

HARDSHIP POLICY

1. Purpose of Policy

This document sets out the policies which will apply where a customer makes an application to Loda Finance Pty Ltd ("Loda Finance" or "the business") pursuant to section 72 of the National Credit Code ("NCC"), and the processes which will be undertaken by us to avoid the necessity of customers having to make an application in the first place.

The policy will be made available to every employee, and will apply to every employee. Its operation will be monitored by the Compliance Manager who will report to the Board no less frequently than annually making recommendations as to how this policy should, if necessary, be amended to address changes to the law or changes to the practices adopted by the business.

2. National Credit Code

Section 72 of the National Credit Code ("NCC", contained in Schedule 1 to the *National Consumer Protection Act 2009*) provides the following:

1. If a debtor considers that he or she is or will be unable to meet their obligations under a credit contract, the debtor may give the credit provider notice (a "hardship notice") orally or in writing of the debtor's inability to meet the obligations.
2. The credit provider, has the ability within a specified time to seek further information from the debtor in relation to:
 - a) Whether the debtor is or will be unable to meet their obligation under the contract; or
 - b) How to change the contract if the debtor is or will be unable to meet those obligations.
3. The debtor must comply with the requirement.
4. If the debtor complies with the request for further information, a decision on, and notice of the determination of the application must be made within 21 days of receipt of the information. If the debtor fails to comply with the request for further information, a decision on, and notice of the determination of the application must be made within 28 days of the request for further information being made.

These changes are said to be "changes on the grounds of hardship" (section 72 NCC)

3. Steps to Be Undertaken

The following steps are to be undertaken in every case where an application under section 72 is made:

1. Receive the application and determine whether the application contains sufficient information to enable a decision on the application to be made.
2. If it is determined that the application contains sufficient information, within 21 days of receipt of the application, make a decision on it.
 - a) If the decision is to change the terms of the contract in accordance with the application, forward to the applicant, within the 21 days of receipt of the receipt of the hardship notice, notice of the change.
 - b) If the decision is not to change the contract, within the 21 days, forward to the applicant a notice stating:
 - that the credit provider and the debtor have not agreed to change the contract,
 - the reasons why there was no agreement;
 - the name and contact details of Nifty Finance's EDR scheme, and
 - the debtor's rights under that scheme.

The debtor has a right to refer the matter to the EDR scheme for review.

3. If it is determined that the application does not contain sufficient information, within 21 days deliver to the applicant a notice requiring the applicant to provide, within 21 days of the date of the notice, further or other information which goes to:
 - whether the debtor is or will be unable to meet their obligations under the contract; or
 - how to change the contract if the debtor is or will be unable to meet those obligations.
 - a) If the applicant provides the information requested in the notice referred to in the above paragraph, a decision on, and notice of the determination of the application must be sent to the applicant within 21 days of receipt of the information.
 - b) If the applicant fails to provide the information requested in the notice referred to in the above paragraph, a decision on, and notice of the determination of the application must be sent to the applicant within 28 days of making the request referred to in paragraph

Examples of letters and notices required to be sent under the NCC and this Policy, which should be used as templates, are contained in the schedule to this Policy.

A flowchart showing the steps which must be taken is set out in the schedule to this Policy.

4. What Is Hardship?

Hardship is said to occur when a customer cannot meet their payment obligations under a credit contract. There could be a wide range of reasons leading to customers finding themselves in this position. These could include circumstances of illness or unemployment (as was specified in a previous version of the section 72) or where there has been a significant change in the customer's status (for example divorce, death of a partner or child), urgent unforeseeable expenditure requirement (such as urgent medical attention required for a child, the necessity to travel for personal reasons, the need to pay for a family member's funeral) or a change in other personal circumstances (for example a reduction in income because work has changed from permanent to part-time). This is not intended to be an exhaustive list. Every application must be considered on its merits to determine whether there is hardship.

5. Avoiding Formal Applications

All employees should at all times have regard to the need to ensure that proper arrangements are made with customers for their personal circumstances to be taken into account. Therefore, if there is any suggestion by a customer that they envisage that they will be having difficulty in meeting their obligations that sometime in the future, the customer should be advised to take action as soon as possible to avoid that from occurring. Sources of advice should be provided to the customer so that these difficulties in the future will not occur. Where appropriate the customer should be referred to a financial counsellor, legal advisor or government department (such as ASIC) for that advice.

