

HARDSHIP POLICY AND PROCEDURES

AUS LENDING PTY LTD

ABN: 96 154 091 335

ACL: 418049

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1. Purpose

The purpose of this document is to set out our policy and procedures for hardship, including how we identify, assess, decide and document hardship requests, and how we meet our obligations under the National Credit Act, the National Credit Code, ASIC guidance and AFCA expectations.

2. Our obligations

Under the National Credit Code, a customer who is **unable reasonably** (because of illness, unemployment or other reasonable cause) to meet their obligations under a credit

contract, and who reasonably expects to be able to discharge their obligations if the terms of the contract were changed, may apply to the credit provider for such a change.

The customer may request changes such as:

- extending the period of the contract and reducing the amount of each payment due under the contract accordingly (without a change being made to the interest rate);
- postponing during a specified period the dates on which payments are due under the contract (without a change being made to the interest rate); or
- extending the period of the contract and postponing during a specified period the dates on which payments are due under the contract (without a change being made to the interest rate).

This applies if the loan was taken out on or after March 2013 and is of any value; and if taken out between July 2010 and February 2013, was for \$500,000 or less.

We do not have to agree to a hardship request. However, we must:

- provide a **written response within 21 days** of receiving a hardship application;
- state whether or not we agree to the requested change; and
- if we do not agree, provide:
 - the name of our approved external dispute resolution scheme (AFCA);
 - the customer's rights under that scheme; and
 - the reasons why we did not agree to the change.

In addition to these specific obligations, we have a general obligation as a licensee under the National Credit Act to deal with our customers **efficiently, honestly and fairly**.

Behaving fairly means that we act reasonably when our customers have good reasons why they cannot meet their current loan obligations.

We must have a **dedicated telephone number** and, where possible, a fax number, postal address and email address to accept and handle hardship applications. Disputes involving hardship applications or postponement of enforcement proceedings must be treated as **urgent matters**.

While a default notice dispute is being handled at IDR, and for a reasonable time after that (at least 14 days), we must not commence or continue legal proceedings or any other enforcement action, unless the statute of limitations is about to expire.

Where the customer seeks hardship relief or postponement of enforcement proceedings and the matter is not resolved within 21 days, the matter must be referred to AFCA.

The right to go to AFCA and AFCA's contact details must be included when the customer is advised in writing of the outcome of the hardship or postponement request, or when the terms of approved hardship or postponement are confirmed in writing to the customer.

A customer may lodge their dispute directly with AFCA where the dispute involves a default notice that has been issued after a request for hardship assistance or postponement of enforcement proceedings has been declined.

We also have obligations under:

- ASIC Regulatory Guide 209 (Responsible lending);
- ASIC Regulatory Guide 271 (Internal dispute resolution);
- ASIC REP 782 (Hardship practices review); and
- AFCA rules and guidance on financial difficulty.

Our hardship practices must be **accessible, timely, fair, documented and evidence-based**.

3. Some words explained

In this document:

- **AFCA** means the Australian Financial Complaints Authority.
- **Board** means our board of directors. If we have a sole director, it means the sole director. If we are not a company, it means the owner or owners of our business.
- **EDR** means external dispute resolution (currently AFCA).
- **Hardship** means a situation where a borrower is reasonably unable to meet their contractual obligations due to illness, unemployment or other reasonable cause, and reasonably expects to be able to meet their obligations if the contract is varied.
- **IDR** means internal dispute resolution.
- **National Credit Act** means the National Consumer Credit Protection Act 2009 (Cth).
- **National Credit Code** means Schedule 1 to the National Credit Act.

- **Vulnerability** includes circumstances such as family or domestic violence, serious illness, mental health issues, language barriers, disability or other factors that may affect a customer’s ability to engage with us.
 - **We, us and ours** refers to the licensee named on the cover page of this compliance plan.
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4. How we administer this document

The Board is ultimately responsible for this document.

This document was adopted by the Board on the date specified in the table below.

Any changes to this plan must be approved by the Board.

The Compliance Officer is responsible for the day-to-day administration of the policy and procedures in this document, including:

- ensuring staff are trained on hardship;
 - maintaining the Hardship Register;
 - monitoring compliance with timeframes; and
 - coordinating responses to audits, AFCA cases and ASIC enquiries relating to hardship.
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5. Review and audit

We review this document at least annually (or every 6 months if we deem it necessary).

