

Hardship and financial difficulty

Contact your bank sooner rather than later if you're struggling to make repayments. Banks can help their customers through financial hard times.



Illness, injury, unemployment, a relationship breakup and over-commitment can put stress on your finances. Being unable to meet your repayments can also be worrying. Banks can help you, but it's important they know before things get too serious. We've had hardship-related complaints that might have been resolved much earlier if the complainant had simply talked to the bank.

How banks can help

If your financial situation has changed and you can no longer make loan repayments, the bank may be able to extend the term of your loan, adjust repayment amounts or give you a loan repayment deferral, that is, temporarily halt repayments (see below). But this last option may not be in your best interests if your finances are unlikely to improve in the short term (three to six months). It may merely delay an unavoidable default, by which time you will owe even more. Selling an asset may be a better option. Seek financial advice on this and other options for managing your debt.

Loan repayment deferral

If your bank agrees to a loan repayment deferral, you don't have to make any repayments during the agreed period. Despite the temporary relief this provides, you will end up owing even more because interest continues to

be added to your debt. At the end of the deferral period, you will have to increase repayments to repay the loan within the original term or extend the term of the loan.

Before taking up this option, make sure you know:

- the total amount owing on your loan at the end of the deferral period
- your new repayment amount
- the new term of your loan (if it is to change).

Bank obligations to help

Banks are not obliged to help their customers, but they are obliged to consider offering help to them. The Credit Contracts and Consumer Finance Act 2003 entitles borrowers in financial hardship to ask their lender to change their contract, such as by a loan repayment deferral or an extension to the term of the loan, or both. This applies even if borrowers are in default on repayments. However, borrowers must have been in default for less than two months and have missed no more than four consecutive payments. Borrowers must also explain in writing why they can't make their repayments (for example, because of illness, injury, loss of employment or the break-up of a relationship).

Banks must give proper consideration to hardship applications. We consider proper consideration to include:

- ensuring it has all necessary information to assess the application
- considering a customer's entire financial position
- taking into account legitimate considerations applicable to the customer's circumstances
- having a bank-wide policy dealing with the application in a timely fashion
- documenting its decision-making process
- providing the customer with reasons for its decisions.

Banks must also:

- comply with **lender responsibility principles** when assessing the application
- acknowledge the application within five working days and give its decision within 20 working days
- give reasons in writing when they decline applications.
- In the end, banks are free to make their own commercial decisions about whether to agree to alternative repayment arrangements. However, banks are typically open to helping customers overcome their financial problems, particularly if approached early.

Further steps

You can come to us if you're not satisfied with the outcome of your application (your bank must be a **member of our scheme**). We may be able to look at service or communication-related aspects of the application process, but we do not have the power to challenge the outcome, which is invariably a matter of commercial judgement.

If your lender is not a member of our scheme, it must be a member of another dispute resolution scheme. See the [Companies Office](#) website. The [Insolvency and Trustee Service](#) may also be able to help. If you think your lender has unfairly declined your hardship application, you can ask the courts or Disputes Tribunal to change the terms of your contract.

You can get free and confidential budgeting advice from [MoneyTalks](#).



If your financial situation has changed and you are unable to meet your repayments, it's important to notify your bank before things get too serious – they may be able to help.