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## Policy on Hardship and Exceptional Circumstances

DATE EFFECTIVE: 22 June 2017

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### 1. Purpose

This policy outlines Rabobank's position on clients who are considered affected by Exceptional Circumstances (EC) or experiencing financial hardship (subsequently referred to as 'Hardship Policy').

#### 1.1 Scope

This policy applies to deposit, loan and equipment finance clients managed by Country Banking and RaboDirect staff in Australia and New Zealand.

#### 1.2 Responsibility

For Country Banking, branch staff are responsible for responding to clients in financial difficulty and ensuring clients qualify under this policy before requesting any concessions.

For RaboDirect, Call Centre and Frontline staff are responsible for responding to clients in financial difficulty and ensuring clients qualify under this policy before requesting any concessions.

For **Regulated Loans (AU only)**, active SMEs are responsible for compliance with this policy.

Variations to contract terms are subject to credit assessment to ensure the borrower has the ability to meet the revised obligations under the varied terms before approval can be considered.

#### 1.3 Relevant Regulations

- **Regulated loans (AU Only):** National Consumer Credit Protection Act 2009 and National Credit Code
- Code of Banking Practice
- Prudential Standard APS 210 (AU Only)

### 2. Exceptional Circumstances

Where a client located in an EC Declared Area requests a variation, then the Bank may, at its discretion, make some concessions. Any concessions granted to clients eligible in such special circumstances may not require any additional approval but must follow the procedure *Assess a Request under Hardship* where it applies. Along with the procedure, Country Banking Executive may issue special directives at the time of the event, aimed at helping clients and their communities during an emergency event, such as a natural disaster.

### 3. Hardship

#### 3.1 Clients in Financial Hardship

Bank staff should endeavour to identify when a client is experiencing financial difficulties, whether this results from the Bank staff initiating contact with the client to discuss their situation or from the client contacting the Bank because they are experiencing difficulties.

Financial hardship may occur due to various factors, unforeseen circumstances or unexpected events such as unexpected changes in income and/or expenditure, changes in employment status, significant life events (such as relationship breakdown or a death in the family), injury or illness and emergency event or natural disaster.

### 3.2 AU Only: Regulated Loans

For Regulated Loans, the National Credit Code prescribes certain rules that must be followed when a credit provider receives a Hardship Notice.

The following table sets out which Regulated Loans are subject to the provisions of the National Credit Code and how they are to be treated under the Bank's Hardship Policy.

<b>Loan details</b> <i>Note: 'Entered into' means the date of execution of the LOO by the borrower/guarantor(s)</i>	<b>Do hardship provisions of NCC apply?</b>
<b>Regulated Loans entered into before 1 March 2013</b>	
Where credit limit is less than or equal to \$500,000	Yes: Continue with section 3.2 of this policy
Where credit limit is greater than \$500,000	<b>No:</b> Refer to section 3.3 of this policy
<b>Regulated Loans entered into on or after 1 March 2013</b>	
Where credit limit is less than or equal to \$500,000	Yes: Continue with section 3.2 of this policy
Where credit limit is greater than \$500,000	Yes: Continue with section 3.2 of this policy

#### Hardship Notice

With respect to loan products, the Bank's hardship obligations are triggered by any notice a client gives us that the client will be unable to meet the client's obligations under a loan. This notice may be given to the Bank in writing or verbally. This is often referred to as a 'hardship notice' ('Hardship Notice') - there is no need to lodge a formal 'hardship application'.

The date that the Bank receives a Hardship Notice must be noted via a Client Note in CMS+ as it governs the timeframes in which the Bank needs to respond to the client.

**Note:** If someone other than an active SME receives such a notice they **must** advise the relevant active SME.

#### Late payment assistance

In some circumstances, a person will only require assistance to overcome a short term payment difficulty. For example, a customer may want to make a payment at a later date or they may have accidentally missed a payment. In this circumstance, it is within the Bank's discretion to provide relief, for example, by waiving additional costs other than accrued interest that may otherwise have been incurred by the customer. Refer to *Facility & Deposits Pricing* policy.

#### Request for additional information – within 21 days

Once a Hardship Notice has been received, the Bank needs to assess whether it requires additional information from the client in order to make a decision on whether to vary the client's obligations because of hardship ('Hardship Arrangement').

If the Bank needs further information, the additional information must be relevant to deciding:

- Whether the client 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.

For example, such information may include:

- Relevant financial information such as a statement of financial position, cash flow statement or relevant bank statements,
- Evidence of employment (e.g. payslips, an employment contract or a tax return),
- Evidence of income (e.g. account statements, payment details), and
- Information verifying a client's claims (e.g. medical certificate, separation statement, contract of sale or consent from joint borrower).

