BANKING CODE COMPLIANCE
MONITORING COMMITTEE

REPORT:

Assisting customers in financial difficulty

PART 1

NOVEMBER 2018

Contents

Executive Summary

This summary sets out the Code Compliance Monitoring Committee's (CCMC) findings and recommendations, from its Transitional Inquiry into financial difficulty.

Financial difficulty is a sensitive area of engagement between banks and their customers, and one that has grown in significance. Customer requests for financial difficulty assistance have increased almost by half since 2012, with banks receiving some 298,569 requests in 2017–18.

Clause 28 of the Code of Banking Practice (the Code) sets out banks' obligations towards these customers. The CCMC has provided further guidance on these clause 28 obligations in its *Guidance Note 13 – Financial Difficulty*. In addition, banks can refer to the non-binding standards in the Australian Banking Association's (ABA) industry guideline, *Promoting understanding about banks' financial hardship programs*, which the CCMC considers represents good practice.

As banks prepare to transition to a new 2019 version of the Code, the CCMC conducted an own motion inquiry investigating banks' compliance with these important financial difficulty obligations. The CCMC found that banks have financial difficulty programs that generally comply with the requirements of the 2013 Code. The CCMC's review of these policies and processes highlighted both examples of good practice and areas where banks can improve.

Making assistance accessible

Banks' financial difficulty processes must be accessible to customers, which means that customers should be informed of the assistance available and how to access it. The CCMC found that all banks meet the Code obligation to share information about financial difficulty processes on bank websites. Many banks exceed the Code obligation, providing information beyond what is required. However, a number of banks fall short of good industry practice criteria set out in the ABA industry guideline. In particular, some banks can still do more to make information accessible with prominent links on their homepages. The CCMC also expects banks to make financial difficulty information prominent and accessible on other digital platforms, including mobile banking apps.

Banks have a responsibility to be alert to indicators of financial difficulty, some of which can be subtle. However, the CCMC is not satisfied that staff outside of specialist financial difficulty teams are equipped to recognise customer's financial difficulty. In particular, the CCMC is concerned that lending staff are often unaware of their financial difficulty obligations. To build awareness, banks should ensure that appropriate staff, receive regular financial difficulty training that equips them to identify customers who may need assistance. These teams include, but are not limited to:

- frontline (branch and call centre staff)

- financial difficulty
- debt collections, and
- lending staff.

Banks may require supporting information and documents to assess a customer's request for assistance. Failure to provide these documents is the primary reason customers' requests for assistance are declined. The CCMC has previously recommended that banks take a flexible approach to documentation requirements. Around one-third of banks now have policies that expressly relax documentation requirements in certain circumstances, and several banks do not require documentation for short-term or first-time requests. Those banks that have not yet done so should adopt financial difficulty policies that set out when documentation requirements can be limited or waived.

Some customers engage with financial difficulty processes via a representative such as a financial counsellor. The Code requires banks to work with customers' authorised representatives. Banks confirmed that they do work with customers' representatives, although around one-third of banks had not documented this practice in a formal policy. Consumer advocates report that banks' authorisation processes are often inconsistently applied and unnecessarily burdensome. The CCMC expects banks to have streamlined authorisation processes that require only information that is reasonably necessary, to formally document and communicate these processes, and to ensure that staff are trained in how to apply them.

Providing effective and transparent assistance

Bank's financial difficulty processes should reflect a non-judgemental, compassionate and flexible approach to helping customers. These values ought to form the framework for effective and transparent assistance with value training provided to staff, and staff conduct and attitudes weighed in the performance review process.

To provide effective and transparent assistance that helps the customer in financial difficulty, the first step is a case-by-case assessment of each customer's circumstances. Nearly all financial difficulty policies the CCMC reviewed referred to case-by-case assessment, with good policies explicit about the goal of trying to help customers to improve their financial position. Banks should ensure policies and procedures have enough detail to reflect the process of providing assistance to customers, that is carried out by staff. The CCMC expects banks to provide consistent options for assistance, regardless of whether or not a customer has representation. The CCMC is concerned by the approach taken by banks to offer a wider range of financial assistance options to customers represented by a third party, typically a solicitor or financial counsellor. Several banks have designated certain staff to work with financial counsellors, but the CCMC is concerned that this approach may widen the difference in outcomes for represented and non-represented customers. Where banks elect to structure their business in this way, the CCMC expects them to take extra care and conduct additional monitoring to ensure that customers receive equal access and opportunity for financial difficulty assistance.

When individual assessment of a customer's circumstances indicates that short-term assistance will not help the customer overcome their financial difficulty, banks should give due consideration to longer-term assistance options. Banks rely too heavily on short-term options, particularly three-month moratoriums, at the expense of longer-term solutions. To fulfil the Code obligation to try to help customers overcome their financial difficulty, banks should have a mechanism for providing longer-term assistance at the first instance, such as a process for referring certain customers to a specialised case management team for a customised plan.

The Code prohibits banks from requiring a customer to apply for early release of superannuation benefits, and requires that banks recommend customers seek independent advice about any early superannuation release. Banks understand that they should not require the early release of superannuation to repay a credit facility. A majority embed this in a documented policy. However, banks are less consistent in their compliance with the obligation to recommend customers seek independent advice. Banks' monitoring of this is also inadequate. Banks must recommend that a customer seek independent financial advice about superannuation and further steps need to be taken to ensure that customer interactions about early superannuation release are adequately recorded and monitored.

Under the Code, banks must set out in writing whether or not assistance will be provided, the reasons for this decision, and the main details of any agreed assistance arrangements. The CCMC found that most banks' policies provide for this written confirmation, although they vary widely on the detail to be provided. Many banks exceed the standards set out in the ABA industry guideline. However, consumer advocates raised concerns about the complexity of banks' written confirmations, and said that they sometimes fail to document the arrangements fully and clearly. Banks should review their customer communications to ensure that they are suitable for the intended purpose and audience, and are presented in plain language.

Banks can only be confident they are trying to help customers – as required under the Code – if they assess and monitor their financial difficulty processes. Around two-thirds of banks reported that they have formal monitoring processes in place. The CCMC is concerned that some banks are relying too heavily on the Net Promoter Score (NPS) to assess performance, without any further validation. Monitoring should reflect the goal of trying to help customers to recover from financial difficulty, using processes and metrics focused on customers financial stability and improvement, not merely recovery of debt or single point in time data points.

Recommendations

The CCMC has made 14 recommendations to improve Code compliance and progress toward better practice. The CCMC expects all subscribing banks consider and implement these 14 recommendations.

1. Ensure that financial difficulty assistance information is prominently presented and readily accessible on bank websites and other digital platforms, such as smartphone or tablet applications.
2. Adopt an effective training program that ensures customer facing staff – including, but not limited to, frontline (branch and call centre staff), financial difficulty, debt collection, and lending staff – receive appropriate financial difficulty training relevant to their work. Ensure that such training is provided at induction with regular refreshers.

