Jacky Lau

From: [redacted]
Sent: Thursday, 20 August 2026 5:44 PM
To: Policy Development
Subject: Submission to Minor updates to APRA's prudential and reporting framework (Financial Rights Legal Centre)

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Dear APRA,

Financial Rights Legal Centre would like to make a few short comments regarding the proposed minor updates to your prudential and reporting framework.

Overall we support the redrafted paragraphs 104 – 106 in APG220. These updates relate to ADIs taking a simplified approach to hardship assessments (referred to as a "proportionate response"). We support the intent of these updates as we believe they will help ADIs give effect to ASIC's expectation in REP 782. However, we have some concerns about the specific wording being used in proposed paragraph 106.

1. The language used reinforces the concept that financial difficulty must originate from a 'reasonble cause' or 'unforseen event'. Specifically this paragraph refers to "unemployment, illness, reduced income". Consumer advocates have worked closely with lenders for many years to move away from the idea that financial hardship has to come from an unforeseen event. Financial hardship arrangements have been defined very broadly in the Privacy Act (6QA(1)(d)(ii)) (*any time an individual is or will be unable to meet the individual's obligations in relation to the consumer credit*). Any consumer can end up in financial hardship from any number of life events. Lenders have been moving away from looking for a reasonable cause for financial hardship and we strongly support this evolution towards better hardship practices.

2. The language in proposed paragraph 106 also provides the example of a hardship arrangement as "e.g. up to three months". Again, lenders have been encouraged to move away from the idea that "3 month deferral" is the default hardship arrangement. This type of short term standard arrangement is rarely what is in the customer's best interest. Even if the customer needs only 3 months to pay less than their normal payment, they need several more months after that to catch up on their arrears. We would consider the entire period as the same financial hardship arrangement. It would be a bad outcome for the language proposed here to put pressure on lenders to go back to their old standard approach.
We encourage APRA to use language which allows a more flexible approach under APG 220 to ensure better alignment between APRA and ASIC expectations.

We would be happy to discuss this submission if APRA has any questions or concerns about our view.

Kind Regards,
[redacted]
Principal, External Relations & Advocacy
Financial Rights Legal Centre
[redacted]
I do not work Thursdays.