

Dealing with Debt

If a natural disaster such as bushfire has affected your ability to cope with debt, you should first talk to the lender ('creditor' or 'credit provider'). Some banks have established emergency assistance packages to assist customers.

Talk to the Lender

You should first talk to the lender. By your explaining situation the lender may be able to offer some relief. For example, the lender may suspend repayments on a mortgage for a fixed period of time (such as 12 months). You could request that:

- Repayments on your mortgage be suspended for a certain period of time (such as 12 months).
- You be allowed to pay a debt in installments over a period of time.

You should start by talking to the lender as soon as possible: do not wait until you are behind in your repayments.

Independent financial counselors may be able to help you. Anglicare Tasmania provide a free financial counseling service and may be contacted on 1800 243 232.

Hardship Variation

If the debt is a personal loan, credit card or household mortgage (but not a business loan), you may also be able to apply to your lender for a 'hardship variation'. A hardship variation changes the debt agreement to help you out. A hardship variation may:

- Give you more time to pay ('extending the length of the loan');
- Reduce the size of repayments; or
- Temporarily suspend repayments.

How to apply?

Section 72 of the *National Credit Code* allows you to apply for a hardship variation. You should apply for a variation in writing: in this, you should outline the situation that is affecting you, how it has affected you and what you would like the lender to do. After you have provided sufficient information to seek a variation, the lender has 21 days to respond.

What if my lender does not agree to a hardship variation?

If the lender does not agree to a hardship variation then you can apply to the approved external dispute resolution scheme (such as the *Credit Ombudsman Service*). Contact the Hobart Community Legal Service for assistance.

What if My Property Has Been Destroyed?

Do I still have to make mortgage repayments?

You generally must still make repayments on a mortgage (or any leased items) even if the property was destroyed. However, you should talk to your lender about a hardship variation.

What if my property was used as security for a loan?

You should tell your lender straight away. Lenders will often require that property be insured before it can be used as a security. Your lender may require that you use any insurance payout to fix the property.

What if my property was still being built?

You still need to pay builders and tradespeople for work that they have done, even if this work was damaged or destroyed by fire before you had a chance to pay them.

What if a Debt Collector is Harassing Me?

The law limits what debt collectors can do. For example, a debt collector must not harass or mislead you. If a debt collector is pressuring you, you should contact the Hobart Community Legal Service.

What Happens if I Do Not Make Repayments on Time?

If you do not pay back your debt, the lender may charge you higher fees as well as legal and enforcement costs. Your lender may sue you for the money (and may seek to seize your personal assets). It is much easier to deal with your debt before you are taken to court.

Where Can I Get Help?

Contact the Hobart Community Legal Service for help with debt. Our website is at www.hobartlegal.org.au. Contact us by phone on 6223 2500 (Hobart), 6265 1911 (Sorell) or 6263 4755 (Bridgewater).