

Things you should know about guarantees

If you're an individual who has signed (or is considering signing) a guarantee to help another individual or a small business to secure any financial accommodation or loan, this information tells you about some of the rights and obligations of yourself and the credit provider (G&C Mutual Bank). It does not state the terms and conditions of your guarantee.

Guarantees

1. What is a guarantee?

A promise by you that the person who is getting credit under a credit contract (the debtor) will keep to all the terms and conditions. If that person does not do so, you promise to pay the credit provider all the money owing on the contract (and any reasonable enforcement expenses) as soon as the money is asked for, up to the limit, if any, stated in the guarantee. If you do not pay, then the credit provider can take enforcement action against you which may result in the forced sale of any property owned by you such as your house.

2. How do I know how much the debtor is borrowing and how the credit charges are worked out?

These details are on the copy of the credit contract or proposed credit contract that you should be given before you sign the guarantee.

3. What documents should I be given?

Before you sign the guarantee you should get:

- The document you are reading now; and
- A copy of the credit contract or proposed credit contract;

Your guarantee is not enforceable unless you get a copy of the credit contract or proposed credit contract before you sign.

Within 14 days after you sign the guarantee and give it to the credit provider, the credit provider must give you a copy of:

- The signed guarantee (if you do not already have a copy of the guarantee); and
- The credit contract or proposed credit contract (if you do not already have a copy of the contract).

4. Can I get a statement of the amount that the debtor owes?

Yes. You can ask the credit provider at any time for a statement of the amount the debtor currently owes or any amounts credited or debited during a period you specify or any amounts which are overdue and when they became overdue or any amount payable and the date it became due.

The credit provider must give you the requested information:

- Within 14 days if all the information requested related to a period one year or less before your request is given; or
- Otherwise within 30 days.

This statement must be given to you in writing if you ask for it in writing but otherwise may be given orally.

You may be charged a fee for the statement.

You are not entitled to more than one written statement every three months.

5. How can I find out the payout figure?

You can write to the credit provider at any time and ask for a statement of the amount required to pay out the credit contract as at any date you specify. You can also ask for details of the items that make up the amount.

The credit provider must give you the statement within seven days after you give your request to the credit provider. You may be charged a fee for the statement.

6. What other information can I get?

You can write to the credit provider and ask for a copy of:

- The guarantee; or
- Any credit-related insurance contract (such as insurance on mortgaged property) the credit provider has; or
- A notice previously given to you, the debtor or the mortgagor under the National Credit Code.

The credit provider must give you the requested copy:

- Within 14 days of your written request if the contract came into existence one year or less before the request was given to the credit provider; or
- Otherwise within 30 days.

The credit provider may charge you a fee.

Your request can be made any time up to two years after the end of the credit contract.

7. Can I withdraw from my guarantee?

You can withdraw from your guarantee at any time by written notice to the credit provider if the final credit contract is materially different from the proposed credit contract given to you before you signed the guarantee.

8. Can I limit my guarantee?

Yes, if it relates to a continuing credit contract (such as a credit card contract or an overdraft). In that case you can give the credit provider a notice limiting the guarantee so that it only applies to:

- Credit previously given to the debtor; and
- Any other amount you agree to guarantee.

9. Can my guarantee also apply to any future contracts?

No, unless the credit provider has given you a copy of the proposed new credit contract and you have given your written acceptance.

10. If my guarantee says I have to give a mortgage, what does this mean?

A mortgage means that you give the credit provider certain rights over any property you mortgage. If you default under your guarantee, you can lose that property and you might still owe money to the credit provider.

11. Should I get a copy of my mortgage?

Yes. It can be part of your guarantee or, if it is a separate document, you will be given a copy of the mortgage within 14 days after your mortgage is entered into.

12. Is there anything that I am not allowed to do with the property I have mortgaged?

The law says you cannot assign or dispose of the property unless you have the credit provider's, or the court's, permission. You must also look after the property. Read the mortgage document as well. It will usually have other terms and conditions about what you can or can not do with the property.

13. What can I do if I find that I cannot afford to pay out the credit contract and there is a mortgage over my property?

See the answer to question 22.

Otherwise you may:

- If the mortgaged property is goods - give the property back to your credit provider, together with a letter saying you want the credit provider to sell the property for you;
- Sell the property, but only if the credit provider gives permission first;

OR

- Give the property to someone who may then pay all amounts owing under the guarantee or give a similar guarantee, but only if the credit provider gives permission first.