3. Develop and incorporate criteria for credit assessment processes to identify indicators of financial difficulty having regard to applications for new credit, top-up credit and refinancing.
4. Ensure that the reasons for a customer's financial difficulty are captured and recorded in a manner that can be monitored and reported.
5. Adopt or revise written policy on supporting documentation to ensure it is not needlessly inflexible or burdensome, and that supporting documentation is limited to what the bank reasonably needs in order to understand the customer's circumstances.
6. Ensure that the written policy on supporting documentation expressly contemplates circumstances under which documentation requirements may be limited or waived, especially for customers who are particularly vulnerable.
7. Adopt or revise written policy on third party authorisations to ensure it requires only such information necessary to satisfy privacy obligations and is not needlessly inflexible or burdensome.
8. Ensure that written policies on financial difficulty contain sufficient detail to reflect the end-to-end process followed by staff, including identifying where staff discretion is appropriate.
9. Promote a culture that reflects the values of non-judgment, flexibility and compassion to support tailored, customer-centric decisions and out-of-the-box thinking. Incorporate targets and measures in performance review processes and reward programs that encourage creative, flexible decision-making.
10. Ensure that the financial difficulty assistance decisions achieved by self-represented customers and customers represented by authorised third-parties are recorded and monitored to promote decisions that are consistent, regardless of representation.
11. Ensure that the case-by-case assessment of a customer's circumstances expressly considers whether the customer would benefit from a longer-term solution. Where a customer's circumstances indicate that a short-term solution will not help the customer overcome their financial difficulty but the longer-term solution may be effective, the longer-term solution should be favoured.
12. Adopt a written policy on early access to superannuation that expressly requires staff members recommend a customer seek independent financial advice. Effective training for this policy needs to be implemented for all staff who may deal with such a request. Finally, the number of customer requests for the early release of superannuation benefits, together with the outcome of such requests, is recorded in a manner that can be monitored and reported.
13. Review and amend decision letter templates to ensure the content is suitable for the intended purpose, contains all relevant information and is presented in plain language.
14. Develop and implement metrics to assess the effectiveness of customer financial difficulty arrangements. Where possible, monitor the performance of the loan and the customer's financial position for at least 12 months after the end of financial difficulty assistance to assess sustainability.

Next steps

This document presents Part 1 of a comprehensive CCMC investigation of banks' financial difficulty practices. In Part 2 of this report, scheduled for release in the first half of 2019, the CCMC will address banks' transition to the new Code, providing guidance on its strengthened financial difficulty provisions. Specifically, Part 2 of the Report will cover:

- vulnerable customers
- natural disasters
- proactive identification of customers in financial difficulty
- treatment of joint debtors and guarantors, and
- small business and agribusiness.

Introduction

Under the Code, banks are required to help customers who are experiencing financial difficulty. As banks prepare to transition to a new 2019 version of the Code, the CCMC conducted an own motion inquiry investigating banks' compliance with these important financial difficulty obligations.

Banks' Obligations

Clause 28 of the Code sets out banks' obligations to assist customers who are experiencing financial difficulty. Primary among these is a general obligation to try to help customers overcome their financial difficulties with any of the bank's credit facilities. Clause 28 also sets out a number of specific obligations for how banks enable access to financial difficulty assistance and how they interact and communicate with customers or their representatives.

The CCMC's *Guidance Note 13 – Financial Difficulty* expands upon the Code itself with further guidance on good industry practice and how the CCMC will approach compliance with the Code's financial difficulty requirements.

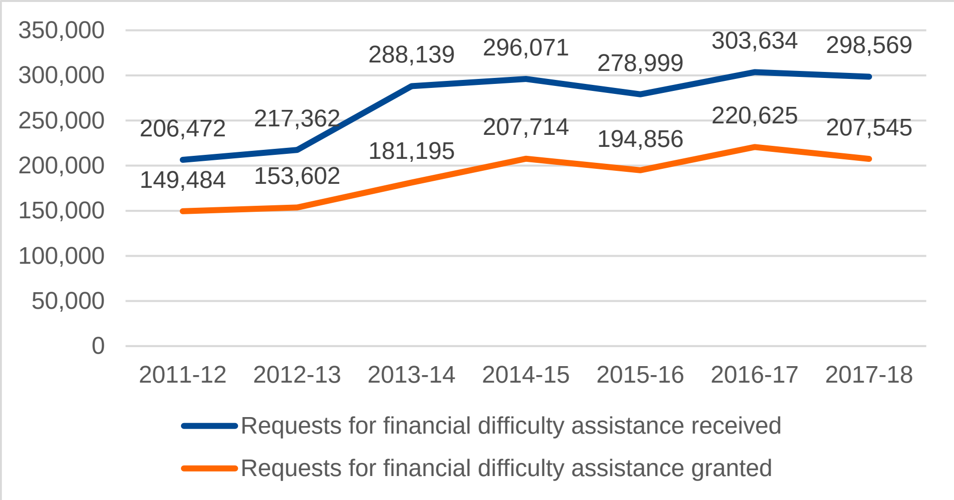
Additionally, the ABA has developed its own industry guideline, *Promoting understanding about banks' financial hardship programs.* The ABA industry guideline defines financial difficulty, sets out underpinning principles and provides detailed guidance on how banks should promote awareness of and provide financial difficulty assistance. The guideline is not binding, but the CCMC considers it to represent good practice in the area.

The Code and ABA industry guideline complement banks' legal and regulatory obligations concerning customer financial difficulty. The National Credit Code, a schedule to the *National Consumer Credit Protection Act 2009* (Cth), requires banks to meet certain minimum requirements in responding to a customer who notifies the bank of their inability to make repayments. Other relevant regulatory obligations include those set out in the Australian Securities and Investments Commission (ASIC) and Australian Competition and Consumer Commission (ACCC) '*Debt Collection Guideline for Collectors and Creditors*' (Debt Collection Guideline).

The financial difficulty landscape

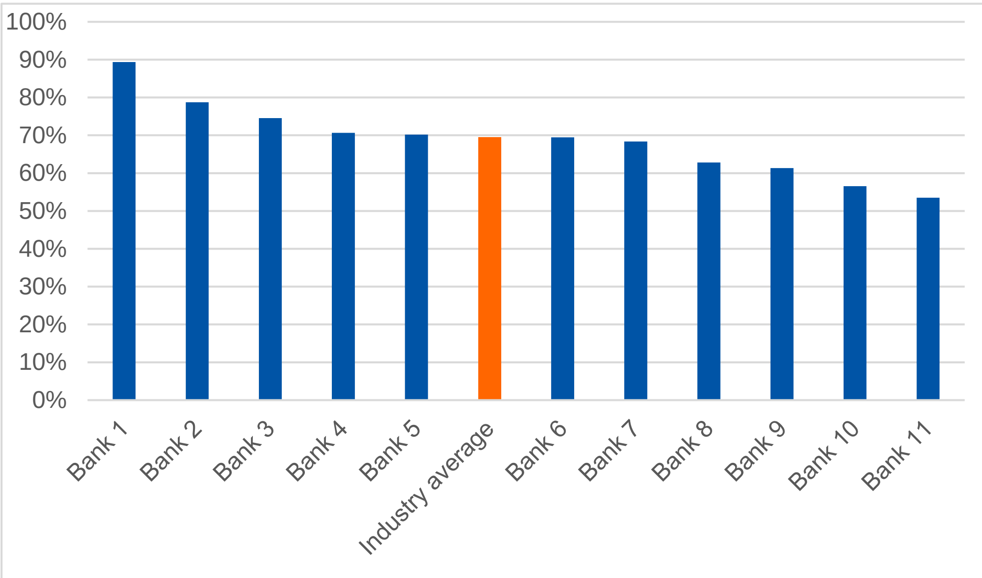
Financial difficulty is a sensitive area of engagement between banks and their customers, and one that has grown in significance. CCMC data shows that between 2012 and 2018, requests for financial difficulty assistance increased most years, reaching a high of 303,634 requests in 2016–17. Overall, requests for financial difficulty assistance have increased by 47% since the CCMC began collecting data in 2012.

Chart 1. Requests for assistance received and granted, 2012–18



Banks grant the majority of assistance requests. Excluding a dip in 2013–14, the industry as a whole has granted around seven in ten financial difficulty requests each year since 2011–12. However, acceptance rates differ substantially between banks: one bank approves almost 90% of requests, while two banks approve just over half of the requests received (**Chart 2**).

Chart 2. Percentage of requests for assistance granted, by bank, 2017–18



* Excludes data for banks with less than 100 requests for assistance during the reporting period.

Almost two-thirds of financial difficulty assistance requests come from customers in Queensland, New South Wales or Victoria (**Table 1**).