After the review, if we think that changes should be made to this document, we will amend the plan.

We can also review and amend this document at other times — for example, in response to:

- internal or external audits;
- AFCA determinations or systemic issue findings;
- ASIC guidance or comments; or
- changes to legislation or regulations.

The Compliance Officer will ensure that:

- any changes are documented in the version control table;
 - relevant staff are notified of changes; and
 - training materials and procedures are updated to reflect this document.
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6. Other policies and documents

This document is part of our compliance plan to comply with the credit legislation, our general conduct obligations under section 47 of the National Credit Act, and the conditions of our Australian Credit Licence. Our Compliance Plan document sets out the overall structure of this compliance plan.

This document is also part of our risk management system. Our Risk Management System document sets out the overall structure of our risk management system.

Other related documents include:

- Responsible Lending Policy;
 - Collections and Enforcement Policy;
 - Complaints and Dispute Resolution Policy (IDR/AFCA);
 - Vulnerable Customer and Family Violence Guidelines;
 - Privacy Policy; and
 - Training and Competency Policy.
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7. Appendices

- **Appendix 1** – Our hardship policy and procedures
 - **Appendix 2** – Hardship brochure
 - **Appendix 3** – Form of default notice
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Appendix 1

HARDSHIP POLICY AND PROCEDURES

1. Introduction

This document sets out our policies and procedures for dealing with hardship.

Under the National Credit Code, financial hardship arises where a borrower is reasonably unable to meet their contractual obligations due to illness, unemployment, or other reasonable cause. Other reasonable causes can include a change in the borrower's financial circumstances, a relationship breakdown or reduction in income.

Our policies and procedures cover:

- hardship requests under the National Credit Code; and
- other situations where a customer is experiencing financial difficulty and we choose to provide assistance as a matter of good practice.

We aim to ensure that our hardship processes are:

- easy to access;
- clearly explained;
- timely;
- fair and consistent; and
- properly documented.

2. What is financial hardship?

Under the National Credit Code, financial hardship arises where a borrower is reasonably unable to meet their contractual obligations due to illness, unemployment, or other reasonable cause, and reasonably expects to be able to meet their obligations if the contract is varied.

Examples of "other reasonable cause" include:

- reduction in income;
- relationship breakdown;
- unexpected expenses (e.g. car repairs, funeral costs);

- natural disaster;
- caring responsibilities; or
- other significant life events.

We recognise that hardship can be **short-term, medium-term** or **long-term**, and our response should be proportionate to the customer's circumstances.

3. Avoiding financial hardship

Hardship is not always possible to avoid, particularly where unforeseen circumstances such as unemployment or illness occur.

However, to the extent that hardship is foreseeable, we seek to avoid our customers experiencing hardship by **lending responsibly**. This includes making an assessment of the customer's capacity to repay, so that (based on the information we have at the time of the loan application) we can be satisfied that the customer will be able to repay the loan without substantial hardship.

We also:

- provide clear information about repayment obligations;
 - encourage customers to contact us early if they experience difficulty; and
 - monitor arrears and early warning indicators.
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4. Making information available to borrowers

We will provide borrowers with general information about financial hardship where possible **before** they experience financial difficulties. This includes:

- an information brochure on hardship; and
- information on our website about how to request hardship assistance and what to expect.

We will also provide borrowers with information about hardship assistance when they have defaulted on their loan. This includes:

- providing the borrower with a copy of our **Hardship Brochure**; and

- including the details required by the National Credit Regulations in a default notice, including information about hardship and AFCA.

A copy of our standard form of default notice is in Appendix 3.

5. How we will manage hardship enquiries

Customers may contact us at any time regarding hardship matters by calling our telephone number for hardship matters, or by email or post, using the contact details in our Hardship Brochure and on our website.

If a borrower contacts us through our general customer service number with an enquiry or request that relates to financial hardship, we will:

- treat any expression of difficulty in meeting repayments as a potential hardship request; and
- refer them promptly to a nominated officer of our business who will deal with hardship matters (the **Hardship Officer**).

We will ensure that:

- customers are not required to repeat their story unnecessarily;
 - customers are treated with empathy and respect; and
 - customers are not discouraged from applying for hardship.
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6. Identifying financial hardship

We will seek to make our staff competent to identify situations where a borrower may be experiencing financial hardship but has not yet requested hardship relief.