The Bank needs to request this information within 21 days of receiving the Hardship Notice. This request may be given in writing or verbally. However, any information request made verbally should be confirmed in writing.

The date that the Bank requests this information should also be recorded via a Client Note in CMS+ as this can be important to calculating the date on which the Bank needs to respond to the client of its decision on the Hardship Arrangement.

### **Timeframes - assessment of hardship**

The Bank's decision on whether to grant a Hardship Arrangement must be given within the timeframes below.

If the Bank did not request information from the borrower	21 days from the date of the Hardship Notice
If the Bank requested information and the borrower did not provide the information	28 days after the information was requested
If the Bank requested information and the borrower provided the information	21 days after receiving the information

### **Hardship Arrangement not granted**

If the Bank does **not** agree to change the Regulated Loan, it must notify the borrower of the following matters in writing:

- The reasons why it has not agreed to change the contract as requested
- The name and contact details of the Financial Ombudsman Service (FOS), the external dispute resolution scheme of which Rabobank is a member, and
- That the borrower may lodge a dispute with FOS if the debtor feels that Rabobank has not appropriately dealt with the borrower's hardship request

Failure to respond as set out above and within the specified timeframes, is a strict liability offence (see above 'Timeframes – assessment of hardship').

### **Hardship Arrangement granted**

If the Bank agrees to change the Regulated Loan, it must notify the borrower of its decision in writing within the timeframes specified above (see above 'Timeframes – assessment of hardship'). This notice must state that Rabobank has agreed to change the credit contract and give the borrower details of the change after approval by Credit. More complex changes to a credit contract (for example, those that do not involve merely reducing the amount owed or deferring payments) must be approved by Country Banking Legal.

Importantly, staff should endeavour to assist the borrower to understand what is required of them, especially when a new arrangement is put into place to assist them through the period of financial hardship. This may include contacting a borrower regularly to assess whether the hardship arrangement remains relevant to their situation and encouraging a borrower to keep in contact with the Bank, for example, if their personal circumstances or financial situation change.

### **Combining accounts**

In cases of confirmed hardship for NCC Regulated Loans, the Bank will **not** combine accounts (set-off) or assign debts while:

- Actively considering a hardship application. The Bank may ask the client to retain funds in an account in consideration for not combining accounts; or
- The customer is complying with an agreed arrangement following the customer's hardship application.

### **What types of variations can a borrower request?**

There are no limits to the form of hardship variation that can be requested by a borrower, however if the Bank decides to provide hardship assistance, the borrower must comply with the repayment terms of any arrangement or agreement.

An application by a borrower for relief may include, but is not limited to:

- Extending the term and reducing the amount of each payment due (without a change to the annual percentage rate)
- Postponing, during a specified period, the dates on which payments are due under the loan contract (without a change to the annual percentage rate)
- Extending the term and postponing, during a specified period, the dates on which payments are due under the loan contract (without a change to the annual percentage rate).

### **In what circumstances is the Bank required to change the Credit Contract?**

The Bank does not have to agree to the change to the loan contract, and it maintains discretion to decide which arrangements to offer based on the borrower's circumstances. For instance, if the Bank:

- Does not believe there is a reasonable cause (such as illness or unemployment) for the borrower's inability to meet their obligations; or
- Reasonably believes the borrower would not be able to meet their obligations under the contract even if it were changed

it would be entitled to decide not to grant a Hardship Arrangement.

Where a person may not be able to satisfy their repayment obligations in the long term, it may not be possible or appropriate for the Bank to offer a Hardship Arrangement. Options available at this stage may include agreeing on an alternative arrangement, plan or contract; refinancing; selling the property; or pursuing bankruptcy or insolvency arrangements.

### **Enforcement of a Regulated Loan**

There are specific requirements with respect to enforcement proceedings for Regulated Loans that must be satisfied and these clients must be managed by the SAM SME Manager.

Generally, collections activity or recovery action (including sending default notices) should be ceased while a borrower is going through the Bank's hardship process.

### 3.3 All Clients (other than Regulated Loans)

Loans that are not governed by part 3.2 of this Hardship Policy are still subject to protection under the Code of Banking Practice which the Bank has adopted. The Code of Banking Practice generally requires us to help our clients with overcoming financial difficulties.

#### Notice of Financial Hardship

Where a client notifies the Bank that they are experiencing financial hardship, they should be given the opportunity to access the Bank's hardship program and apply for a Hardship Arrangement. Similar to Regulated Loans, there are no formal requirements that a notice of hardship must meet other than the borrower or depositor stating they are unable to meet their obligations and are seeking a Hardship Arrangement.

