

1. Introduction

This document sets out the hardship and postponement policy of Web3 Loans Pty Ltd and its related entities ('**us**', '**we**', '**our**') hardship and postponement policy.

We take all applications for hardship and postponement relief very seriously, and will do everything possible to ensure that applications are dealt with quickly and in accordance with all relevant laws.

Every effort will be made to ensure that appropriate arrangements are made with borrowers who are experiencing hardship.

This document outlines our general policy for assessing hardship applications made under section 72 of the National Credit Code (**NCC**).

This policy should be read together with our Hardship and Postponement Procedures.

This Hardship and Postponement Policy was last revised in October 2023.

2. Hardship

2.1 When can the hardship provisions apply?

A borrower who considers that they are or will be unable to meet their obligations under a credit contract may give the credit provider notice of this (a hardship application). This notice may be given orally or in writing, and must state that the borrower is unable to meet their obligations under the credit contract.

Hardship provisions apply to all credit contracts, regardless of the amount.

Borrowers can apply for a variation to their regulated credit contract by requesting a change which will assist to alleviate the hardship. Examples of changes include extending the term of the contract, and postponing (for a specified period) the dates on which payments are due under the contract.

A borrower does not need to specifically state that they are making a hardship application – it may be enough that they simply tell us that they are having trouble meeting their obligations (making repayments). There is no requirement at law for a borrower to provide details of their hardship.

- (a) Not every conversation with a borrower in default will constitute a hardship notice. For example, conversations about late payments (eg "We had some difficulty but it will all be in order within one month") should not constitute a hardship notice because the borrower has not stated that they are unable to meet their obligations (in fact, the contrary is the case).
- (b) A conversation in which a borrower says that they will be unable to meet their obligations for the medium term should be treated as a hardship notice.
- (c) A conversation in which a borrower says that they are unable to make any payments under the credit contract, for reasons which the borrower will **not** be able to resolve in the short to medium term (ie. less than 6 months), should not be treated as a hardship notice because to do so will only work to the detriment of the borrower by 'delaying the inevitable' and resulting in the accrual of further interest. This position is not free from doubt.

3. Overview

3.1 Hardship applications

Hardship applications can be communicated verbally (in person or over telephone), in writing, or electronically (eg by email). All that is required for a hardship application to be made is for the borrower to state that they are unable to meet their obligations under the credit contract. If a borrower would like a template to assist with making a hardship application, we can provide them with a copy of our Hardship Information Form.

It is important to note that borrowers may apply for financial hardship assistance verbally, and while it is preferable, it is not mandatory that they must do so using our Hardship Information Form. If necessary, the applicant must be interviewed, and information should be gathered in any way that our credit officers accept as being reasonable in the circumstances.

Our representatives who have regular customer contact are trained to recognise a hardship application and to proactively identify borrowers in hardship. We will treat all hardship applications as urgent matters, given the deadlines in the NCC and our commitment to our borrowers.

3.2 Request for further information

When a borrower makes a hardship application, we will often require further information or documentation to enable us to assess the application. When this is the case, the borrower must be sent a Request for Further Information Letter. Joint borrowers can use one form.

The documentation we request depends on the reason underlying the hardship. We will only request documentation that is reasonably necessary for us to assess the hardship application. Common reasons and required documentation are set out below.

Illness

- Medical certificate confirming sickness/illness, time off work, and prognosis for an anticipated date of return to work.
- Employer's letter confirming time off work and expected return date.
- Two current payslips.

Maternity leave

- Medical certificate confirming pregnancy and when baby is due, or letter from employer confirming pregnancy and length of unpaid maternity leave to be taken.
- Two current payslips.

Work related injury

- Letter from employer confirming workers compensation payments, anticipated date of return to work, and salary on recommencement of work.
- Letter from solicitor confirming progress of claim and expected settlement date.
- Confirmation of income being received.
- Two previous payslips confirming income at full capacity.

Unemployment

- Documentation confirming unemployment (ie separation certificate or termination letter).
- If redundant, redundancy certificate which includes redundancy payments.
- Two previous payslips from previous employer or, if the hardship application relates to past unemployment, two current payslips or new employment contract.
- Documentation confirming registration as unemployed with Centrelink.

Income reduction

- Documentation from employer showing reduction in income and anticipated date, if any, when income will return to previous levels.
- If nature of employment or employer has changed, reason for change and documentation showing the actual reduction in income experienced.

Deceased borrower

- Death certificate.
- Documentation indicating anticipated date of probate, release of insurance funds etc.

Relationship breakdown

- Nature of relationship breakdown, including documentation of any Family Court Orders granted or anticipated granting of such orders if applicable.

We do not require an intervention order as evidence of family and domestic violence (see below 'Financial abuse and family and domestic violence'). Disclosure by a borrower will trigger our financial abuse and family and domestic violence policies and referral to the appropriate team.

Business failure

- If business has totally failed, documentation confirming receivership, administration or closure of business.
- If business is not achieving anticipated profits/suffering from downturn, documentation from an accountant (preferably) which includes latest and previous year's profit and loss statement and balance sheet.