Table 1. Requests by state

State	Percentage of requests received from individual customers	Percentage of Australian populations[1]
Queensland	24.0%	20.0%
New South Wales	22.3%	32.0%
Victoria	19.3%	25.8%
Western Australia	15.7%	10.4%
South Australia	5.5%	7.0%
Australian Capital Territory	2.0%	1.7%
Tasmania	1.5%	2.1%
Northern Territory	0.9%	1.0%
Overseas	0.1%	N/A
Data unavailable	8.6%	N/A

While customers seek financial difficulty assistance for a wide range of reasons, employment issues are the most common driver of requests for assistance (**Table 2**). In 2016–17, banks reported that around 125,000 (or 42%) requests for financial difficulty assistance from individual customers were made for employment-related reasons, namely a reduction in income or working hours (62% of employment-related reasons) or unemployment (36%). Consumer advocates also identified unemployment and underemployment as primary reasons customers seek assistance, alongside accidents, illness (including mental illness), family separation and family violence.

Table 2. Reasons for financial difficulty assistance requests, 2016–17

Reason	Percentage of requests
Employment-related	42.0%
Over-commitment	17.5%
Injury or illness	13.3%
Unexpected events	6.9%
Relationship issues (such as separation or divorce)	2.7%
Natural disaster	0.9%
Death or bereavement	0.5%
Property settlement	0.4%
Parental leave	0.3%
Other or no reason provided	15.6%

[1] Australian Bureau of Statistics, Estimated Resident Population for December 2017

Bank data indicates that 17.5% of financial difficulty assistance applications come from customers who are overcommitted. Similarly, consumer advocates highlighted financial illiteracy and irresponsible lending – the provision of financial products or services, typically credit cards, that are not affordable – as a contributor to financial difficulty. Advocates also suggested that financial products that do not appear to be keeping pace with customer needs. For example, the typical mortgage assumes continuous employment for 10 to 20 years, which advocates say is no longer realistic for many Australians. In light of this, one advocate suggested that mortgage documents should discuss a customer's right to apply for assistance during the course of the loan and that this right ought to be brought to the customers' attention during the application process.

The inquiry

Financial difficulty is an important area of banking practice and an ongoing focus for the CCMC. In 2015, the CCMC conducted an initial own motion inquiry investigating banks' compliance with the strengthened financial difficulty obligations in the 2013 Code. This inquiry found that all subscribing banks had procedures in place to try to help customers overcome their financial difficulties, as required by the Code.[2]

The CCMC undertook this new inquiry to assess and benchmark bank compliance with the current financial difficulty obligations of the 2013 Code three years after the initial inquiry. One objective was to assist banks in the transition to the new version of the Code developed by the ABA. Among other things, the new Code increases banks' commitments to customers in financial difficulty, and creates new commitments to vulnerable customers. The revised Code will come into effect on 1 July 2019.

To gather data for this inquiry, the CCMC asked banks to complete a questionnaire with quantitative and qualitative questions. The CCMC consulted with consumer advocates for insight the experiences of customers seeking financial difficulty assistance, as well as their own experiences acting as third-party representatives of these customers. Finally, the CCMC met with financial difficulty leadership and staff at several of the banks to clarify questionnaire responses, ask further questions, and gain more insight into bank policies and practices.

This document, Part 1 of the CCMC's report, reviews and assesses the core components of bank financial difficulty programs, with a focus on increasing accessibility to customers, enhancing frameworks to better support genuine dialogue, and improving the ability of banks to help customers effectively overcome financial difficulty.

Part 2 of the report, scheduled for release in the first half of 2019, will explore how banks should consider their financial difficulty responsibilities in view of the expanded obligations of the new Code.

[2] CCMC (2015) *Financial Difficulty Own Motion Inquiry*.

Making Assistance Accessible

In order to help customers in financial difficulty, banks must make their assistance processes accessible. Customers need information about the bank's processes so that they know assistance is available. Banks then need a framework for discussing financial difficulty with customers or their representatives, and a request process that is not overly onerous.

Information for customers

In order to receive financial difficulty assistance, customers need to be aware of the help available and how to access it. Consumer advocates and banks alike acknowledged that there is no substitute for personal interaction, whether face-to-face or over the phone. Nevertheless, in this era, it is also essential for banks to make information available online. For this reason, Code clause 28.10 requires banks to provide information on their websites about their processes for dealing with customers in financial difficulty with a credit facility. Upon request, banks must direct customers to this online information or make it available in another format.

The ABA industry guideline[3] expands upon the Code standard, specifying that information on banks' websites should be suitable, prominent, easily identifiable and accessible. Under the guideline, banks are expected to have a permanent button on the homepage directing customers to information about financial difficulty assistance. This information should meet minimum standards in its explanation of financial difficulty, the application process and the external support available. While the ABA industry guideline is not binding, the CCMC considers it to represent good practice.

Reviewing the websites of 14 Code-subscribing banks, the CCMC found that all met – and many exceeded – the Code's financial difficulty information obligations. Each bank's website contained financial difficulty information and contact details, complying with clause 28.10. Many banks went further, providing, for example, information tailored for small business customers or details of internal or external complaint procedures. Some websites gave customers the option of printing forms or submitting them online, providing greater flexibility in the application process. One bank applied all of these measures, which the CCMC considers to be good practice.

While all banks met the Code's obligations, a number failed to satisfy the good practice criteria in the ABA industry guideline. For example, two banks' websites did not have a permanent button on the homepage linking to financial difficulty information. Some other banks had such buttons, but did not make them easily identifiable. One did not include links to other assistance such as free financial counselling via the National Debt Hotline or ASIC's MoneySmart website.

Overall, banks' websites are a good place for customers to find out about financial difficulty assistance and begin the process of raising this with the bank. It is

[3] ABA (2016) *Promoting understanding about banks' financial hardship programs*.

encouraging to see many banks offering customers information and flexibility that goes beyond the obligations stipulated in the Code or the ABA industry guideline.

However, there are still improvements to be made. The CCMC is concerned that a number of banks are not meeting the good practice criteria in the ABA industry guideline. In particular, the failure to include a prominent financial difficulty link of the homepage undermines the accessibility of assistance. The CCMC will engage individually with these banks, recommending website changes to improve the accessibility of financial difficulty assistance. While it is not stated in the Code or ABA industry guideline, the CCMC expects banks to make financial difficulty information accessible and prominent on other digital platforms, such as smartphone or tablet applications.

Recommendation 1

Ensure that financial difficulty assistance information is prominently presented and readily accessible on bank websites and other digital platforms, such as smartphone or tablet applications.

Recognising indicators of financial difficulty

The CCMC considers that bank staff are responsible for recognising indicators of financial difficulty – whether a customer expressly requests assistance, reveals information or displays behaviour indicative of financial difficulty. Financial difficulty can have many causes. While some, such as unemployment or physical illness, may present obvious signs, the presentation of others, such as mental illness or family violence, can be subtle.

Whatever their specific role and whether the signs are conspicuous or subtle, all frontline staff need an awareness of financial difficulty and knowledge of how to identify customers who may need assistance. This is noted in the ABA industry guideline, which states that '[f]rontline employees should be trained to be alert to referring customers to the banks' dedicated financial hardship team (as needed), be provided with tips on identifying customers who may benefit from financial difficulty assistance and scripting for referrals.' The CCMC considers that awareness of financial difficulty should permeate all customer-facing banking services.

Many of the banks surveyed reported to the CCMC that they rely on frontline staff in branches, call centres and collections teams to refer customers in financial difficulty to specialist teams for assessment and assistance. However, the CCMC is not satisfied that staff outside of specialist financial difficulty teams are equipped to recognise key signs of customer financial difficulty.

The CCMC expects banks to ensure that staff outside of specialised financial difficulty teams are aware of how a customer's financial difficulty may present. The ABA industry guideline also affirms the importance of raising awareness of financial difficulty 'across their organisations for all relevant staff.'

This is particularly important in the lending arm of the bank. The CCMC is concerned that bank frameworks are not identifying financial difficulty in applications for new credit, top-up credit, or refinancing. For example, one bank commented that its lending staff do not ask customers why they are requesting a credit line increase. Instead, the bank relies on credit assessment to decline credit applications, if it does not consider that the customer can reasonably repay the loan. Based on information from customers and consumer advocacy groups, the CCMC understands that applications for credit can be a sign of financial difficulty. Customers often seek additional credit to alleviate the stress of over commitment, unexpected expenses, or changes in circumstance. Credit requests made under such circumstances should be considered through the lens of financial difficulty.

