

AUSTRALIAN
COMMUNICATIONS
INDUSTRY FORUM



GUIDE FOR A
FINANCIAL HARDSHIP POLICY

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1. INTRODUCTION

The ACIF C541:2006 **Credit Management** Industry Code (the Code) stipulates requirements on carriage service providers (CSPs) in dealing with their customers and potential customers) in relation to:

- Credit assessment;
- Credit management;
- Credit control tools; and
- Financial hardship.

This Guide outlines the obligations CSPs have under the Code to develop and implement a financial hardship policy. The section of the Code relating to financial hardship policies is set out in the Appendix.

The purpose of this Guide is to assist CSPs in developing internal policies and processes to manage customers who are experiencing difficulty in paying their accounts as a result of financial hardship, in line with Code requirements. Financial counselling organisations may be able to assist in developing and implementing a financial hardship policy. For a current list of community financial counselling services consult the Australian Financial Counselling and Credit Reform web-site: <http://www.afccra.org/counselling.htm>

2. DEVELOPMENT OF A FINANCIAL HARDSHIP POLICY

2.1 Code requirements

The Code requires CSPs to have a financial hardship policy to assist customers who are experiencing financial hardship. The policy must include provision for relevant staff training, be sufficiently flexible to accommodate the individual circumstances of customers and include options for the management of a customer's situation. The Code also requires that CSPs must not charge customers for their participation in the CSP's financial hardship program.

2.2 Additional guidance

Customers and/or their financial counsellor or advocate want easy access to empathetic and skilled staff who can promptly address their issues of concern. CSPs could provide this service by:

- training all staff in the general credit area to manage financial hardship customers; and/or
- employing specialised staff who can be contacted via a specific telephone number.

The CSP will need to develop and implement appropriate policies and procedures including:

- staff training; and
- a process for identifying and referring cases of financial hardship to the appropriate area.

The performance indicators for staff managing hardship cases should take into account these specialised responsibilities and should be geared towards reaching successful outcomes for both the customer and the company.

3. FINANCIAL HARDSHIP ASSESSMENT

3.1 Code requirements

The Code requires that, on request, the CSP must assess the customer's eligibility for assistance under the CSP's financial hardship policy and, in doing so, must take into account the customer's individual circumstances.

3.2 Definition of Hardship

The Code defines financial hardship as:

a situation where a Customer is unable, reasonably, because of illness, unemployment or other reasonable cause, to discharge their financial obligations under their contract with the Supplier and the Customer reasonably expects to be able to discharge those obligations if payment and/or Service arrangements were changed. Financial hardship can be of limited or long term duration.

Financial hardship basically involves an inability of the customer to pay bills, rather than an unwillingness to do so. Customer hardship can arise from a variety of situations. Hardship can be either of limited duration or long term. To illustrate, several of the common causes are listed below. Hardship may arise in the following circumstances:

- Loss of employment of the customer or family member
- Family breakdown
- Illness, including physical incapacity, hospitalisation, or mental illness of the customer or family member
- A death in the family
- Other factors resulting in unforeseen change in the customer's capacity to meet their payment obligations, whether through a reduction in income or through an increase in non-discretionary expenditure.

Situations where a customer is simply experiencing temporary payment difficulties would not necessarily be addressed by this Guide. In these situations, the Code requires that CSPs must also have in place options and processes to assist those customers not considered to be experiencing financial hardship (e.g. budgeting, pre-payment or payment deferral options).

3.3 Identification of a customer experiencing financial hardship

Judgment as to whether a customer is experiencing genuine financial hardship rather than simply seeking to defer payment lies with the CSP. CSPs may deem that it is sufficient that the customer acknowledges that the debt is their responsibility (assuming the debt is not disputed) and expresses a willingness within their capacity to pay the outstanding amount. If a CSP requires tangible evidence of hardship, they may request:

- documentation such as a statutory declaration from a person familiar with the customer's circumstances (family doctor, clergy, bank officer, etc); or
- evidence of the customer having consulted with, and/or being accompanied by a recognised financial counsellor or a booking to see a financial counsellor.

NOTE: CSPs should keep in mind that there is often a lengthy wait for a customer to see a financial counsellor and the wait to see a financial counsellor may be longer than the time allowed to pay the bill. This should be taken into account when liaising with the customer as it may, therefore, not be appropriate to ask the customer to see a financial counsellor before they are accepted in the CSP's financial hardship program.

