Hardship Policy

Credit Risk Policy | Global

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Replace all references to “the Company” with your organisation’s name.

Document Control

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Contents

1. Purpose

This Policy sets out how the Company identifies, assesses and responds to customers experiencing Financial Difficulty. It establishes the standards, timeframes, delegations and controls that apply from the moment a customer indicates difficulty — through any channel, in any words — to the conclusion and review of a Forbearance Arrangement.

The Policy gives effect to international best practice for the fair treatment of customers in financial difficulty, including the G20/OECD High-Level Principles on Financial Consumer Protection, the World Bank Good Practices for Financial Consumer Protection, and the Basel Committee's prudential expectations for forborne and non-performing exposures. Assistance must be easy to access, proportionate to evidence, tailored to the customer's circumstances, sustainable rather than serial, and delivered with particular care for Vulnerable Customers, including those affected by family and domestic violence.

Effective hardship assistance is both a conduct obligation and sound credit risk management. Early, well-designed Forbearance improves the likelihood that customers return to performing status, reduces expected credit losses and protects the Company's licences and reputation. This Policy has been approved by the Board of Directors and is owned by the Chief Risk Officer.

2. Scope

This Policy applies to the Company and all of its subsidiaries, and to all directors, employees, contractors, agents and representatives, including third-party collections agents and service providers acting on the Company's behalf.

The Policy applies to all consumer credit products — including home loans, personal loans, credit cards, overdrafts and consumer leases — across all channels through which the Company interacts with customers (branch, telephone, digital, broker, collections and social media).

- Where applicable local law confers statutory hardship variation rights, response deadlines or enforcement restrictions, those requirements are mandatory minimums and apply in addition to this Policy.
- For business and commercial lending, and for guarantors, the Company applies the principles of this Policy as set out in the section on business and commercial lending below.
- Complaints about hardship decisions are handled under the Company's Dispute Resolution Policy; this Policy governs the hardship decision itself and the customer's referral rights.
- Debt collection conduct standards are set out in the Debt Collection Policy; where a Hardship Notice is on foot, this Policy prevails to the extent of any inconsistency.

Jurisdictional application: this Policy states international best practice. The Company must map its requirements to the law of each jurisdiction in which it operates — including consumer credit, credit reporting, data protection and debt collection law — and document that mapping. Where local law imposes a stricter or additional requirement, local law prevails.

3. Definitions

Term	Definition
Hardship Notice	Any oral or written communication from a customer, or a person acting on the customer's behalf, indicating that the customer is or expects to be unable to meet their obligations under a credit agreement. No particular form of words, channel or documentation is required.
Financial Difficulty	A situation in which a customer is reasonably unable to meet their contractual repayment obligations because of illness, injury, unemployment, reduced income, relationship breakdown, natural disaster, over-commitment, family and domestic violence or another reasonable cause.
Forbearance	A concession granted to a borrower experiencing, or about to experience, financial difficulty — such as a payment moratorium or deferral, reduced instalments, term extension, arrears capitalisation, rate concession or restructure — that the Company would not otherwise have granted, whether or not the concession is at its discretion, consistent with the Basel Committee's definitions of forbearance.
Forbearance Arrangement	A temporary or permanent variation of a customer's obligations agreed in response to Financial Difficulty, including a Payment Holiday, reduced payment arrangement, term extension, arrears capitalisation, interest-rate or interest-only concession, restructure or, exceptionally, a Debt Waiver.
Payment Holiday	A full moratorium on scheduled repayments for a defined period, with the treatment of accruing interest and fees disclosed in advance.
Final Decision	The Company's written response informing the customer of the outcome of their Hardship Notice, including, where assistance is declined, the reasons for the decision and the customer's dispute resolution rights.

Serial Arrangement	A succession of short-term Forbearance Arrangements granted without a sustainable pathway, which defers rather than addresses a customer's Financial Difficulty. Serial Arrangements are inconsistent with this Policy.
Debt Waiver	The full or partial release of a customer from the obligation to repay a debt, granted in exceptional circumstances under the delegations in this Policy.
Vulnerable Customer	A customer who, because of personal or situational circumstances — such as age, disability, health or cognitive conditions, low financial resilience, capability or literacy, family violence, financial or elder abuse, bereavement, remoteness, or language barriers — is especially susceptible to harm or detriment.
Family and Domestic Violence (FDV)	Violent, threatening, coercive or controlling behaviour, including economic and financial abuse, by a person against a family member, current or former intimate partner, or member of their household.
Credit Bureau	A credit reporting body, credit registry or equivalent entity operating in a jurisdiction in which the Company operates, to which the Company may disclose information about customers' credit obligations, repayment conduct and defaults as permitted by applicable local law and bureau membership rules.
Non-Performing Exposure (NPE)	An exposure that is in default or is 90 or more days past due on a material obligation, or whose obligor is assessed as unlikely to pay its credit obligations in full without recourse to actions such as realising security, classified consistently with the Basel Committee's harmonised definition of non-performing exposures.
Significant Increase in Credit Risk (SICR)	A significant increase, since initial recognition, in the risk of default occurring over the expected life of an exposure, assessed using quantitative criteria and qualitative backstops including the 30 days past due rebuttable presumption, and triggering transfer under IFRS 9 from Stage 1 (12-month expected credit losses) to Stage 2 (lifetime expected credit losses).
Expected Credit Loss (ECL)	The probability-weighted estimate of credit losses on a financial instrument

	determined under IFRS 9, measured as the present value of expected cash shortfalls discounted at the original effective interest rate, on a 12-month basis for Stage 1 exposures and a lifetime basis for Stage 2 and Stage 3 exposures.
Internal Dispute Resolution (IDR)	The Company's internal processes for receiving, acknowledging, investigating and resolving complaints, operated under the Dispute Resolution Policy and consistent with ISO 10002 on complaints handling.
External Dispute Resolution (EDR)	Review of a complaint by an ombudsman, mediation service or other out-of-court dispute resolution scheme available to customers in an operating jurisdiction, whether membership of that scheme is statutory, a condition of licensing, or voluntary.
Customer Assistance Team	The specialist function responsible for receiving, assessing and managing Hardship Notices and Forbearance Arrangements. [Substitute the Company's actual team name.]

4. Regulatory Framework

The key legislation, regulations and standards relevant to this document include (as amended from time to time):

Instrument / Standard	Relevance
Basel Committee on Banking Supervision, Prudential treatment of problem assets — definitions of non-performing exposures and forbearance (2017)	Provides the harmonised definitions of forbearance and non-performing exposures, and the probation and exit criteria, applied by this Policy.
Basel Framework (BCBS) — credit risk standards and problem-asset management expectations	Require sound identification, monitoring, classification and provisioning of restructured and deteriorating credit exposures, including Forbearance Arrangements.
BCBS Guidance on credit risk and accounting for expected credit losses (2015)	Sets supervisory expectations for the governance, data and judgement applied when forbearance information feeds ECL measurement.
IFRS 9 Financial Instruments	Governs staging, expected credit loss measurement, modification accounting and credit-impairment treatment of loans subject to Forbearance Arrangements.
G20/OECD High-Level Principles on	Require fair treatment of consumers in

End of preview

This is a preview extract. The complete document continues beyond the pages shown here.

The full document is supplied as a single, fully editable Microsoft Word (.docx) file immediately after purchase — including every remaining section, the definitions, the regulatory framework references and all appendices and templates.

Bracketed prompts such as [30 days] mark the points where your own thresholds, committee names and local regulatory references are inserted.