



FINANCIAL HARDSHIP WORKSHOP

Developing a Financial Hardship Policy – the Requirements

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The Context



Background

- General concern about consume debt, particularly from high, unexpected telecommunications bills
- ACIF Consumer Council Affordability Seminar October 2003
- ACA/TIO credit management forum with six major suppliers – leading to identification supplier commitments on the handling of financial hardship
- ACIF Forum in October 2004 – Surprises in Your Telco Bill – recommendations included supplier development of financial hardship policies and revision of the Credit Management Code

The Context



Background (Continued)

- Development by the Consumer Issues Reference Panel of the Guide for a Financial Hardship Policy, put on the ACIF website in May 2005
- Revision of ACIF C541:2005 Credit Management Industry Code to, *inter alia*, include a new requirement on suppliers to develop and implement a financial hardship policy

The Code Requirements



Code Rules – Overview

- Either credit assess customers or provide service that limits customer spend or usage
- Have credit control tools that can be selected by customers to control their spend, or imposed by CSPs for credit management purposes
- Have a financial hardship policy

The Code Requirements



Financial Hardship Rules – Overview

- Have a financial hardship policy that is available
- Have processes to assess a customer's application for assistance
- Have rules surrounding financial arrangements made for customers to manage their debt.

The Code Requirements



Financial Policy

- Have a policy
- Policy to include
 - Training
 - Contact details
 - Flexibility to accommodate individual circumstances
 - Options for managing the debt
- Summary available on request – to include
 - Contact details
 - Options
- Informing Customers of the Policy

NB: Reference to the ACIF Guideline

The Code Requirements



Financial Hardship Assessment

- Suppliers must, on a customer's request, assess them under the hardship policy
- Suppliers must have the flexibility to take into account the individual circumstances of the customer
- Suppliers would not normally request supporting documentation unless
 - the arrangement will be long term, the debt is significant, the customer does not have a long history with the supplier or there is a possibility of fraud
- If supporting documentation is required, there must be contact details given

The Code Requirements



Financial Arrangements

- Customer awareness of rights and obligations
- Supplier willingness and ability to review the arrangements if customer circumstances change
- No credit management action while the arrangements are being negotiated or in train unless
 - it would be reasonable
 - customer breach of arrangements
- If the customer breaches the arrangements and does not contact the supplier, normal credit management action can resume

Registered Codes



Codes are voluntary BUT

- TIO handles complaints under registered Codes and will find (and report to ACMA/ACIF) on code breaches
- Once the Code is registered, ACMA can –
 - against all carriers and carriage service providers
 - Issue a formal warning for non-compliance against any C/CSP, or
 - Issue a Direction against a C/CSP to comply that is enforceable in a Federal Court

Financial Hardship Guideline



As a Guideline

- Is not mandatory or enforceable
- Is intended to assist CSPs to develop internal policies and processes to assist customers experiencing financial hardship
- Will be reviewed once revision of the Credit Management Code is complete to ensure the two documents are complementary (and not contradictory)

ACIF, Guide for a Financial Hardship Policy, May 2005

Financial Hardship Guideline



Identification of Financial Hardship Cases

- Is an inability rather than unwillingness to pay
- Can be of short or long duration
- Can be due to a variety of reasons
 - Family breakdown, illness or death of the customer or family, loss of employment, unexpected financial commitments
- Supplier may choose to require evidence of some kind – or not
 - Evidence may include being accompanied by a financial counsellor, statutory declarations, medical/death certificates, etc

Financial Hardship Guideline



Handling Financial Hardship Cases:

Principles:

- Reasonable for both parties
- Each has an interest in maintaining the relationship
- CSP should take individual circumstances into account
- CSP should identify appropriate products to assist the customer to retain a level of access while managing their telecommunications spend/repaying debt

Call barring, restriction of services, waiving of reconnection/late payment charges, offering pre-paid products.

Financial Hardship Guideline



- Basic principle of arrangements: The customer should not get further into debt under the arrangement.
- Customer requirements, including
 - Acknowledgement of debt and obligation to pay
 - Accept responsibility for reduced usage
 - Immediately notify the CSP of any change in circumstance
- CSP Requirements
 - Ensure none of the debt is in dispute and that the customer is legally liable to pay
 - Take no credit management action/charge late fees while arrangements are discussed/in place
 - Ensure the arrangements are ones the customer can meet