#### Assessment

Once the Bank receives a hardship notice from a borrower or depositor, the Bank will need to assess their eligibility for a hardship arrangement to be put into place, taking into consideration factors such as the reason for the hardship, the borrower's/depositor's financial position and the borrower's/depositor's ability to rehabilitate their circumstances if a hardship arrangement was put into place.

The Bank may consider other options, at its discretion, to provide financial support including, but not limited to:

- Interest Deferrals
- Variations to Compulsory Principal Reductions
- Variation to Terms of Contract (alter special conditions)
- Concessions on fees and charges (including break costs)
- Concessions on interest rates.

For borrowers, the Bank is not obliged to change a credit contract simply because a borrower provides it with a Hardship Notice. For example, if a borrower does not provide a reasonable explanation for why they cannot meet their contractual debt obligations, or if the Bank reasonably believes their customer could not meet their repayment terms even if the credit contract was changed, then a hardship arrangement does not have to be put in place. However, the Bank should try to assist a borrower in financial difficulty where possible and practical and having regard to its own commercial interests.

#### Confirmation of Hardship Assessment

If the Bank agrees, after assessing the borrower's/depositor's Hardship Notice within the context of its own business considerations, including the Bank's commercial position, to offer the borrower/depositor a hardship arrangement, it will need to **confirm the main details of an approved hardship arrangement in writing**, and ensure that the borrower/depositor understands what is required of them.

If a borrower is not eligible to change their credit contract under the terms of this policy (e.g. if hardship assistance was previously given to the borrower and it did not improve their financial situation), the Bank may consider offering other forms of support and assistance. But in all cases, the Bank **must explain in writing to the borrower why it took this decision**.

Depending on circumstances, the Bank may exercise its discretion to help customers with an exit strategy on a case-by-case basis or even suggest to the borrower that they seek other assistance (including from a financial counsellor or legal adviser).

#### 4. Eligible Support Provisions under this Policy

Where it is agreed to provide financial support to clients, the following table describes business rules applicable.

Product	Variation requested by client or proposed by the Bank	Prerequisite	Concession provided under this Policy	Approver	Related Policy/ Procedures
<b>AU Only:</b> Farm Management Deposits	Early redemption	Request <b>must</b> be in <b>writing</b> from account owner/s	Request for redemption will <b>not</b> be refused. Break cost will <b>not</b> be charged to client.	Senior Manager Deposits	Deposit Account Transactions Client Incident Form
<b>AU Only:</b> RabobankTerm Deposits	Early redemption	Request <b>must</b> be in <b>writing</b> from account owner/s	Request for redemption may be refused. Break cost may be charged to client.	Senior Manager Deposits	Deposit Account Transactions Client Incident Form
RaboDirect AU Notice Saver Account and Term Deposits	Early redemption	A signed statutory declaration from the account owner/s with supporting evidence where required.	Request for redemption may be refused. Break cost may be charged to client (Term Deposits only).	Refer to the <a href="#">'Approval Sign Off Requirements For Client Requests'</a> procedure	Notice Saver & Term Deposit Early Redemption Processing
RaboDirect NZ Notice Saver Account	Early redemption	A signed declaration from the account owner/s with supporting evidence where required.	Request for redemption may be refused.	Product Manager, RaboDirect; Head of Deposits and Products NZ	NoticeSaver Early Withdrawal Request
Equipment Finance	Any variation to an existing EF Contract	Request <b>must</b> be in <b>writing</b> from contractual borrower/s	Documentation fee will <b>not</b> be charged	As per Branch Delegations Policy	EF Maintenance/ Contract Variations Client Incident Form
Unregulated Loan Accounts	Deferral of scheduled Principal Reductions	Request <b>must</b> be in <b>writing</b> from contractual borrower/s	No processing fees will be charged. Approval under Hardship Policy to be attached to WR.	Credit	Complete a Variation to a Settled Loan Facility
Unregulated Loan Accounts	Limit increase where the additional limit is to be utilised to rebuild an impacted farming operation.	Request <b>must</b> be in <b>writing</b> from contractual borrower/s	No application fee will be charged. Approval under Hardship Policy to be attached to WR.	Credit	Complete a Loan Limit Increase - Full Submission Complete a Loan Limit Increase – Short Submission Client Incident Form

