

Hardship and financial difficulty

Illness, injury, unemployment, a relationship breakup, over commitment – all of these things can put extreme and unexpected stress on a person's financial situation.

Whether you are an individual or a business, being unable to meet your repayments under a credit facility such as a loan or a mortgage can be a worrying situation.

Luckily, there are a number of ways banks and other lenders can help their customers work through periods of hardship and financial difficulty. It is important to talk with your lender before things get too serious.

What should I do if I can't meet my repayments?

If your financial situation changes so that you can no longer meet regular repayments on a credit facility, then you should contact your lender immediately. **The sooner you contact them, the more likely they'll be able to assist you.**

You may be able to extend the term of your loan, change your repayments, or seek a **mortgage repayment holiday**.

If your financial situation is unlikely to improve in the short term (three to six months) then varying your lending and repayments may not be in your best interests. Postponing an inevitable default will likely mean you end up owing even more. If this happens, you should seek financial advice about other options for managing your debt. This may include, for example, the sale of an asset.

What is a mortgage repayment holiday?

If your lender agrees to grant you a mortgage repayment holiday, you make no repayments during the period of the holiday (usually about three months).

It's important to note that while a mortgage repayment holiday provides temporary relief, it actually **increases the total amount owing on your loan**. Interest continues to accrue during the holiday period and is added to the amount you owe (the loan principal). This means that at the end of the holiday, the amount of your repayments will either increase so that the loan is paid off within the original term, or the term of the loan will be extended.

How to contact us

If your lender grants you a mortgage repayment holiday, make sure you know what the total amount owing on your loan will be at the end of the holiday, what your new repayments will be and/or what the new term of your loan will be.

Does my lender have to agree to assist me?

No. Under the Credit Contracts and Consumer Finance Act 2003 some borrowers who are in financial hardship and are **not already in default** can ask their lender for a mortgage repayment holiday or an extension to the term of the loan (or both). But the Act does not require lenders to agree to such requests for assistance.

Typically, however, lenders are open to working through financial issues with their customers, particularly if they are approached early.

What can I do if I am in financial difficulty but my lender will not assist me?

If you are in financial difficulty you should first contact your lender. If they can't or won't help and your lender participates in the Banking Ombudsman Scheme, you can contact us.

Please note that as your lender is free to make its own commercial decisions about whether to lend to you or to agree to alternative repayment arrangements, our ability to assist may be limited. If we can't help, we'll point you in the right direction.

How to contact us

Freephone 0800 805 950 Email help@bankomb.org.nz
Web www.bankomb.org.nz Facebook www.facebook.com/bankombnz

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