Be aware that the Code suggests that CSPS would not ordinarily require supporting documentation unless

- (a) it appears that the financial arrangement will need to be long term;*
- (b) the amount to be repaid to the Supplier is considered large or significant;*
- (c) the Customer has not been a Customer of the Supplier for very long; or*
- (d) the Supplier reasonably believes that there is a possibility of Fraud.*

4. FINANCIAL ARRANGEMENTS

4.1 Negotiating financial arrangements

- The process for reaching a financial arrangement should be reasonable for both parties.
- The CSP and the customer each have an interest in maintaining their relationship and this mutual interest should underpin the repayment negotiations.
- The CSP should take into account the individual circumstances of the customer, including possible circumstances listed in section 3.2.

NOTE: Negotiating the payment amount with the customer is crucial to the success of the financial arrangement and may help avoid the customer entering into a payment arrangement that is unaffordable.

- The CSP should identify appropriate products or services to assist the customer retain a level of access whilst managing his/her future communications spending. For example:
 - Call barring
 - Reconnection of a service with restricted access
 - Offer of a pre-paid service
 - Recommending to the customer that they cancel any content subscription services that are billed via their telecommunications account (e.g. ring tones, jokes, pictures, etc)
 - Recommending to the customer that they contact their bank to cancel any direct debit arrangements that are no longer applicable (for example, this may be relevant if different payment arrangements have been agreed upon with the customer)
 - Realistic/ affordable payment arrangements
 - Withdrawal of reconnection and late payment fees
 - Ongoing case management during the period of financial difficulty

4.2 Setting the financial arrangement

The basic principle of any agreed financial arrangement is that the repayment should be sufficient to cover expected future use of the service (as adjusted to ensure the financial position does not worsen over a reasonable period of time) as well as providing continued reduction of debt (i.e. the customer should not be going into further debt under the arrangement).

4.3 You may ask the customer to:

- acknowledge the debt and the obligation to repay the debt
- provide sufficient information for both parties to ascertain what is a reasonable payment arrangement
- indicate a willingness to reducing usage to a level that they are able to pay and take up relevant service options to that end
- make repayments as agreed
- use appropriate products, services and access levels, as negotiated with the CSP

- if any further financial difficulty is experienced, immediately notify the CSP so that the arrangement can be reviewed.

Requirements on the CSP:

Under the Code, the CSP cannot take any credit management action (referral of the debt to a mercantile agent, charging late fees, default listing, etc) while a financial arrangement is being actively discussed, or during the course of the arrangement unless the customer breaches the terms of the arrangement or such action would be reasonable in the circumstances. Other Code requirements on CSPs are that they must:

- ensure that none of the outstanding debt is in dispute
- confirm that the person is legally liable to pay the debt
- if limiting access to services forms part of the arrangement, ensure access (or that access) is limited as agreed, and that the limitations are explained to the customer
- ensure the arrangement is one that the customer can meet
- monitor customer compliance with the agreed arrangements
- ensure customers are aware of their rights and obligations under any agreement

NOTE: Steps taken to ensure that customers are aware of their rights and obligations under any agreement should take into account the customer's literacy and language skills as well as any impediment to communication such as a disability.

The CSP may also wish to consider waiver of disconnection and late payment fees, to assist the customer to reduce their level of debt and therefore pay the debt off sooner.

4.4 Termination of the Arrangement

If the customer does not adhere to the terms of the arrangement, and does not contact the CSP to re-negotiate, the CSP should take reasonable steps to contact the customer or their authorised representative (e.g. financial counsellor) before taking further action. Any renewed credit management action must be in accordance with the CSP's credit management policies and must comply with the ACIF C541:2006 **Credit Management** Industry Code.

5. CUSTOMER CONTACT

5.1 Information available to customers

The Code requires CSPs to provide a summary of the CSP's financial hardship policy to customers at the customer's request, if they tell the CSP they are experiencing financial hardship, or at other appropriate times. When sending out a reminder notice in writing, CSPs must also inform customers of the existence of their financial hardship policy.

5.2 Ensuring contactability

Information about the CSP's financial hardship policy must include details of how to obtain further details about the policy from the CSP.

When seeking supporting documentation from a customer, CSPs must provide details of how the customer can send this information directly to the CSP's financial hardship contact point. The contact details must include a postal address and a facsimile number and/or email address.