Training is the primary tool for building this awareness. Code clause 28.11 requires banks to take reasonable steps to ensure that relevant staff are trained in the financial difficulty provisions in the Code and the *National Credit Code*. Most banks reported that staff receive financial difficulty training at induction. A majority of these supplement induction training with an annual refresher. However, some banks only provide initial or refresher training on an ad hoc basis.

Banks should ensure that customer facing staff – including, but not limited to, frontline, financial difficulty, collections, and lending staff – receive financial difficulty training relevant to their work. Such training should be provided at induction, with regular refreshers. Because frontline and call centre staff are the first to interact with customers experiencing financial difficulty, all frontline and call centre staff should be specifically trained in how to identify customers in financial difficulty and refer them to specialist hardship teams in a consistent way.

Recommendation 2

Adopt an effective training program that ensures customer facing staff – including, but not limited to, frontline (branch and call centre staff), financial difficulty, debt collection, and lending staff – receive appropriate financial difficulty training relevant to their work. Ensure that such training is provided at induction with regular refreshers.

Recommendation 3

Develop and incorporate criteria for the credit assessment process to identify indicators of financial difficulty having regard to applications for new credit, top-up credit and refinancing.

Framework for genuine dialogue

The Code's central financial difficulty obligation is the general obligation that banks, with the customer's agreement and cooperation, will try to help customers overcome their financial difficulties with any of the bank's credit facilities (clause 28.2). As discussed in the CCMC guidance note, to meet this requirement banks should have, among other things, an effective framework for managing financial difficulty dialogue between staff and customers.

Reviewing banks' financial difficulty policies in place during 2017, the CCMC found that all banks have a framework for receiving, assessing and processing financial difficulty requests. Different banks give frontline staff different roles in these financial difficulty processes. In most banks, frontline staff in branches, call centres and debt collection teams refer customers in financial difficulty to specialist teams for assessment and assistance. Conversely, a minority of banks rely on frontline staff to process financial difficulty requests and perform assessments, which are then are approved or declined by a senior staff member.

Notwithstanding these frameworks, based on data reported by banks to the CCMC, in a significant percentage of cases, the bank's understanding of the customer's reasons for financial difficulty appeared to be lacking. Banks were unable to identify a reason for financial difficulty assistance in 15.6% of all cases reported to the CCMC. Further, one bank reported providing assistance to over 5,000 customers with the reason for assistance recorded as "no reason provided." As part of a genuine dialogue, the CCMC expects banks to capture and record the reasons behind the customer's financial difficulty to improve the bank's ability to effectively assist customers in financial difficulty.

Recommendation 4

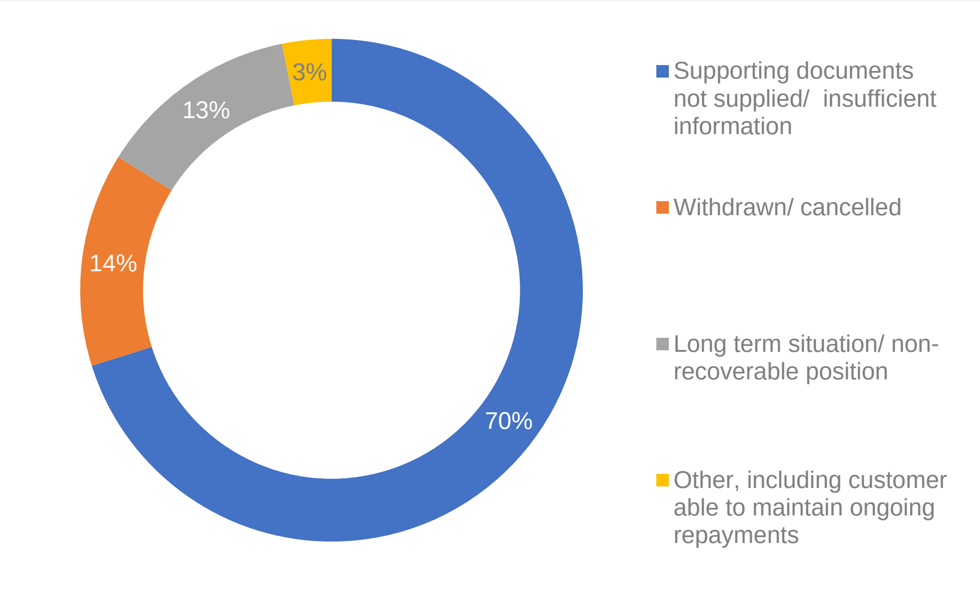
Ensure that the reasons for a customer's financial difficulty are captured and recorded in a manner that can be monitored and reported.

Documentation requirements

Once a request for assistance is made, banks assess the application and decide whether to provide assistance, and what type of assistance to provide. In working with customers to assess a request for financial difficulty assistance, consumer advocates emphasised the importance of bank staff taking a non-judgemental, flexible approach grounded in a culture of listening to and believing customers. Advocates advised that most customers do not want to evade responsibility for debt, but are seeking a fair repayment arrangement. Customers are sometimes reluctant to ask for help because they have the impression that the bank will not believe them. Improved banking practice means leading with trust, particularly when asking for documentation to support a request for financial difficulty assistance.

Previous CCMC analysis has shown that where assistance is not provided, this is most commonly because the customer did not provide the documents requested (**Chart 3**). The CCMC has recommended that banks adopt a more flexible approach to documentation requirements. This flexibility is particularly important where the customer is experiencing illness, family violence, mental ill-health, or the where the documentation requirements may impose a significant cost or burden.

Chart 3. Reasons assistance is not provided, 2017–18



Similarly, while acknowledging that banks may require supporting information and documentation, the CCMC considers that financial difficulty processes should minimise the effort required from customers. This position is also reflected in the ABA industry guideline. Banks should limit the amount of information requested, especially if this information is contained in other documentation, or can be derived from it. For example, the CCMC notes that banks can use what they know about Centrelink income support payments to reduce or eliminate the need for further evidence of a customer's income.

The CCMC reviewed banks' financial difficulty policies and found that most provide that the bank can require information reasonably necessary to understand the customer's personal circumstances and financial situation and determine whether assistance is suitable. Typically, this information includes:

- a statement of financial position
- evidence of employment
- evidence of income
- evidence of medical circumstances, and/or
- other evidence depending on the customer or financial difficulty request.

Around one-third of banks have policies that expressly relax documentation requirements in certain circumstances, most commonly mental ill-health, natural disasters, family separation and family violence. Additionally, several banks do not require documentation for short-term or first-time financial difficulty applications.

However, most banks' policies still do not identify circumstances under which documentation requirements can be relaxed or waived. The CCMC considers that this lack of specificity may result in staff applying supporting documentation requirements too rigidly. Consumer advocates have raised concerns about documentation requirements that seem excessive and unnecessary, such as requests for income, income support payment or expenditure information that the bank is already aware of, or has records of.

While there has been a trend towards increased flexibility, some banks are still struggling to balance the desire to provide assistance with the desire to have the customer prove their financial difficulty. The CCMC appreciates that a bank may need certain documentation to understand the customer's personal and financial circumstances, particularly when contemplating long-term assistance or a loan restructure. However, requests for supporting documents should be kept to a minimum. Banks should further adopt financial difficulty policies that expressly contemplate the circumstances under which documentation requirements may be limited or waived, in particular, for pensioners, other income support recipients, and customers not in a position to readily provide documents.

Recommendation 5

Adopt or revise written policy on supporting documentation to ensure it is not needlessly inflexible or burdensome, and that supporting documentation is limited to what the bank reasonably needs in order to understand the customer's circumstances.