<b>AU Only:</b> Regulated Loans - client <b>may request</b>	To extend the term and reduce the amount of each payment due.	Request can be <b>verbal or in writing</b> from contractual borrower/s. If verbal request, obtain confirmation of change in circumstances (including source of income, assets and liabilities).	Variation to CPRs to spread payments. Approval under Hardship Policy to be attached to WR.	Credit	Increase/Extension/ Variation to a Pre-NCC Loan or Regulated Loan
<b>AU Only:</b> Regulated Loans - client <b>may request</b>	To postpone, during a specified period, the dates on which payments are due under the loan contract.	Request can be <b>verbal or in writing</b> from contractual borrower/s. If verbal request, obtain confirmation of change in circumstances (including source of income, assets and liabilities).	Enter into a documented arrangement to clear any excess position or submit a variation to defer CPRs. Approval under Hardship Policy to be attached to WR.	Credit	Increase/Extension/ Variation to a Pre-NCC Loan or Regulated Loan Manage Accounts in Excess
<b>AU Only:</b> Regulated Loans – a client <b>may request</b>	To extend the term and postpone, during a specified period, the dates on which payments are due under the loan contract.	Request can be <b>verbal or in writing</b> from contractual borrower/s. If verbal request, obtain confirmation of change in circumstances (including source of income, assets and liabilities).	Enter into a documented arrangement to clear any excess position or submit variation to defer CPRs. Approval under Hardship Policy to be attached to WR.	Credit	Increase/Extension/ Variation to a Pre-NCC Loan or Regulated Loan Manage Accounts in Excess
<b>AU Only:</b> Visa Signature or Platinum Credit Cards	To postpone repayments or reduce the amount of repayments	Request can be verbal or in writing from the primary cardholder	Enter into a documented arrangement to postpone repayments or reduce the amount of repayments	Credit	Credit Card Policy

## 5. Supplementary Information

### 5.1 Related Documents

Policies/Procedures	Procedures
<b>AU:</b> Credit Policy <a href="#">Regulated Loans</a>	<a href="#">Assess a Request under Hardship</a>
<a href="#">Complete a Variation to a Settled Loan Facility</a>	<a href="#">Complete a Loan Limit Increase - Full Submission</a>
<b>AU:</b> <a href="#">Complete a Variation to a Pre-NCC Loan or Regulated Loan</a>	<a href="#">Complete a Loan Limit Increase – Short Submission</a>
<a href="#">Process a Variation to a Settled EF Contract</a>	<a href="#">Deposit Account Transactions</a>
<a href="#">Facility &amp; Deposits Pricing policy</a>	<a href="#">Manage Accounts in Excess/Arrears without a TLI</a>

## 5.2 Definitions

Term	Definition
Break cost	As defined in: <ul style="list-style-type: none"> <li>■ AU: Farm Management Deposits Application &amp; Conditions of Use</li> <li>■ AU: AIO Conditions of Use</li> <li>■ NZ: Standard Loan Terms</li> </ul>
Documentation Fee	Applicable to variations on existing EF contracts as defined in the Process a Variation to a Settled EF Contract procedure
EC Declared Area	Exception Circumstances Declared Area includes: <p><b>Australia</b></p> <p>Areas impacted by drought as defined on:  <a href="http://www.daff.gov.au/agriculture-food/drought">http://www.daff.gov.au/agriculture-food/drought</a></p> <p><b>New Zealand</b></p> <p>Areas impacted by natural disaster:  <a href="http://www.civildefence.govt.nz/">http://www.civildefence.govt.nz/</a>  <a href="http://www.mpi.govt.nz/environment-natural-resources/funding-programmes/">http://www.mpi.govt.nz/environment-natural-resources/funding-programmes/</a></p>
EDR	External Dispute Resolution
Hardship	The borrower must reasonably be willing but unable due to illness, unemployment or other reasonable cause, to meet their obligations under the current contract terms, and with formal hardship assistance, their financial situation can be restored
Hardship Arrangement	The arrangement agreed by the Bank to put in place in the short time between when a client's circumstances change and when they can start repaying their debt to the Bank in full. Such arrangement may include a change to the contract (such as extending the term or postponing the date scheduled principal repayments are required, or a change to pricing)
Hardship Notice	Where a client is a borrower under a Regulated Loan and informs the Bank that they consider that they will be unable to meet their obligations under the Regulated Loan. This notice may be given in writing or verbally
Hardship Policy	Hardship Policy refers to this 'Policy on Hardship and Exceptional Circumstances'
LOO	Letter of Offer
NCC	<b>AU only</b> - National Credit Code
Regulated Loan: <b>AU Only</b>	A loan to an individual or strata corporation where 50% or more of the amount borrowed is to be used: <ul style="list-style-type: none"> <li>■ To purchase, renovate or improve* residential property for investment purposes; or</li> <li>■ To refinance credit that has been provided wholly or predominantly to purchase, renovate or improve residential property for investment purposes, or</li> <li>■ For personal, domestic or household purposes.</li> </ul> <p>*Note: Improve includes 'construct'</p>
SME	NCC-accredited active Subject Matter Experts are the only staff who can originate and manage Regulated Loans

## 5.3 Document Management

Owner:	Group Executive Country Banking AU GM Country Banking NZ	Author:	Executive Manager Country Banking AU
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