APRA - Guidance APS220 - Credit Risk Management

Submission by Legal Aid Queensland

21 August 2026

Introduction

Legal Aid Queensland (LAQ) welcomes the opportunity to provide feedback on the minor updates proposed by APRA to the prudential and reporting framework, including the proposed implementation timing.

LAQ provides input into State and Commonwealth policy development and law reform processes to advance its organisational objectives. Under the *Legal Aid Queensland Act 1997*, LAQ is established for the purpose of "giving legal assistance to financially disadvantaged persons in the most effective, efficient and economical way" and is required to give this "legal assistance at a reasonable cost to the community and on an equitable basis throughout the State". Consistent with these statutory objects, LAQ contributes to government policy processes about proposals that will impact on the cost-effectiveness of LAQ's services, either directly or consequentially through impacts on the efficient functioning of the justice system.

LAQ always seeks to offer policy input that is constructive and is based on the extensive experience of LAQ's lawyers in the day-to-day application of the law in courts, tribunals, and Ombudsman schemes. LAQ believes that this experience provides its lawyers with valuable knowledge and insights into the operation of the justice system that can contribute to government policy development. LAQ also endeavors to offer policy options that may enable government to pursue policy objectives in the most effective and efficient way.

LAQ's Consumer Protection lawyers provide advice to clients as well as other lawyers and financial counsellors throughout Queensland in relation to mortgage stress, insurance, housing repossession, debt, contracts, loans, telecommunications and unsolicited consumer agreements.

Submission

With respect to the proposed minor updates, LAQ makes the following comments specifically to the following guideline:

APS 220 Credit risk management

LAQ welcomes APRA's redrafted paragraphs 104 to 106 which allow credit providers to take a proportionate response to hardship assessment. In LAQ's experience, this will allow credit providers to be more responsive to the specific needs of individual consumers who are in financial hardship.

LAQ raises concern about two issues in the proposed APS220:

- One of the examples refers to credit providers being able to offer assistance of up to 3 months. LAQ has undertaken a lot of work with credit providers who believed a 3 month hardship was a good general response to consumers asking for hardship support. In LAQ's experience, providing consumers with 3 months hardship was very rarely a suitable response to their individual needs. Instead in LAQ's view, credit providers need to offer assistance that will assist the consumer in their individual circumstances. In LAQ's submission, the reference to 3 months hardship risks credit providers focusing on a general response to financial hardship instead of a tailored response to the individual's circumstances. This approach risks poorer outcomes for individual consumers occurring.
- APS220 also reinforces the idea of an unforeseen event leading to a person's hardship. In LAQ's submission, the focus should be on the fact the consumer is in financial hardship and requires assistance and not on the need for a specific unforeseen event.

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