Recommendation 6

Ensure that the written policy on supporting documentation expressly contemplates circumstances under which documentation requirements may be limited or waived, especially for customers who are particularly vulnerable.

Dealing with customer's representatives

The Code contains a specific obligation requiring banks to deal with a customer's financial counsellor or other representative where requested and authorised by the customer (clause 28.3). Customers may prefer to receive assistance or representation from an experienced third party on important financial matters, and the Code seeks to ensure that banks enable this. The Debt Collection Guideline also grants a borrower the right to authorise someone to represent them or advocate on their behalf in relation to a debt. The Debt Collection Guideline includes recommendations on the form and content or verbal and written authorisation consistent with the requirements of the Privacy Act.

To assess compliance with this obligation, the CCMC reviewed banks' policies and practices for working with customers in financial difficulty who have nominated an authorised representative. A majority of banks confirmed that they do work with customers' authorised representatives, complying with the Code. However, around one-third of banks did not have a formal policy documenting these practices. All banks should have in place a clear, concise and appropriate policy documenting how they deal with authorised representatives in compliance in clause 28.3.

Through the course of the CCMC's engagement, consumer advocates raised concerns that authorisation processes are often inconsistently applied and unnecessarily burdensome. Whereas banks reported to the CCMC that they accept both their own standard authority forms and other forms, some consumer advocates said they had been required to use the bank's form, even when a non-standard form also contained the necessary details. They described other onerous requirements for the physical presence of the customer and their representative or for information that was unavailable or beyond that specified in the Debt Collection Guideline. The CCMC emphasises the importance of banks complying with obligations of verbal and written third party authorisation to ensure consistency with privacy requirements and Debt Collection Guidelines.

Given the resource constraints facing many financial counselling agencies and community legal services, the CCMC expects banks to ensure their third-party authorisation policies and procedures are not unnecessarily burdensome. Banks should only require information that is reasonably necessary to satisfy privacy obligations and enable bank staff to work effectively with customer representatives. To reduce confusion and inconsistency, authorisation requirements should be set out clearly for staff and covered in training.

Recommendation 7

Adopt or revise written policy on third party authorisations to ensure it requires only such information necessary to satisfy privacy obligations and is not needlessly inflexible or burdensome.

Providing effective assistance

Once accessed, financial difficulty processes should provide effective assistance – assistance that genuinely helps customers to overcome their financial difficulties. To achieve this, banks must assess each request on a case-by-case basis and provide repayment plans and assistance tailored to the individual. These assistance arrangements should then be clearly documented for customers. Finally, banks must monitor the outcomes of their financial difficulty arrangements to confirm their effectiveness.

Case-by-case assessment

To provide effective assistance, banks need to consider a customer's specific circumstances and financial situation. The CCMC expects banks to assess requests for financial difficulty assistance on a case-by-case basis, taking into account the individual's circumstances. The ABA industry guideline also states that suitable assistance should be assessed on a case-by-case basis, and identifies some of the relevant factors that may be considered.

Nearly all financial difficulty policies reviewed by the CCMC state that every request for assistance must be assessed on a case-by-case basis with regard to the applicant's individual circumstances. Consistent with the ABA industry guideline, the individual factors most commonly considered include the:

- nature and potential duration of the financial difficulty
- customer's current and potential future financial position
- type of assistance being requested.

Good policies are explicit about the Code's expectation that banks will help customers experiencing unexpected financial difficulty to improve their financial position and overcome their financial difficulty. As consumer advocates argue, financial difficulty programs must be driven by a desire to provide assistance, not merely to recover debt. This objective lays the foundation for a positive bank culture on financial difficulty.

One bank's policy, disappointingly, set out a more rigid approach, stating that applications should be declined if there is no surplus after calculating the difference between monthly income and expenses and the situation is long-term. The CCMC met with the bank to clarify its approach and heard that, in practice, a more liberal and flexible approach is taken. Nevertheless, the CCMC has recommend that the bank's policy be revised to more closely reflect actual practice.

A few banks have financial difficulty policies that discuss high-level governing principles without documenting in meaningful detail the steps that bank staff take to receive and process financial difficulty requests. The CCMC expects a bank's policies and procedures to have sufficient detail to reflect the end-to-end process followed by staff, while identifying when staff discretion is appropriate.

Recommendation 8

Ensure that written policies on financial difficulty contain sufficient detail to reflect the end-to-end process followed by staff, including identifying where staff discretion is appropriate.

Repayment Assistance

Where appropriate, banks need to work with customers in financial difficulty to develop a repayment plan. As set out in the ABA industry guideline, as part of a repayment plan, banks can make available a range of financial assistance options, including:

- postponed or deferred payments (moratorium)
- capitalised or capped arrears
- loan restructure or loan extension
- payment holiday
- interest-only repayments
- temporary overdrafts or lines or credit
- loan freeze, and
- information on alternative money management and banking arrangements.

Reviewing banks' policies, the CCMC found that these specify the types of repayment assistance consistent with the ABA industry guideline. The CCMC considers it good practice for banks to be transparent about the range of options available for repayment assistance available so that customers may understand which options best suit their individual circumstances.

In crafting the repayment plans themselves, advocates advised that the most effective solutions were often the product of flexible, compassionate, outside-the-box thinking. To support this type of decision-making, the CCMC considers that the bank culture among both management and staff should reflect the values of non-judgement, flexibility and compassion. Like other desirable qualities, these values should be taught in training, and reviewed and weighed in the performance review process. Banks should also measure and reward performance in a way that encourages staff to consider creative ways to help customers improve their financial position.

A number of banks indicated that a cultural shift towards such an approach is underway. Several banks noted that where policies are too prescriptive, staff cannot craft creative responses. To mitigate against the inconsistency that can be a downside of a more flexible and creative approach, one bank reported that it frequently reviews resolved files to calibrate the effectiveness of financial difficulty solutions and inform ongoing training and feedback to staff.

Recommendation 9

Promote a culture that reflects the values of non-judgment, flexibility and compassion to support tailored, customer-centric decisions and out-of-the-box thinking. Incorporate targets and measures in performance review processes and reward programs that encourage creative, flexible decision-making.

Consistency in financial difficulty assistance options

Although banks were largely unable to provide data indicating whether self-represented customers receive different results than customers represented by third parties, both consumer advocates and banks acknowledged that customers tend to be offered a wider range of financial assistance options when represented by a third party, typically a solicitor or financial counsellor. One bank attributed this to the struggle of obtaining necessary information from customers who can be anxious and sceptical about financial difficulty processes that are unfamiliar. Several advocates, on the other hand, stated that certain types of assistance, such as waivers or loan variations, appear to be unavailable when the customer requests them. These are only presented as options once a third-party representative is involved or the matter was escalated to internal dispute resolution or external dispute resolution (EDR).

A number of banks now refer customers in extreme financial difficulty to financial counsellors, aware that these customers often have other debts or problems that the bank cannot address. Several banks have also designated certain staff to work with financial counsellors. The CCMC is concerned that having a separate pathway for financial counsellors exacerbates disparate outcomes for represented and non-represented customers. Banks should record and monitor their approach to self-represented customers and customers authorised by third-parties, to ensure consistency in financial difficulty options is provided regardless of representation.

Banks should provide consistent options for assistance, regardless of whether or not a customer has representation. Banks should ensure that the financial assistance decisions achieved by self-represented customers and those achieved by customers represented by third parties are recorded and monitored.

Recommendation 10

Ensure that the financial difficulty assistance decisions achieved by self-represented customers and customers represented by authorised third-parties are recorded and monitored to promote decisions that are consistent, regardless of representation.