If, nevertheless, staff members can see that circumstances arise where a customer would be entitled to make an application under section 72, but where it is obvious that the customer does not know about section 72 applications, the staff member should bring it to the attention of the customer.

6. How is an application to be made?

The NCC says that an application under section 72 can be made orally or in writing. Although the preferred method of receiving an application is electronically (in writing), the business will take an application as having been properly made if it is made:

- By email;
- Other electronic means (for example, through a website)
- Personally;
- By phone;
- By letter, or
- By facsimile.

Staff will usually regard any conversation or correspondence between a customer and business where the customer expresses concern about the ability to meet their obligations under the contract, or seeks the delay or suspension of payments, as being an application under section 72 of the NCC.

An application cannot be considered by Nifty Finance unless sufficient information is provided. To that end, Nifty Finance will usually require the following information to be received, or a request be made to a customer to provide the information, before it will regard itself as being in a position to make a determination:

1. The customer's name and account number or sufficient other information to identify the credit contract in respect of which the application is being made.
2. The circumstances, if any, which have changed since the credit contract was entered into which gave rise to the hardship (this may require third-party or other proof such as a medical certificate, payslip or bank statement);
3. What changes the customer proposes to the credit contract (again this may require some third-party proof, to show, for example, such things as the length of a lay-off or reduction in income);
4. The customer's current financial circumstances (by way of bank statement, payslip, Centrelink statement etc), and
5. Based on the information provided, how the customer will be better off if the change was made.

Where it appears from the information provided at first instance that, notwithstanding the supply of further information, the request being made by the customer will not achieve the aim of section 72 (that is by providing short-term relief in circumstances where the obligation to repay the amount borrowed can be fulfilled), the customer will not be asked to provide further or other information.

Once an application has been made, it will be delegated to an officer whose duty it is to deal with section 72 applications.

7. Processing the Application

Once all relevant information has been received, the assigned officer will deal with the application. Matters which should be considered by the officer include the following:

1. The reason for the application. If the application is made because of a circumstance which is unusual and unexpected, rather than a circumstance which is regular and expected, it would be more likely that the application would be successful.
2. Historical data concerning the loan. If the customer is regularly in arrears, it may be that the short-term relief sought under section 72 may not be appropriate.
3. Outcome. Consideration needs to be given as to whether or not if the relief sought under the application is granted, it is likely that the customer will be in a position to discharge his obligations eventually. If it appears that the short-term relief is simply delaying the inevitable, it is unlikely that the relief will be granted.

Nifty Finance's policy is that it would not normally agree to the proposal contained in a section 72 application where it formed the view that:

1. There has been no change in circumstances which occurred between the time the customer entered into the agreement and the date of the application, and that the circumstance arose simply because the customer's attitude to the loan obligations changed;
2. The information provided does not show that the customer is suffering hardship;
3. That even if the application was agreed to, the customer's circumstances would not be alleviated and that he or she would not be able to meet the repayments even if the requested changes were made, or
4. If requested changes were made, the customer would not be able to discharge the obligations in the amended agreement.

In determining what concessions should be made, the officer should have primary regard to the outcome requested by the customer. However, he should also consider the three most common changes which could be made:

1. extending the period of the loan contract by reducing the payments due;
2. postponing during a specified period the dates on which payments are due under a contract (thereby extending the period of the loan); or
3. both reducing and postponing payments for a period of time.

In addition, he should also have regard to other ways of dealing with the issue. Referral to debt counsellors, the possibility of consolidating debt and (subject to law) providing a loan on restructured terms are amongst the other remedies that should be considered. In addition, it may be appropriate in some exceptional circumstances for consideration to be given (subject to the requirements of the business model, software changes required and other internal considerations) to the following variations:

1. reduce the interest-rate for a specified period;
2. reverse default fees or enforcement costs;
3. wave default fees for a specified period;
4. wave part of the arrears;
5. extended periods of reduced or no payments;
6. capitalise all or a portion of the arrears, and
7. allow the customer time to refinance elsewhere or to sell an asset unrelated to the loan to consolidate their financial position.

It is the aim of the business to deal with these matters quickly and it is therefore expected that a decision can be made, once all the information has been obtained, within no more than 3 business days.