When a loan is in default, we will require our collections staff to identify the cause of the borrower's financial difficulties so they can assess if the borrower may be eligible for hardship assistance.

If the borrower is in default and the borrower has consumer credit insurance, we will assist and encourage the borrower, where appropriate, to make any claim which they may be eligible to make under the terms of the policy, such as when they experience unemployment or illness.

We will also train staff to identify **vulnerability indicators**, including:

- family or domestic violence;
- serious illness or mental health issues;
- language barriers;
- disability; or
- other factors that may affect the customer’s ability to engage with us.

Where vulnerability is identified, staff must follow our Vulnerable Customer and Family Violence Guidelines.

7. Dealing with requests for assistance

7.1 Initial response

After a borrower has requested hardship relief, we will:

- acknowledge the request promptly (our service standard is within **2 business days**);
- pause enforcement action while the request is being assessed; and
- provide the borrower with our **Hardship Brochure** and information about the process and timeframes.

We must provide a written response to the borrower within **21 days** after receiving the application.

7.2 Information and supporting documents

We will ask the borrower to provide evidence of their financial hardship and expenditure. This may include, as applicable:

- pay slips or bank statements;
- medical certificate;
- Centrelink statements;
- a statement of financial position or a statement of income and expenditure; and
- any other information the borrower wishes to provide.

However, we **will not request this information** if we believe that the request can be dealt with by providing **short-term relief** (for example, a brief payment pause or reduced payment for a short period) or where we do not have any concerns with granting the relief

requested. In these cases, we may assess the request based on the information the borrower provides verbally or in simple written form.

This approach is intended to:

- avoid unnecessary barriers to accessing hardship assistance;
- ensure proportionality between the level of assistance and the level of documentation; and
- align with ASIC's expectations that documentation requirements should not be rigid or excessive for short-term or straightforward hardship.

7.3 Assessment

In assessing an application for hardship relief or assistance, we will seek to determine that:

- there is a genuine need for assistance; and
- if assistance is provided, it will not merely delay the borrower continuing to be in default.

Other factors we will consider when we make an assessment of a hardship application include:

- the term of the loan;
- the value of any loan security;
- the borrower's current and expected income and expenses;
- eligibility for early access to superannuation (where appropriate);
- consumer credit insurance;
- past hardship history; and
- any vulnerability indicators.

We will document our assessment and decision in the **Hardship Register** and in the customer's file.

We will seek to provide a response to the borrower on a request for hardship assistance as soon as possible. Our service standard is to provide a response within **2 business days** where possible, noting that we may take longer if there are delays in obtaining necessary information or other unusual circumstances. In all cases, we must provide a written response within **21 days**.

8. Types of assistance we will provide

The following are the kinds of hardship assistance that we may provide if we approve the request for assistance:

- postponing repayments during a specified period;
- extending the term of the contract and reducing the amount of each payment under the contract accordingly;
- extending the term of the contract and postponing repayments during a specified period;
- adding arrears to the loan balance and extending the loan term;
- short-term payment reductions;
- short-term payment pauses; and
- debt consolidation (where appropriate and responsible).

In deciding the form of assistance we provide, we will seek to provide assistance that is **appropriate to the particular borrower's situation**, and that the borrower can reasonably meet.

9. Confirming an arrangement

If we agree to the arrangement, we will:

- confirm this in writing to the borrower within **21 days** after receiving the application for assistance; and
- not later than **30 days** after the date of the agreement, give to the customer and any guarantor a written notice setting out particulars of the change in the terms of the credit contract, and any information required by the National Credit Regulations.

If the loan involves more than one borrower, we will require that all parties to the loan agree to the terms of the arrangement.

If we do not agree to the request, we must also respond in writing within the 21-day period. The notice must include:

- the name of our EDR scheme (AFCA);

- details of the borrower’s rights under that scheme; and
 - the reasons why we did not agree to the change.
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10. Refusing an application

We will refuse an application for hardship assistance where:

- we do not consider that the borrower is in hardship;
- we consider that the borrower would not be able to meet the repayment terms of the contract even if they were varied as requested; or
- we consider that the borrower would be unable to meet their credit obligations in the long run, even with assistance.

If our refusal is not accepted by the customer, any further dispute will be referred to our IDR process and, if not resolved, to AFCA.