Longer-term assistance

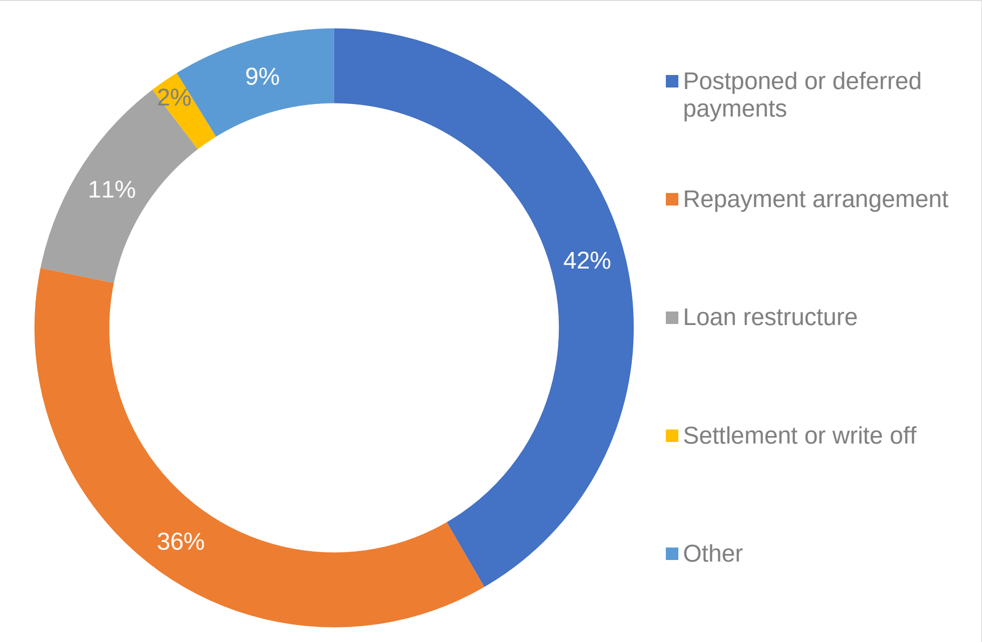
Where a case-by-case assessment of a customer's circumstances indicates that a short-term solution will not help the customer to overcome their financial difficulties, banks must give longer-term assistance due consideration. The CCMC has set this expectation clearly in its guidance note on financial difficulty.

While most banks' policies endorse an individualised case-by-case approach, it appears that they do not necessarily give due consideration to longer-term assistance. Data that banks provided to the CCMC shows that moratoriums –

postponed or deferred payments – are the most common assistance measure, accounting for more than 40% of all assistance (Chart 4). Several consumer advocates reported that for many banks, a three-month moratorium is the 'go-to' or the only offering for customers in financial difficulty. One advocate emphasised that many customers dislike moratoriums because a payment holiday can artificially and temporarily put financial difficulty out-of-mind, rather than addressing it. If a customer does not have a habit of making regular payments or budgeting, a moratorium alone can make recovery more difficult in the long term.

The CCMC's position is that moratoriums should be considered carefully in view of a customer's whole circumstance, and should not be offered as a matter of course. Any assistance offered to a customer must result from a conversation about the customer's needs and represent a genuine effort to assist the customer overcome their financial difficulty.

Chart 4. Types of assistance provided, 2017–18



Several advocates also voiced concerns that certain banks are reluctant to capitalise arrears. The result is that while financial difficulty is temporarily alleviated, the customer is left in further difficulty when the assistance period ends and arrears are due either all at once or in larger instalments. Paradoxically, the customer may be at increased risk of collection action, including additional fees and interest. Overall, consumer advocates suggested that banks may rely too heavily on short-term fixes at the expense of longer-term solutions – an impression held by the CCMC following onsite visits with banks for this inquiry.

To fulfil the Code obligation to help customers overcome financial difficulty, banks need a mechanism to provide longer-term assistance where appropriate. For example, one bank's policy states that although assistance will take the form of reduced payments over three months, where it is clear that a customer needs a longer-term approach, they should be referred to a specialised case management team to develop an appropriate plan. Another bank's policy provides that the term of arrangements offered will be tailored to the customer's circumstances wherever possible. The CCMC expects banks to consider whether the customer may benefit from longer-term assistance, where the longer-term assistance may be effective and the bank is aware that a short-term solution will not help the customer overcome their financial difficulty.

Recommendation 11

Ensure that the case-by-case assessment of a customer's circumstances expressly considers whether the customer would benefit from a longer-term solution. Where a customer's circumstances indicate that a short-term solution will not help the customer overcome their financial difficulty but the longer-term solution may be effective, the longer-term solution should be favoured.

Early superannuation release

Under Code clause 28.9, when developing repayment plans, banks cannot require a borrower to apply for earlier release of superannuation benefits. The clause also requires banks to recommend that customers contemplating this seek independent advice, for example, from a financial counsellor or financial advisor. Both banks and consumer advocates suggested that at present, customers in financial difficulty typically have other options and only very rarely need to consider accessing superannuation benefits. One bank indicated that where customers do contemplate early release of superannuation, this is in pursuit of a 'quick fix' without sufficient consideration of alternatives, tax consequences and long-term impacts.

To assess compliance with clause 28.9, the CCMC asked banks to provide a copy of their policy setting out how the bank manages requests to support an early release of superannuation benefits, as well as details of how, and how often, staff are trained in this policy. Where there was no such policy, the CCMC asked for information about how the bank complies with clause 28.9. The CCMC also asked banks for data on the number of requests received concerning early superannuation release.

Responses showed that banks understand that they should not require the early release of superannuation benefits to repay a credit facility. A significant majority of banks embed this in policy, either as part of a stand-alone superannuation release policy or broader financial difficulty policy. However, some banks did not have a documented policy. More concerningly, two banks did not provide information about their procedures. These banks appeared to believe that this obligation only applies to banks that offer their own superannuation products – a fundamental and troubling misinterpretation of clause 28.9. All banks should ensure that they have a clear and concise policy for compliance with clause 28.9.

The CCMC considers that banks should exhaust all available options before supporting early release of superannuation, promoting a culture which treats the early release of superannuation as a very last resort. One bank's policy states that it will help a customer access their superannuation; this scant guidance does not drive the right culture. The CCMC will address this directly with the bank, recommending policy changes and staff training.

Because early superannuation release is such a significant step for customers, banks must promptly and clearly recommend customers seek independent advice. Banks' understanding of this obligation is comparatively weak. Several banks do not have a clear approach to advising customers to seek financial advice. Most banks do not make it clear when a recommendation for superannuation advice should be sought; nor that this should be in addition to the financial difficulty advice already sought. This lack of clear recommendation is of serious concern to the CCMC.

Banks stated that they offer training on superannuation release, both when staff join the bank and at regular intervals afterwards. While this is encouraging, it is unclear whether superannuation release training is taught through stand-alone instruction or as part of financial difficulty training. Unless it is complemented by an appropriate policy, training is unlikely to result in ongoing compliance with the Code.

Based on most of the quantitative data received in this review, the CCMC is concerned that present levels of monitoring are inadequate to assure compliance with this Code provision. Only four banks were able to provide data on requests for early release of superannuation – with this data often inconsistent or incomplete. It appears that most banks cannot accurately scrutinise or monitor their compliance with clause 28.9. Banks should ensure that interactions concerning early release of superannuation benefits are recorded and monitored.

Recommendation 12

Adopt a written policy on early access to superannuation that expressly requires staff members recommend a customer seek independent financial advice. Effective training for this policy needs to be implemented for all staff who may deal with such a request. Finally, the number of customer requests for the early release of superannuation benefits, together with the outcome of such requests, is recorded in a manner that can be monitored and reported.

Written decisions

Under the Code, banks must set out in writing whether or not assistance will be provided, the reasons for this decision and the main details of any agreed assistance arrangements. This obligation, in clause 28.8 of the Code, is consistent with the National Credit Code requirement for banks confirm the main details of a financial difficulty agreement in writing.

Again, the ABA industry guideline builds upon these regulatory and Code standards, setting out the details that should be included in any written confirmation of assistance:

- the amount of outstanding debt
- key aspects of the arrangement (such as an alternative arrangement or repayment plan)
- whether the arrangement will affect the credit contract or outstanding debt
- how interest and fees are affected during the arrangement
- the duration of the arrangement
- whether, and at what point, the arrangement will be reviewed
- the customer’s obligations under the arrangement (so the customer does not inadvertently default at the end of the arrangement).

