

Credit Ombudsman urges WA borrowers not to delay seeking financial hardship relief

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In view of recent events in Western Australia, the Credit Ombudsman, Mr Raj Venga, has urged its non-bank lender members to be particularly mindful that some Western Australian workers may be stood down in certain industries or face temporary job loss.

An explosion on 3 June 2008 at Varanus Island off the WA Coast has reduced WA's domestic natural gas supply by a third. This may force some energy intensive industries in WA to stand down staff or send them on leave.

"As we understand it, this is a temporary situation and lenders need to be aware that their borrowers are likely to be able to access full-time employment once the gas supply is restored", said Mr Venga.

Mr Venga urged WA borrowers finding it difficult to meet their loan repayments to speak to their lenders as soon as possible and seek to vary their repayment obligations on grounds of financial hardship. "They may otherwise find themselves in default of their loan and incurring default fees and enforcement expenses. Borrowers should also consider approaching financial counselling services and community and consumer credit legal centres", continued Mr Venga.

"If the lender is a member of the Credit Ombudsman Service and has declined or not responded to a request for a hardship variation, the borrower should refer this to us without delay", added Mr Venga.

COSL recently released its new Guideline on Financial Hardship aimed at giving struggling borrowers a fair go. Under the new COSL Guideline, a lender must provide the borrower with a timely response and not impose additional conditions before agreeing to the variation, such as requiring the early release of the borrower's superannuation.

According to Mr Venga, "Although we do not substitute our decision for that of the lender's where an assessment has been properly made, we will ask the lender to reconsider its decision where, for example, the borrower has put forward a reasonable repayment proposal."

Mr Graeme Matthews AM, himself a Western Australian, added "Our experience to date suggests that our non-bank lender members and mortgage managers are prepared to genuinely consider requests for variations".

COSL's new Guideline on Financial Hardship also draws on the Code of Practice of the Mortgage and Finance Association of Australia which requires its non-bank lenders to actively assist borrowers in financial hardship.