11. Hardship Register and record-keeping

We will maintain a **Hardship Register** that records, at a minimum:

- date the hardship request was received;
- customer name and loan number;
- summary of the hardship reason;
- whether documents were requested and received;
- assessment outcome (approved, more information required, refused);
- reasons for the decision;
- date of written response;
- details of any variation or arrangement; and
- monitoring outcomes (14, 30 and 60-day checks, repeat hardship).

We will keep records of hardship assessments, decisions and communications for at least the period required under the National Credit Act and our record-keeping policies.

12. Monitoring and review of hardship arrangements

For approved hardship arrangements, we will:

- conduct a **14-day check**, **30-day check** and **60-day check** to monitor whether the customer is meeting the varied terms;
- contact the customer if payments are missed under the hardship arrangement; and
- consider further hardship assistance if the customer's circumstances have not improved.

If the customer re-defaults after a hardship arrangement, we will reassess their situation and consider whether further hardship assistance is appropriate, or whether enforcement action is necessary.

13. Training

We will provide regular training (at least every 12 months, and more often if needed) to relevant staff on:

- identifying hardship and vulnerability;
 - our hardship policy and procedures;
 - timeframes and documentation requirements;
 - communication standards (plain language, empathy, AFCA rights); and
 - record-keeping and use of the Hardship Register.
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Appendix 2

HARDSHIP BROCHURE

AUS LENDING PTY LTD

122 Pagan Road, YATALA QLD 4207 Ph (07) 3299 2972

ABN: 96 154 091 335

ACL: 418049

Phone: +61412120737

Email: chris@auslending.com.au

Financial hardship?

Contact us

If you are having trouble meeting the repayments on your loan you should contact us as soon as possible to discuss your situation. Be honest about your circumstances. The sooner you act, the easier it will be for us to assist.

If you are unsure about whether you can afford to pay or not, you can also speak to a **free financial counsellor**. You can find a financial counsellor via the **National Debt Helpline** (www.ndh.org.au) or through information on ASIC's **Moneysmart** website (moneysmart.gov.au).

You can ask for a hardship variation

If your loan is covered by the National Credit Code, you have the right to ask us to enter into a hardship variation to:

- extend your loan to reduce your repayments; and/or
- postpone your repayments for a period of time.

A hardship variation gives you **temporary relief**. You still need to pay off your entire loan, but it may be stretched over a longer time period (and you may pay more interest in the long run).

A financial counsellor, community legal centre or solicitor may be able to help you ask for a hardship variation.

You do not have to agree to a hardship variation if it is not on the terms you requested.

We do not have to agree to your request to change the terms of your loan, but we must consider it fairly and respond in writing within 21 days.

If we do not agree

If we refuse your request to change your contract because of hardship, you can dispute our decision.

We are a member of an external dispute resolution scheme approved by ASIC, the **Australian Financial Complaints Authority (AFCA)**, which may be able to hear your complaint. Please refer to our Complaints and Dispute Resolution Guide for further information.

You can also apply to a tribunal or court in your state for an order to change the terms of your loan.

Talk to other creditors

You should also talk to all of your other creditors about your situation. Again, the sooner you take action and discuss your financial problems with your creditors, the easier it will be to try and work out a solution. If the credit is covered by the National Credit Code, you can request a hardship variation for those products also.

Other options

Here are some other options that you may wish to consider if you are experiencing financial hardship:

- **Budget** – Review your income and expenses and see if you can reduce your expenditure. ASIC's **Moneysmart** website (moneysmart.gov.au) has budget planners and information on managing money and dealing with debt.
- **Negotiate a better interest rate** – See if you can negotiate a better interest rate with your lenders.
- **Refinance** – You might consider switching to another type of loan product or changing to a different lender because they have a cheaper loan. Although refinancing might look like a good idea, weigh your options carefully before making a

decision. If you are already in default or under financial stress, be realistic about whether you can afford repayments under a new arrangement.