The CCMC considers that all banks should, at a minimum, meet this standard.

Reviewing banks' financial difficulty policies, the CCMC found that most banks state that they will provide customers with written confirmation of financial difficulty decisions, although policies vary widely on the level of detail to be provided. Several banks' policies go beyond what is set out in the ABA industry guideline. For example, the CCMC reviewed policies that also provided for a written explanation of what happens once the period of financial difficulty assistance is complete, and, where appropriate, a reminder that the customer may apply for further assistance.

Consumer advocates nevertheless raised some concerns about banks' written confirmations. These documents are sometimes too complex for everyday customers to understand. At times, consumer advocates suggested, financial difficulty arrangements are not documented clearly or fully. In particular, standardised form letters sometimes fail to capture nuanced arrangements negotiated between the bank and customers. Customers may also be unaware of and unprepared for what can happen upon termination of a financial difficulty arrangement; for example, that arrears may come due all at once, or interest-only payments cease and repayment instalments increase. Banks should review their confirmation templates to ensure these letters are suitable for the intended purpose and audience and are presented in plain language.

When a request is declined, this also requires confirmation in writing. Banks should minimally provide the customers with a written confirmation that:

- summarises the basis for the decision
- outlines the bank's next steps with regard to the credit contract or outstanding debt at issue
- provides contact details for the bank's Customer Advocate, internal complaints process and relevant EDR scheme, as well as information about the customer's rights under that scheme.

If the application is declined because the customer did not provide supporting documentation, the letter should inform the customer of this and identify the missing documentation so that the customer may request assistance in the future.

Recommendation 13

Review and amend decision letter templates to ensure the content is suitable for the intended purpose and is presented in plain language.

Monitoring effectiveness

Banks' financial difficulty processes are not ends in themselves; their purpose is to help customers overcome their financial difficulties. Banks can only be sure they are trying to help customers – as required under the Code – if they assess and monitor the effectiveness of their financial difficulty processes.

The CCMC therefore asked banks for information about whether and how they monitor the effectiveness of financial difficulty processes, as well as the outcomes of this monitoring. Several banks reported that staff periodically call customers to check on the progress of their arrangements and whether their circumstances or needs have changed, encouraging a positive, transparent relationship with the customer.

Around two-thirds of banks said that they have formal monitoring processes in place. These banks referred to a range of metrics that they rely on to assess effectiveness, including the:

- number of new accounts in financial difficulty
- number of repeat or returning financial difficulty applications, particularly within a defined period
- duration of financial difficulty arrangements
- arrangement kept rate – the rate at which arrangements are completed successfully
- cure rate – the rate at which accounts are brought up-to-date within defined periods after completion of the financial difficulty arrangement
- number of accounts cured from financial difficulty assistance
- number of broken financial difficulty arrangements (rolled over and exited)
- number of EDR complaints.

Several banks also reported that they rely heavily on the Net Promotor Score (NPS) to assess how well they have served customers. The CCMC understands that NPS is being used by industry to identify trends in banks' services, to assess the performance of financial difficulty and collections staff, and as a tool for communicating the outcomes achieved by teams. In response to CCMC inquiries, several banks who rely on the NPS said that they do not test it against other metrics, for example, by comparing NPS feedback to account cure rates or the rate of re-entry to collections.

While the CCMC acknowledges the value in the NPS scores, alone, they are not sufficient for assessing service or the effectiveness of financial difficulty or collections arrangements. The NPS captures customers' perspectives at a single point in time only. The CCMC cautions banks against relying too heavily on this single metric without any further validation, especially where NPS is used to assess staff performance.

In addition, several banks described monitoring processes that seemed focused on credit risk and recovery. A number of banks said that while they capture the impact of financial difficulty relief on the overall portfolio and financial difficulty-related movements in the arrears portfolio, this is done alongside tracking of the effectiveness of financial difficulty arrangements for customers. However, one bank reported that when an account's credit risk rating falls below a threshold, it is referred to a restructuring team for specialised attention. The bank did not articulate a financial difficulty-focused reason for this referral. The CCMC considers that banks' monitoring of financial difficulty arrangements should reflect the goal of trying to help customers emerge from financial difficulty, not merely to recover amounts owed.

Around one-third of banks reported that they do not monitor the effectiveness of financial difficulty arrangements. Several of these banks were, however, in the process of developing monitoring plans. Banks in the process of developing or amending reporting criteria to align to the 2019 Code should aim to identify metrics to assess the sustainability of financial difficulty arrangements and long-term outcomes for customers. Ideally, these metrics should track the recovery of customers for at least 12 months after the termination of assistance.

Recommendation 14

Develop and implement metrics to assess the effectiveness of customer financial difficulty arrangements. Where possible, monitor the performance of the loan and the customer's financial position for at least 12 months after the end of financial difficulty assistance to assess sustainability.

Looking Ahead

This document presents Part 1 of a more comprehensive CCMC investigation of banks' financial difficulty practices. Part 2 of this report, scheduled for release in the first half of 2019, will assist banks as they transition to the new Code, providing guidance on its strengthened financial difficulty provisions.

Vulnerable customers

Clause 38 of the 2019 Code introduces new commitments to vulnerable customers, including those experiencing age-related impairment, cognitive impairment, elder abuse, family or domestic violence, financial abuse, mental illness, serious illness, or any other personal or financial circumstance causing significant detriment. In Part 2, the CCMC will share its observations on good practice in working with vulnerable customers, and detail how banks will be expected to comply these new obligations.

Natural disasters

Natural disasters are among the most challenging financial events Australian customers experience. The CCMC asked banks to provide information on their policies for responding to customers impacted by natural disasters and other significant external events. In Part 2, the CCMC will assess the adequacy of banks' current frameworks to support compliance with the enhanced obligations in the revised Code and identify examples of good industry practice.

Proactive identification of customers in financial difficulty

Consistent with the CCMC's position that customer-facing staff should be prepared to identify customers that may be experiencing financial difficulty, Clause 165 of the 2019 Code requires banks to employ a range of practices to identify common indicators of financial difficulty. In Part 2, the CCMC set out key indicators of financial difficulty, based consultation with customers and consumer advocates. Part 2 will also examine banks' current practices and their plans to proactively identify and communicate with customers in financial difficulty.

Treatment of joint debtors and guarantors

Joint debtors and guarantors in financial difficulty face especially complex challenges where the parties are no longer amicable; the circumstances of one party change unexpectedly; or where a party is vulnerable, particularly in cases of family violence. In Part 2, the CCMC will explore these complexities, discuss current bank policies and practices with regard to joint debtors and guarantors in financial difficulty, and make recommendations to drive improved practice.

Small business and agribusiness

Although the financial difficulty provisions of the Code apply equally to customers and small business or agribusiness, the 2019 Code overall presents greater protections for small business and agribusiness customers. Anticipating increased interest in the Code's impact on small business and agribusiness, Part 2 will assess existing bank processes for handing financial difficulty requests by small business and agribusiness customers, and make recommendations for increased compliance and improved practice.

Appendix 1: Financial Difficulty Transitional Inquiry – Questionnaire

Section 1: Assessing banks' compliance with the financial difficulty obligations under the 2013 Code

Approach to Financial Difficulty

1. Please provide a copy of the bank's policy for working with customers experiencing financial difficulty as applicable from 1 January 2017 to 31 December 2017 inclusive. If there has been any material change to the bank's financial difficulty policy since 1 January 2018, please provide further information outlining the changes.

2. How, and how often, are staff trained to comply with this policy?

3. What is the bank's policy for working with customers experiencing financial difficulty who have nominated an authorised representative (such as a financial counsellor or a friend or family member)? Please provide a copy of the bank's policy where one is available. Does the bank require the completion of a standardised bank authority form or are other types of authorisation acceptable? Please provide a copy of the bank's standardised authority form if applicable.