APPENDIX: SECTION 6 OF THE ACIF C541:2006 CREDIT MANAGEMENT INDUSTRY CODE

FINANCIAL HARDSHIP

6.1 Financial Hardship Policy

- 6.1.1 A Supplier must have a Financial Hardship policy for Customers who are experiencing Financial Hardship.

NOTE:

*Suppliers should refer to the ACIF **Guide for a Financial Hardship Policy** for further information.*

- 6.1.2 A Supplier's Financial Hardship policy must:
- (a) include provision for training staff who will be applying the Financial Hardship policy;
 - (b) be sufficiently flexible to accommodate the circumstances of individual Customers;
 - (c) ensure that a Customer is able to contact appropriate employees of the Supplier if they are experiencing Financial Hardship; and
 - (d) include options for managing a Customer's Financial Hardship.

NOTE:

Where possible, Suppliers should consider supplying a direct line for financial counsellors.

- 6.1.3 A Supplier must give a Customer a summary orally or in writing of how the Supplier's Financial Hardship policy may assist Customers:
- (a) on the Customer's request;
 - (b) when the Customer indicates to the Supplier that they are experiencing Financial Hardship; or
 - (c) if the Supplier considers that the Customer may be eligible for the policy.
- 6.1.4 The summary must include:
- (a) contact details for the Supplier from whom the Customer can obtain more information on the Supplier's Financial Hardship Policy; and
 - (b) options for managing a Customer's Financial Hardship as discussed in Clause 6.3.
- 6.1.5 When sending out a reminder notice in Writing, Suppliers must tell their Customers of the existence of their Financial Hardship policy and how to obtain more details.
- 6.1.6 A Supplier must not impose charges on Customers for the implementation of their Financial Hardship policy.

6.2 Financial Hardship Assessment

- 6.2.1 Upon request, the Supplier must assess the Customer's eligibility for assistance under the Supplier's Financial Hardship policy.
- 6.2.2 When assessing a Customer's application for assistance under its Financial Hardship policy, a Supplier must take into account the Customer's individual circumstances.
- 6.2.3 When assessing a Customer's application for assistance under its Financial Hardship policy, a Supplier may request supporting documentation from the Customer. A Supplier would not ordinarily require such supporting documentation from a Customer unless:
- (a) it appears that the financial arrangement will need to be long term;
 - (b) the amount to be repaid to the Supplier is considered large or significant;
 - (c) the Customer has not been a Customer of the Supplier for very long; or
 - (d) the Supplier reasonably believes that there is a possibility of Fraud.
- 6.2.4 If a Supplier requires supporting documentation from a Customer, the Supplier must advise the Customer to send the documentation to a specific contact point. Contact details at a minimum must include the postal address and a facsimile number and/or email address for the Supplier.

6.3 Financial Arrangements

- 6.3.1 A Supplier must ensure that Financial Hardship arrangements as agreed upon with the Customer are sufficiently flexible to take into account the circumstances of the individual Customer.
- 6.3.2 Suppliers must Inform the Customer of the terms of the Financial Hardship arrangements, as agreed upon.

NOTE:

The Supplier should, at the request of the Customer, provide in Writing the amount and frequency of payment terms.

- 6.3.3 Suppliers must ensure that a Customer is aware of their rights and obligations under any Financial Hardship arrangement.
- 6.3.4 At the time a Financial Hardship arrangement is implemented, the Supplier must advise the Customer to contact them if the Customer's circumstances change during the term of the arrangement.
- 6.3.5 The Supplier must be willing and able to review the Financial Hardship arrangement if the Customer advises the Supplier that their circumstances have changed.
- 6.3.6 A Supplier must not undertake Credit Management action including listing of the Customer debt with a Credit Reporting Agency while a Financial Hardship arrangement is being actively

discussed by the Supplier and Customer or during the course of a Financial Hardship arrangement unless:

- (a) the Customer breaches the terms of the Financial Hardship arrangement;
- (b) Credit Management action would be reasonable in the circumstances; or

EXAMPLE:

Credit Management action may be reasonable in the circumstances if it was to prevent the Customer falling further into debt.

- (c) the Customer, at that time, agrees.

6.3.7 If the Customer breaches the terms of the Financial Hardship arrangement and does not contact the Supplier to discuss a new Financial Hardship arrangement, the Supplier must take reasonable steps to contact the Customer or their Authorised Representative before taking Credit Management action.

The policy objective of the greatest practicable use of industry self-regulation without imposing undue financial and administrative burdens on industry is central to the regulatory scheme of the *Telecommunications Act 1997*.

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