If the credit provider won't give permission, you may contact the credit provider's external dispute resolution scheme for help. You should understand that you may owe money to the credit provider even after mortgaged property is sold.

External dispute resolution is a free service established to provide you with an independent mechanism to resolve specific complaints. Your credit provider's dispute resolution provider is the Australian Financial Complaints Authority (AFCA) and can be contacted at:

Australian Financial Complaints Authority (AFCA)

Phone: 1800 931 678
Mail: GPO Box 3, Melbourne, VIC 3001
Email: info@afca.org.au
Website: www.afca.org.au

14. Can the credit provider take or sell the mortgaged property?

Yes, if you have not carried out all of your obligations under your guarantee.

15. If the credit provider writes asking me where the mortgaged goods are, do I have to say where they are?

Yes. You have seven days after receiving the credit provider's request to tell the credit provider. If you do not have the goods, you must give the credit provider all the information you have so they can be traced.

16. When can the credit provider or its agent come into a residence to take possession of mortgaged goods?

The credit provider can only do so if it has the court's approval or the written consent of the occupier which is given after the occupier is informed in writing of the relevant section in the National Credit Code.

17. If the debtor defaults, do I get any warning that the credit provider wants to take action against the debtor?

In most cases both you and the debtor get at least 30 days from the date of a notice in writing to do something about the matter. The notice must advise:

- Why the credit provider wants to take action; and
- What can be done to stop it (if the default can be remedied); and
- That if the same sort of default is committed within 30 days of the date of the notice and is not remedied within that period, the credit provider can take action without further notice.

You should immediately discuss any warning notice with the debtor and consider getting independent legal advice and/or financial advice.

However, there will be no warning notice if;

- There is a good reason to think the debtor committed a fraud to persuade the credit provider to enter into the contract; or

- The credit provider has been unable to locate the debtor after making reasonable efforts to do so; or
- The court says so; or
- There is a good reason to think that the debtor has, or will, remove or dispose of mortgaged goods without the credit provider's consent, or that urgent action is necessary to protect mortgaged property.

18. When can the credit provider enforce a judgement against me?

When:

- The credit provider has judgement against the debtor and if the judgement amount has still not been met 30 days after the credit provider has asked the debtor in writing to pay it; or
- The court says so because recovery from the debtor is unlikely; or
- The credit provider has been unable to locate the debtor after making reasonable efforts to do so; or
- The debtor is insolvent.

19. If the debtor cannot be found and the credit provider intends to take legal action against me do I get any warning?

You may not. See the answer to question 17.

20. Can the credit provider take action against me without first taking action against the debtor?

Yes, but the credit provider will not be able to enforce any judgement against you except in the circumstances described in the answer to question 18.

21. How much do I have to pay the credit provider if the debtor defaults?

You have to pay what the debtor owes the credit provider, subject to any limit provided in the guarantee, plus the credit provider's reasonable expenses in making you honour your contract of guarantee.

General

22. What can I do if I am asked to pay out the credit contract and I cannot pay it all at once?

Talk to the credit provider and see if some arrangement can be made about paying. If you cannot come to a suitable arrangement, contact your credit provider's external dispute resolution scheme.

There are other people, such as financial counsellors, who may be able to help.

23. If I pay out money for a debtor, is there any way I can get it back?

You can sue the debtor, but remember, if the debtor cannot pay the credit provider, he or she probably cannot pay you back for a while, if at all.

24. What happens if I go guarantor for someone who is under 18 when he or she signs a credit contract?

You are responsible for the full debt if the contract of guarantee has a clear and obvious warning. The warning has to tell you that the courts might not let you sue the debtor if you have to pay out the credit contract for him or her.

25. Do I have any other rights and obligations?

Yes. The law does give you other rights and obligations.

You should read your guarantee carefully.

If you have any doubts, or want more information, contact your credit provider. You must attempt to resolve your complaint with your credit provider before contacting the AFCA scheme. If you have a complaint which remains unresolved after speaking to your credit provider you can contact the AFCA scheme or get legal advice. The AFCA scheme is a free service established to provide you with an independent mechanism to resolve specific complaints.

The AFCA scheme can be contacted at:

Australian Financial Complaints Authority (AFCA)
GPO Box 3, Melbourne, VIC 3001
info@afca.org.au
1800 931 678 (free call)
www.afca.org.au

Please keep this document in a safe place. You may want some information from it at a later date.