

Media Release

23 August 2022

Credit Corp advises of customer remediation

Forbearance correction

Credit Corp Group Limited (Credit Corp or the Company) maintains an ongoing program of quality assurance review. A recent review identified that a number of customers had been charged interest in accordance with the applicable credit contract in circumstances where the Company had intended to apply forbearance in the form of a zero or reduced interest rate.

An internal investigation was initiated to determine the extent of the issue and the proposed remediation. While the investigation and remediation will not be substantially completed for another 90 days the Company has commenced the process of advising stakeholders.

The majority of affected customers established flexible repayment arrangements during the COVID-19 pandemic when, as part of a program of generalised forbearance, Credit Corp temporarily reduced all interest rates to zero across the entirety of its Australian and New Zealand purchased debt ledger (PDL) portfolio. It was decided that the forbearance would be permanently applied for the term of all new repayment arrangements established during the temporary period. Due to an administrative error, however, contractual interest was subsequently re-applied.

The investigation will identify and remediate all customers affected by any failure to apply intended interest forbearance from 1 July 2015. Present indications are that no more than one percent of customers comprising Credit Corp's Australian and New Zealand active PDL portfolio over the period have been affected. Total refunds, including interest thereon, are not anticipated to exceed \$4 million.

Additional controls have been put in place to prevent any recurrence of the issues identified.

Mr Thomas Beregi, CEO of Credit Corp, said that the investigation and remediation program will be thorough and comprehensive. *"While it is very disappointing that the issues arose, we are devoting appropriate resources to ensure that all affected customers are identified and the full benefit of intended forbearance is provided."*

ASIC Notice

Separately, Credit Corp recently received a production notice from the Australian Securities and Investments Commission (ASIC) indicating a concern over an historic practice of the Company.

For many years Credit Corp has maintained policies to avoid the establishment of payment arrangements of indefinite duration. These policies mandated the application of forbearance to lower, or reduce to zero, any contractual interest rate to prevent initiating such arrangements. Credit Corp's historic policy provided for a limited exception in circumstances where the arrangement was considered to be a temporary measure to moderate a customer's liability in advance of either an increased repayment amount or a lump sum repayment (temporary repayment arrangement).

The Company amended its policy during 2021 and discontinued the practice of accepting temporary repayment arrangements. Interest forbearance was retrospectively applied from the date of commencement of all such arrangements in place at the time of the policy change to bring them into conformance with the revised policy.

While Credit Corp is cooperating with ASIC's investigation, it does not believe that the historic practice of accepting temporary arrangements was contrary to any law. Notwithstanding this, the Company has initiated a further process to retrospectively apply key elements of the revised policy to all temporary arrangements in place from 1 July 2015. It is not anticipated that this additional process will result in refunds, including interest thereon, in excess of \$0.8 million.

Full year guidance

The matters which are the subject of this announcement are not expected to have a material impact on Credit Corp's results for the 2023 financial year. Credit Corp re-affirms its earlier guidance for the current year as follows:

	Guidance
PDL acquisitions	\$220 - \$260m
Net lending volumes	\$50 - \$60m
Net profit after tax	\$90 - \$97m
EPS	133 - 143 cents

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