you are trying to come up with a solution to the problem. Regular repayments will reduce the amount of interest accruing on the loan and may also support your request for assistance.

Lodge a dispute with FOS

If you and your financial services provider have been unable to find a satisfactory solution, you can lodge a dispute with FOS.



How do I lodge a dispute with FOS?

To lodge a complaint with us, go to **www.fos.org.au** to access our online dispute form. The form can be completed online or you can print it out and mail or email it to us. You can also call us on **1800 367 287** and we can help you complete it.



What sort of help can I ask for?

You can ask for any reasonable change to your credit contract that may help you to repay your loan. This may include:

- extending the period of the loan and reducing the amount of regular payments
- delaying payments due on a specific date
- stopping payments for a period of time and extending the period of the loan.

Your financial services provider should work with you to help you try to overcome your financial difficulty. However, they don't have to agree to the changes you have asked for and they don't have to waive interest or debt.

How we help

If a financial difficulty dispute is lodged with FOS, we will:

- ask the financial services provider to reconsider your request
- bring you and your financial services provider together to discuss the request, through negotiation or telephone conciliation
- decide whether the financial services provider responded appropriately.

If the loan is one which we have the power to vary and we believe the loan should be varied, we may ask the financial services provider to change the repayments of your loan. When we make a decision about whether a loan should be varied, we consider your financial circumstances, your ability to meet repayments and whether the debt will be repaid in a reasonable amount of time. We have the power to vary a loan covered by the National Credit Code.



What is expected of me?

If you decide to ask FOS to help you resolve your financial difficulty dispute, it is important you are willing to:

- continue to talk with your financial services provider about your situation
- be open about your financial situation and are prepared to provide information about your circumstances such as your income and expenses
- tell us what you would like your financial services provider to do to help you
- have an open mind and explore alternative solutions
- continue making whatever repayments you can afford while we are considering your dispute.



What if I am a small business?

Financial services providers should consider requests for assistance made by small businesses. You may need to provide more detailed information to your financial services provider such as a business plan, profit and loss statements and projections.

FOS can, in some cases, award compensation for fees or default interest if the financial services provider has not considered all reasonable options to help the business. However, we cannot require a financial services provider to vary a business contract.



What happens to my debt when FOS is considering my dispute?

Interest and repayments

Usually interest will keep being charged to your account while we consider your dispute. It is important that you make whatever repayments you can afford. If you do not pay what you can, your situation may get worse.

Collection activity

Your financial services provider should stop collection or recovery action while we are considering your dispute.

If legal proceedings have started

In some circumstances we can also make your financial services provider put any legal proceedings on hold while we look into your dispute. Whether legal proceedings can be put on hold will depend on what stage the proceedings are at.

What if I need more information?

This brochure is a brief introduction to financial difficulty. Our website has more detailed information about what you can do if you are in financial difficulty – see www.fos.org.au. You can also call us on **1800 367 287** if you have any questions.

Sally's story

Sally juggled full-time work with the sole care of her young son. She was forced to reduce her working hours after a change in circumstances meant her mother could no longer babysit two days per week.

Sally quickly realised that she could no longer afford to make her monthly mortgage repayments on her reduced income.

She didn't know what to do. She fell \$200 short of meeting her monthly repayments two months in a row and began to worry about losing her house. After a number of sleepless nights, Sally called her financial services provider's financial hardship team.

They helped Sally to prepare a budget showing what she could afford. She also told her financial services provider that she planned to return to full-time work when her son started school in eight months.

The financial services provider reduced her monthly repayments to interest only for three months.

Sally felt that their response didn't solve her problem, so she lodged a dispute with FOS.

FOS helped both parties consider alternatives. Because Sally's situation would not change in three months, the financial services provider offered to increase the interest-only term until Sally returned to full-time work. They also agreed to add the arrears to the home loan debt so that they would be repaid over the life of the loan.

Other useful information

See other FOS brochures at publications@fos.org.au or www.fos.org.au:

- *How to resolve a dispute*
- *Guide to responsible lending and credit cards*





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Contact us

The following options are available when lodging a dispute with FOS:

Online

Disputes can be lodged online at www.fos.org.au or by sending an email to info@fos.org.au

Phone

Disputes can be lodged by calling us on **1800 367 287 (1800 FOS AUS)** (9am to 5pm from Monday to Friday)

Mail

Dispute forms can be sent to:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne 3001