3.3 Financial abuse and family and domestic violence

We recognise that financial abuse and family and domestic violence are factors that can contribute to financial hardship.

Financial abuse is a form of family violence that negatively impacts a person financially and undermines their efforts to become financially independent.

Our hardship arrangements take into account the circumstances of borrowers impacted by financial abuse and family and domestic violence. These include:

- minimising the information and documentation that borrowers are required to provide, noting that borrowers can give verbal and written hardship notices under the law;

- fast tracking hardship requests where family and domestic violence has been disclosed as an issue, recognising that in some cases the 21 day timeframe for responding to a hardship request may create additional stress and safety concerns for the borrower; and
- recognising that many borrowers will require more time to manage the debt, including longer-term arrangements, more flexible arrangements and debt waivers for small amounts.

We will investigate situations where we suspect that a borrower may be experiencing financial abuse or family and domestic violence, including:

- circumstances where a borrower is unknowingly responsible for a credit obligation, including a joint debt, a debt in the individual's name or as a guarantor; and
- circumstances where a co-borrower or guarantor may have been coerced into the credit obligation, and the victim has received limited or no benefit from the credit obligation.

3.4 What types of changes can be made to a credit contract?

The law for contracts made on or after 1 March 2013 does not specify the type of change which can be made to a credit contract in response to a hardship application. The law applicable to 'old' contracts specified that credit providers could:

- (a) extend the term of the contract and reduce the amount of each payment due under the contract accordingly (without a change being made to the annual percentage rate or rates);
- (b) postpone payments due under the contract during a specified period (without a change being made to the annual percentage rate or rates); or
- (c) extend the period of the contract and postpone payments due under the contract during a specified period (without a change being made to the annual percentage rate or rates).

It is our policy to consider any of the three above requests from a borrower. In addition, we will consider any other reasonable request made by a borrower for all contracts. Any variation to the credit contract should be a reasonable solution to assist the borrower overcome their hardship and still meet their obligations under the credit contract.

Requests for variations which do not assist the borrower to meet their obligations, or which will only provide temporary relief (where compliance with the credit contract will still be an issue if relief is provided) may be rejected.

3.5 How hardship applications are assessed

We will appoint officers with authority to process financial hardship applications. These officer(s) will assess hardship applications on a case-by-case basis.

If the borrower could reasonably meet their loan repayment by changing the term of the loan, or if the borrower has asked to postpone certain payments and provides evidence to support their hardship, we will usually agree to a change in the repayment terms.

If the borrower cannot provide adequate information, or if it is unlikely the variation will assist them, we will usually decline the request for hardship variation.

We will consider a financial hardship application for a co-borrower affected by financial abuse or family and domestic violence without requiring the consent of the other co-borrower.

In cases of financial abuse or family and domestic violence, we may decide to settle a claim for the whole or part of the debt against one co-borrower (ie the borrower impacted by financial abuse and/or family and domestic violence). We may also take action to pursue one co-borrower for a debt without pursuing the other borrower. These arrangements will be assessed on a case-by-case basis.

3.6 Collection activity and credit reporting where an assessment is in progress

If we are making an assessment of a hardship application, we will not commence or continue enforcement proceedings (ie court action) during the assessment period and for 14 days after notifying the borrower that their hardship application has been declined.

In addition:

- collection activity will cease during the assessment period and a default listing should not be made with a credit reporting body during that period;
- notices relating to the listing of a default with a credit reporting body will not be processed until after the hardship application has been assessed and we notify the borrower of our decision.
- if any arrangement with the borrower involves making a default listing with a credit reporting body (for example, accepting a lesser amount on the condition that the listing is made), we will comply with the requirements of the Privacy Act prior to making that listing. Any consent given by the borrower does not relieve us from complying with those requirements.

Where we are made aware that a borrower's debt involves family and domestic violence, the debt will not be sold onto third party debt collection agencies. If family and domestic violence is disclosed after the debt is sold to a third party, we will work with the collections agency to ensure the borrower's circumstances are taken into account.

3.7 Hardship approval and decline

We will notify the borrower whether a variation to the credit contract on the grounds of hardship is agreed to or declined in accordance with any applicable laws. If declined, our letter will outline the reason for the decision and provide the borrower with details of our EDR scheme (the Australian Financial Complaints Authority) and their rights under that scheme.

Standard templates are to be used for this purpose.

We must give the borrower, no later than 30 days after the date of a notice of agreement to hardship, a written notice setting out the particulars of the change to the credit contract (as required by section 73(1) of the NCC).

3.8 Postponement

The NCC requires that, after the credit provider has given the borrower a section 88 default notice, or a section 90 demand for payment notice, a borrower or mortgagor may apply to us for a postponement of enforcement proceedings.

A postponement request must be given to us before the period specified in the section 88 or section 90 notice expires. The postponement request may be made by the borrower or mortgagor orally or in writing, and may request that we postpone:

- (a) the enforcement proceedings;
- (b) any action taken under the proceedings; or

(c) the operation of any applicable acceleration clause.

We will consider any postponement application and respond to the borrower within 21 days. We will not bring or continue enforcement proceedings until 14 days after responding to a postponement application.