- **Seek government assistance** – Find out if you are entitled to benefits or other government assistance. Visit the Services Australia (Centrelink) website to see if you are eligible for any entitlements. Some state governments offer short-term interest-free mortgage relief loans to cover temporary shortfalls.
- **Ask for help** – Financial counsellors can help people who are in financial difficulties. They provide a free, independent and confidential service to help you work out the best options for your situation.
- **Sell your property** – You could downsize or consider renting for a while. If you are really struggling to meet the repayments on your loan and you do not see your financial position considerably improving, it may be better to sell your property earlier rather than later.
- **Access your superannuation early** – In limited circumstances, hardship provisions allow for early withdrawal of superannuation by people who are experiencing severe financial difficulty. This is a last resort option and you should think about it carefully and seek advice.

Appendix 3

DEFAULT NOTICE

Date:

[Insert date]

TO:

[Insert name of debtor] (“you”)

FROM:

[Insert name, ABN or ACN and ACL number of credit provider] (“we” or “the Credit Provider”)

This notice relates to:

- Your Credit Contract number [insert number] dated [insert date] (“the Contract”);
- Your Goods Mortgage dated [insert date] (“the Goods Mortgage”);
- Your [describe mortgaged property] (“the Mortgaged Property”).

You have defaulted under the Contract and the Goods Mortgage by failing to make repayments under the Contract totalling \$[insert amount].

The action that you must take to remedy the default is to pay the Credit Provider \$[insert amount]. You must remedy the default by [insert date that is the last day of the 30-day period].

If you do not remedy the default within this period, or if a further default of the same kind occurs within that period, then after [insert date that is the last day of the 30-day period], without further notice:

- the whole amount required to pay out the Contract will become immediately due and payable; and
- the Credit Provider may take possession of the Mortgaged Property and exercise our power of sale under the Goods Mortgage to sell it. Repossession and sale of the Mortgaged Property may not extinguish your liability. We may also commence enforcement proceedings (which may include legal proceedings) against you.

If you pay the Credit Provider any amount less than the amount due and payable under the Contract on the date you make the payment, then the Credit Provider’s acceptance of that payment will not affect the Credit Provider’s rights and remedies.

The amount required to pay out the Contract is currently \$[insert amount].

Under the Privacy Act 1988, the debt under the Contract may be included in a credit reporting agency's credit information file about you if the debt remains overdue for 60 days or more and we have taken steps to recover all or part of the debt.

1. If you cannot make a repayment – contact us immediately

Contact us via phone at +61412120737 or email chris@auslending.com.au to discuss your situation. If there is a reason why you cannot make repayments, we may be able to help you by agreeing to vary your contract. The sooner you contact us the easier it will be to assist you.

You have specific legal rights to request changes be made to your contract to help you repay the debt if:

- you cannot make repayments due to hardship (for example, illness, unemployment or some other reasonable cause); and
- you expect to be able to make the repayments if the terms of your contract are changed;

You may request that we:

- extend the term of your contract and reduce repayments; or
- extend the term of your contract and delay payments for a set time; or
- delay payments for a set time without extending the term of your contract.

Alternatively, you may request that we negotiate with you to postpone any further action that we may take against you.

If you do not contact us before [insert default notice period end date], we may commence further action against you.

IMPORTANT

There is no guarantee that we will agree to change your contract or postpone any further action.

After we receive your application, we will provide you with a written notice within 21 days stating whether or not we agree to the change.

- If we agree, you will receive a written notice detailing the agreement within 30 days.
 - If we refuse, we will provide you with reasons. You have the right to have the decision reviewed.
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2. Right to review

If we refuse your request to change your contract, you can ask us to reconsider. If we still refuse, or if we do not respond to your request within 21 days, you can go to the **Australian Financial Complaints Authority (AFCA)**.

AFCA

Phone: 1800 931 678

Website: www.afca.org.au

You should apply as soon as we refuse your request or fail to respond.

EXTERNAL DISPUTE RESOLUTION IS A FREE SERVICE ESTABLISHED TO PROVIDE YOU WITH AN INDEPENDENT MECHANISM TO RESOLVE SPECIFIC COMPLAINTS.

If we fail to respond, we may have breached our obligation to you. You can contact ASIC on 1300 300 630 or through ASIC's website at www.asic.gov.au.

Alternatively, if we refuse, you can ask a court to make changes to your contract.

You can also ask a court to delay enforcement action against you. You may wish to get legal advice, for example from a community legal centre or Legal Aid, on how to go about this.

There are other people, such as financial counsellors, who may be able to help.

* You can find out what the relevant threshold is by contacting us or referring to ASIC's website at www.asic.gov.au or contacting ASIC on 1300 300 630.
