

# Expectations of retail lenders when loan repayment deferrals end



On 13 August 2020, the Australian Securities and Investments Commission (**ASIC**) issued letters to lenders notifying them of ASIC's expectations once the mortgage deferral period expires next month. Lenders had offered the six month mortgage repayment deferral period to their customers, in response to the COVID-19 pandemic, which debt is estimated to be worth billions of dollars. ASIC also published its expectations of lenders, which we have summarised as follows:

## Contact customers about expiry of deferral:

- » Lenders should make **timely, reasonable efforts** to contact customers prior to their repayment deferral expiring, allowing customers to have **reasonable time** to consider their options.
- » Lenders to provide customers with **information that will assist their decision-making** in accordance with ASIC's earlier published [expectations](#).
- » Where a customer does not respond, lenders should try using **a range of communication channels** and be able to **evidence** reasonable efforts to contact customers.



## If a customer cannot resume repayments on their mortgage:

- » Lenders to make reasonable efforts to interact with the customer directly (for example, via a phone call). A **conversation** or **other direct interaction** with a customer will allow lenders to gather more **personalised** information about the customer's circumstances to make a decision about their loan in a **fair and appropriate** manner.
- » Where a lender determines appropriate to offer further assistance, lenders' processes should be **flexible** and **empower staff** to offer **tailored assistance** that genuinely addresses needs of the customer. Lenders should **keep records** setting out the assistance options they are providing to each individual customer.



## Other factors for lenders to consider:

- » If a customer is dissatisfied with a lender's response or actions, lenders must ensure **compliance** with **ASIC's Regulatory Guide 165: Internal and external dispute resolution**. Importantly, in accordance with s72 of the National Credit Code, if a customer notifies a lender they will be unable to meet their repayment obligations after the expiry of a repayment deferral and a lender makes a decision to **not** provide further assistance by way of varying the customer's credit contract, a **customer must be notified** of their right to complain to the Australian Financial Complaints Authority.
- » Where a customer's **repayment deferral expires** and they **miss a repayment**, lenders should make reasonable efforts to contact the customer and assess the appropriateness of further assistance being offered.
- » Lenders should have in place **processes that are easy** for customers to **understand and navigate**.



## Where to next?

- » Mortgage repayment grace periods given by banks to their customers will start ending in September 2020.
- » Lenders must have processes in place that will allow for an orderly transition and importantly, deliver customers appropriate and fair outcomes. ASIC is closely monitoring how lenders are assisting customers experiencing financial difficulties due to COVID-19.
- » While ASIC's expectations are focused on how lenders should manage the expiry of repayment deferrals on mortgages, the regulator also expects lenders to consider these expectations more broadly when responding to customers experiencing financial difficulties due to COVID-19 across other credit products and assistance arrangements.
- » Lenders have been considering a myriad of issues for resuming enforcement action post-COVID-19, including reputational risks, regulator expectations and government sentiment, whilst at all times keeping their customers at the forefront of their mind. Lenders have been embracing the concept that "we are all in this together", by continuing to support the community.



## Contact us

Sonia Apikian, Partner  
+61 3 9252 2508  
sonia.apikian@gadens.com

Susan Verginis, Senior Associate and Pro Bono and  
Corporate Social Responsibility Manager  
+61 3 9252 7735  
susan.verginis@gadens.com

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