4. Does the bank capture and monitor the effectiveness[4] of the financial difficulty arrangements it provides to customers? If so, please provide details of how this is monitored and the outcomes of this monitoring. If not, does the bank intend to implement any monitoring of this nature in the coming 12 months?

5. Does the bank proactively identify and contact customers it considers may be experiencing financial difficulty? If so please provide details on:

   a) the method of identification,
   b) the type of contact made, and

[4] For the purpose of **question 4**, in considering the effectiveness of the financial difficulty arrangements provided to customers, banks should consider Code clause 28.2. Therefore, a bank might consider how successfully it is helping customers to overcome their financial difficulty with regard to factors including rates of re-entry into collections and subsequent requests for financial difficulty assistance within a 12 month period.

c) any outcomes and assessments of the effectiveness[5] of this initiative in the 2017 calendar year.

6. If the bank does not have a current practice to proactively identify and contact customers it considers may be experiencing financial difficulty, why not? Does the bank intend to develop such a practice in the coming 12 months? If so, please provide details if known.

7. How does the bank approach requests for financial difficulty assistance from joint debtors? Does the bank have a policy? If so, please provide a copy of the policy. If not, why not? Does the bank intend on developing a policy in the coming 12 months? If so, please provide details if known.

Superannuation

8. Please provide a copy of the bank's policy in relation to the management of requests to support an early release of superannuation benefits.

9. How, and how often, are staff trained to comply with this policy?

10. If the bank does not have a policy in relation to the management of requests to support an early release of superannuation benefits, how does the bank ensure compliance with Code clause 28.9?

Section 2: Examples of good industry practice and guidance for transition to the revised Code

Approach to Financial Difficulty

11. How does the bank approach requests for financial difficulty assistance from Guarantors? Does the bank have a policy in place? If so, please provide a copy of the policy. If not, why not? Does the bank intend on developing a policy in the coming 12 months? If so, please provide details if known.

12. From 1 January 2017 to 31 December 2017 inclusive, has the bank introduced any other programs or practices in relation to working with customers experiencing financial difficulty? If so, please describe the program or practice and its effectiveness to date, if known.

---

[5]For the purpose of **question 5 c)**, in considering the effectiveness of any initiatives, banks should consider Code clause 28.4. Therefore, a bank might consider how often, in the course of its dealings with customers, it recognises that a customer may be experiencing difficulties in meeting their repayments under a credit facility and contacts the customer to invite them to discuss their situation and the options that may be available to assist them. Banks might also consider how often customers identified through this channel subsequently enter into financial hardship arrangements. Customer feedback and/or net promotor scores may also indicate effectiveness.

13. Please provide details of the role of the Customer Advocate in working with customers experiencing financial difficulty, if applicable.

14. Does the bank provide any specific financial difficulty training to staff members working in teams other than the financial difficulty team to enable them to recognise and respond to financial difficulty indicators? If so, please provide details of the training.

Working with vulnerable customers

15. Does the bank have any specific policies in place in relation to working with customers who may require additional support or assistance due to one or more of the following:
    - age-related impairment,
    - cognitive impairment,
    - elder abuse,
    - family or domestic violence,
    - financial abuse,
    - mental illness,
    - serious illness, or
    - any other personal or financial circumstance causing significant detriment?

    a) If so, please provide a copy of the relevant policy document/s[6].

    b) If not, why not? Does the bank intend to develop a policy in any of these areas in the coming 12 months? If so, please provide further details about the subject matter and focus of the policy, if known.

16. Does the bank provide any additional training to staff members, working in financial difficulty teams, in relation to working with customers in vulnerable circumstances or customers with additional needs? If so, please provide a copy of the training policy.

Financial Difficulty in Small Business and Agribusiness

17. How does the bank approach applications for financial difficulty assistance from small business and/or agribusiness customers? If this approach differs from the policy referred to in section 1, please provide a copy of the bank's policy.

18. Does the bank have a dedicated team to manage applications for financial difficulty assistance from small business and/or agribusiness customers?

19. What training is provided to relationship managers and other bank staff responsible for working with small business and agribusiness customers

[6] For the purpose of **question 15 a)**, if the bank does not have a policy, and instead adopts a case by case process, the bank may like to share case studies of assistance provided.

to recognise and respond to financial difficulty indicators? If this training differs from the training outlined in section 1, please provide a copy of the policy.

Responding to natural disasters or other significant external events

20. Does the bank have a documented policy for responding to natural disasters or other significant external events that may result in customers' experiencing financial difficulty? If, so please provide a copy of the policy.

21. From 1 January 2015 to 31 December 2017, how many times has the bank enacted its policy to respond to a natural disaster or a significant external event? What was the natural disaster or significant external event that took place? What was the bank's response in each of these circumstances?

Guidance and support during the transition to the revised Code

22. Does the bank require any specific guidance from the CCMC to assist in transitioning to the revised Code provisions? If so, what specific guidance does the bank require?

Section 3: Requesting contextual data that will enable the CCMC to translate the compliance data received under sections 1 and 2

23. The following requests for information are for two periods[7] covering:

a) 1 January 2017 to 30 June 2017 inclusive, and
b) 1 July 2017 to 31 December 2017 inclusive unless otherwise stated.

a) Provide details about the reasons why financial difficulty assistance was requested during 2017. For example, reduction in work hours, illness, separation, etc. How many requests for assistance were made and how many were granted for each of the reasons?					
Reporting period	Reason	Number received		Number granted assistance	
		Individual	Small business	Individual	Small business
1 January 2017 to 30 June 2017					
1 July 2017 to 31					

[7] The requests for information in section three cover two six month periods to allow the CCMC to map the information provided to the 2016-17 and 2017-18 ACS data that it already holds.

December 2017					
Total					

b) Provide details about the location of customers requesting financial difficulty assistance during 2017. If the financial difficulty request relates to a facility with multiple borrowers, please provide details about the location of all borrowers. When describing the customer's location, please be as specific as possible and provide the relevant postcode where known.					
Reporting period	List of postcodes/ states/other geographical indicator	Number received		Number granted assistance	
		Individual	Small business	Individual	Small business
1 January 2017 to 30 June 2017					
1 July 2017 to 31 December 2017					
Total					

c) How many requests for financial difficulty assistance made were under a Third Party Authority[8] by an authorised financial counsellor or other representative during 2017?					
Reporting period	Representative type	Number received		Number granted assistance	
		Individual	Small business	Individual	Small business
1 January 2017 to 30 June 2017	Legal representative				
	Financial Counsellor				
	Accountant				
	Dispute resolution agent				
	Family member/Friend				
	Otherwise represented (please provide examples where known)				
	Not represented				

[8] For the purpose of **question 23 c)**, a Third-Party Authority includes all forms of authority both verbal and written.

1 July 2017 to 31 December 2017	Legal representative				
	Financial Counsellor				
	Accountant				
	Dispute resolution agent				
	Family member/Friend				
	Otherwise represented (please provide examples where known)				
	Not represented				
Total					

d) How many requests to support an early release of superannuation did the bank receive/ support for the following reporting periods?		
Reporting period	Number received	Number supported
1 January 2017 to 30 June 2017		
1 July 2017 to 31 December 2017		
1 January 2016 to 30 June 2016		
1 July 2016 to 31 December 2016		
1 January 2015 to 30 June 2015		
1 July 2015 to 31 December 2015		
Total		

e) How many customers participated in farm debt mediation for the following reporting periods?		
Reporting period	Number of mediations that took place	Number of resolutions reached[9]
1 January 2017 to 30 June 2017		
1 July 2017 to 31 December 2017		
1 January 2016 to 30 June 2016		
1 July 2016 to 31 December 2016		

[9] For the purpose of **question 23 e),** resolutions reached includes Heads of Agreement and any other contract, deed, mortgage or other instrument or binding agreement entered into as a result of, or pursuant to, Heads of Agreement between a farmer and the bank.

1 January 2015 to 30 June 2015		
1 July 2015 to 31 December 2015		
Total		