8. The Decision

Once the decision has been made, the customer should be notified in writing as soon as possible but no later than 21 days as is set out in paragraph 3.1.2 hereof.

If Nifty Finance does not agree to the application, the letter sent to the customer must include the name and contact details of the EDR scheme of which Nifty Finance is a member, and the customer's rights under that scheme.

If Nifty Finance does agree, then the letter must also advise the customer particulars of the change to the agreement. The particulars of the change must be provided as soon as possible but always within 21 days of the agreement being made.

Examples of all letters required to be sent are contained in the schedule to this Policy.

9. Review

This policy will be reviewed from time to time, at least once in each 12 months, by the Compliance Manager and will report to the Board as to any changes which are recommended to be made as a result of the review.

10. Consideration for Macroeconomic Events

In the wake of the COVID-19 (Coronavirus) pandemic, we have adopted the view that extra provisions will need to be made in times of mass uncertainty or change. During such events, the board is to work with the compliance and hardship managers to tailor updated hardship processes and procedures appropriate for the given situation. Whilst it is expected that by

the time the business commences trading the COVID-19 pandemic will be drawing to an end, the business acknowledges that such events are likely to occur again in the future.

SCHEDULE

Letter to be sent to customer agreeing to the application:

[Letterhead]

[Date]

[Customer name]

[Customer address]

Dear [customer first name]

RE Loan Number [loan number]
 Application to vary

We acknowledge receipt of your application pursuant to section 72 of the National Credit Code in which you sought to vary the terms of the contract between us on the basis that you are unable to meet your obligations without hardship.

We have considered your application and, based upon the information you have supplied, agree to vary the contract in the following way:

[Here set out the details of the variation, for example:

1. By reducing payments due by you for the next 2 payments from \$45.00 to \$35.00;
2. Thereafter reducing all further payments from \$45.00 to \$40.00]

If you have any further difficulties in relation to this loan we ask you to make contact with us as soon as possible.

Yours faithfully,

Letter to be sent to customer seeking further information about the application:

[Date]

[Customer name]

[Customer address]

Dear [customer first name]

RE Loan Number [loan number]
 Application to vary

We acknowledge receipt (on [insert date application received]) of your application pursuant to section 72 of the National Credit Code in which you sought to vary the terms of the contract between us on the basis that you are unable to meet your obligations without hardship.

Unfortunately, you do not provide us with enough information to enable us to make a decision on your application.

Section 72 of the National Credit Code provides that in such circumstances we can write to you requiring you to provide us with further information so that we can make a decision on your application. Section 72(3) provides that you must comply with this request.

Would you therefore please, within 21 days of the date of this letter, provide us with the following information:

[Here set out the further information required, for example:

1. A copy of your most recent bank statement or payslip so we can determine your current income.
2. Details of your current expenses etc]

The National Credit Code provides that if you fail to provide us with this information, we are required to make a decision on your application without having received the information from you. We would recommend, therefore, that you deliver information to us as soon as you can, but no later than 21 days from the date of this letter.

Letter to be sent to customer declining the application:

[Date]

[Customer name]

[Customer address]

Dear [customer first name]

RE Loan Number [loan number]
 Application to vary

We acknowledge receipt of your application pursuant to section 72 of the National Credit Code in which you sought to vary the terms of the contract between us on the basis that you are unable to meet your obligations without hardship.

We have considered your application and, based upon the information you have supplied, have made a determination that we will not agree to change the contract.

We have made that determination because:

[Here set out the reasons for the determination, for example:

1. You claimed that your weekly gross income was \$600, when in fact the documents you delivered to us showed that it was in fact \$800.
2. The information you have supplied does not lead us to the conclusion that you will suffer hardship by maintaining payments to us at the current rate]

You have a right to have this decision reviewed by the External Dispute Resolution Scheme of which we are a member.

We are a member of the Australian Financial Complaints Authority. ("AFCA") which can be contacted at GPO Box 3, MELBOURNE VIC 3001, Tel 1800 931 678, <https://www.afca.org.au/>. You should apply as soon as you can after receipt of this notice.

EXTERNAL DISPUTE RESOLUTION IS A FREE SERVICE ESTABLISHED TO PROVIDE YOU WITH AN INDEPENDENT MECHANISM TO RESOLVE SPECIFIC COMPLAINTS.

If you wish to discuss this matter further with us, please do not hesitate to do so.

Yours faithfully,

