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JOINT MEDIA RELEASE

9 February 2019

TAKING ACTION ON THE BANKING, SUPERANNUATION & FINANCIAL SERVICES ROYAL COMMISSION

RECOMMENDATION 1.11: FARM DEBT MEDIATION

The Commonwealth, states and territories have agreed, for the first time, to move towards a national farm debt mediation scheme at yesterday's meeting of agricultural ministers in Adelaide, with work on the scheme to begin immediately.

In his Final Report, Commissioner Hayne recommended, "A national scheme of farm debt mediation should be enacted."

He observed, "...using the scheme to best advantage should result in better and more orderly resolution of the difficulties that are presented for both lender and borrower when a loan is distressed."

A national scheme would assist lenders and borrowers to agree on practical measures that may lead to the borrower being able to address financial difficulties that have caused the loan to become distressed. It will also allow farmers who own properties across state borders to use and access the one scheme.

All states and territories agreed to take the first step towards the enactment of a national scheme.

The National Farmers Federation also supported the move. President Fiona Simson said, "When farm loans become distressed, there are many complex issues to work through.

"The ability to refer a challenged farm loan to a consistent and harmonised mediation regime is the preferred approach to reach an outcome that is fair and equitable for all involved.

"We believe a national farm debt mediation scheme is a very effective mechanism to ensure this outcome is achieved."

In his Final Report, Commissioner Hayne also observed, "...lenders should offer farm debt mediation as soon as the loan is classified as distressed. If used in conjunction with rural financial counselling services, early farm debt mediation should allow wider and better choices for the lender and borrower about servicing, and ultimately repaying, the loan."

The Government supports mediation occurring soon after the loan becomes distressed and not as a last measure prior to the lender taking enforcement action.

Senior officials from the Commonwealth, states and territories will begin work on the national scheme immediately, with states and territories to deliver a paper on their preferred model. Progressing the national scheme will also be on the agenda at the upcoming Drought Finance Taskforce meeting.

The Coalition Government has agreed to take action on all 76 recommendations contained in the Royal Commission's Final Report and, in a number of important areas, is going further.

Restoring trust in Australia's financial system is part of our plan for a stronger economy.

Ends

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