

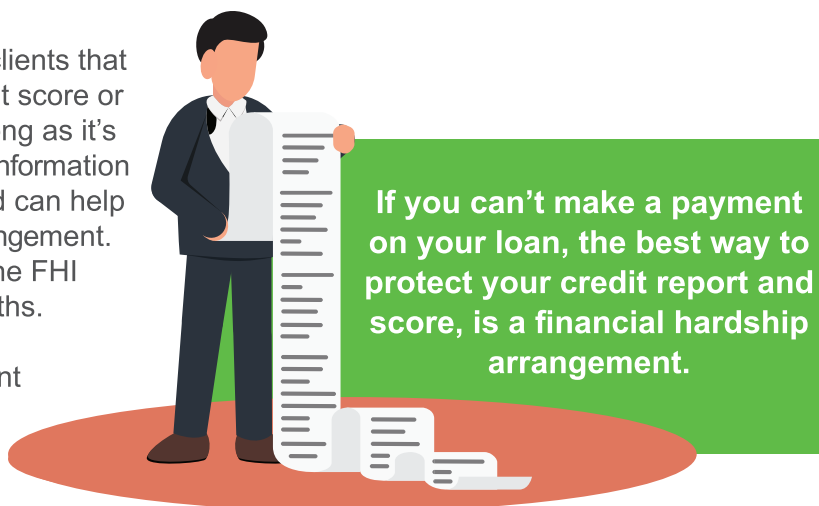
SUPPORTING CLIENTS THROUGH HARDSHIP

KEY FACTS ABOUT FINANCIAL HARDSHIP INFORMATION AND CREDIT REPORTS

WHAT YOU NEED TO KNOW

As a financial counsellor, you can reassure your clients that getting hardship assistance won't harm their credit score or prevent them being approved for new credit, as long as it's affordable. You can explain that Financial Hardship Information (FHI) only stays on their report for 12 months, and can help protect their credit report if they stick to the new arrangement. No one else (including existing lenders) will see the FHI unless your client applies for credit within 12 months.

Information about a financial hardship arrangement called 'Financial Hardship Information' (FHI), is noted on credit reports alongside repayment history.



If you can't make a payment on your loan, the best way to protect your credit report and score, is a financial hardship arrangement.

KEY TAKEAWAYS

- Financial hardship information is not used to calculate a credit score and is not a black mark on a credit report.
- Past hardship doesn't block future credit. If your client has recovered, or the new loan will support their recovery, lenders will still consider the application.
- If your client is still in hardship, lenders will likely ask more questions - but they won't decline just because of the FHI.
- Most lenders are open to refinancing to help customers reduce repayments and manage debt.
- Declines are not due to FHI alone, but typically reflect broader affordability concerns.

THE VALUE OF FINANCIAL HARDSHIP INFORMATION

- **It can prevent missed payments from getting recorded:** Getting a hardship arrangement can prevent missed payments from hurting their credit report.
- **It's temporary:** FHI only stays on their credit report for a limited time - 12 months. After that, it is removed.
- **Their repayments look good:** If your client meets the terms of the financial hardship arrangement, their credit report will show loan payments as up to date during that period. This is a key benefit of agreeing to an arrangement.
- **It doesn't hurt their credit score:** FHI does not affect credit scores.
- **The reason is private:** The credit report does not include any details about *why* they needed hardship

HOW LENDERS USE FINANCIAL HARDSHIP INFORMATION

Lenders use FHI to understand someone's situation - not to judge them - and they still consider credit applications based on the person's overall current financial position, even if they're currently in hardship.

Arca's Members want struggling customers to reach out as soon as possible so they can be supported to get back on track as quickly as possible.

What the data from Arca Members* shows:

- **Lenders are happy to consider applications from people with FHI:** 100% of lenders surveyed said they would consider credit applications from people with past FHI noted on their report.
- **Even current hardship won't necessarily prevent new credit:** Most lenders (77% surveyed) would consider lending to someone currently in hardship, especially if the new credit would help make their overall debts more affordable.
- **Lenders will seek to understand the situation:** Most lenders reviewing an application with FHI will have a real person talk to the customer. This is to understand their financial situation and if they've recovered from the hardship.
- **People with FHI are still applying for and getting approved for credit:** Lenders approved 40-70% of home loan applications with FHI. Rates of approval for personal loans and credit cards are lower.
- **Unsecured credit:** Lenders are more cautious about approving unsecured credit applications, where FHI is present.
- **FHI was not the reason for declines, one lender showed the reasons were:**
 - o 45% due to low credit scores (FHI isn't included in the score)
 - o 55% due to affordability issues (like low income or ongoing financial stress)

According to Arca / YouGov research conducted in March 2025, among those who had received hardship assistance and then applied for additional credit, 55% were approved.



**Source: Arca Member Survey September 2024 and Arca Member credit data from 2024 and 2025.*