

# Umpire to protect bank customers feeling financial pinch

**DAVID HUGGINS**

As we are all well aware, many people and businesses are in financial difficulty and it is uncertain when economic conditions will improve.

All the major banks have offered assistance packages to customers who are in this situation. It is important to understand that banks are not actually volunteering to help. They are under obligation to assist customers who are in financial

difficulty and you have enforceable rights if they do not comply with their obligations.

The banks' obligations are set out in the Banking Code of Practice. This document is available on the internet.

The terms of the Code automatically form part of the contract that you have with your bank, which means the bank must comply with the Code.

Financial difficulty is dealt with in section 9 of the Code. The Code draws a distinction where

financial difficulty is caused by temporary issues, such as what is going on today, and permanent issues, which make it unlikely that your financial position will improve. Where the changes are temporary, the bank is under an obligation to provide assistance by:

- agreeing to interest-only payments for a short period;
- extending the term of the loan to reduce your repayments; or
- temporarily postponing or deferring payments.

The present economic problems will persist into the future and I expect that over time banks will take a much tougher approach when a client is in financial difficulty. For future reference it is also important to understand that you can make a complaint to the Australian Financial Complaints Authority if a bank fails to comply with the Code. AFCA has the power in these circumstances to:

- extend the period of a loan;
- postpone repayments;

- change repayment arrangements; or
- reduce the interest rate.

Once a complaint is made to AFCA, the bank cannot begin court proceedings or take any other action to recover the amount of the loan. This is an important safeguard, which gives people time to resolve their problems without the threat of legal action hanging over them.

**David Huggins is a lawyer who specialises in financial disputes**