

Phone Debt

This fact sheet is for information only. You should get professional advice about your personal situation.

Main ideas

• Think carefully before signing up to expensive phone plans especially if you don't have a secure income.

• If you are in financial hardship, negotiate a repayment plan with the telco.

• Free financial counsellors can help you figure out what you can afford, and can help you negotiate a payment plan.

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Prevent your phone debt building up

It's easy for a phone debt to build up to a level that is difficult to pay back, especially if you signed up for a long term plan with a new device and lots of data.

If your account gets terminated because you fall behind for too long, you could end up with a big debt to pay off the handset, tablet or other device. There may also be some other termination fees and charges.

Before getting into debt, think about:

- What can you afford? Be careful about expensive plans if you change jobs a lot, your job isn't secure, or you have a lot of other debt.

- A lower or mid-range phone or tablet. What features do you really need? Most people don't need the latest and greatest device.
- Pre-paid vs post-paid plans. What does your usage look like? What do you need included? Consider capped plans to avoid unexpected extra charges.
- A free InContact service on your home phone (allows calls in, but restricts calls out).

Check you owe the debt

There are consumer laws that deal with poor conduct by telco companies. Get advice if you don't think you owe all the debt, for example if:

- you think the contract is unfair
- the sales person misled you
- you didn't understand what you were signing up for
- you feel that you were taken advantage of
- someone else pressured you into the contract
- you were experiencing family violence or financial abuse
- you couldn't afford the plan.

Some telcos may have existing remediation (compensation) programs in place. For instance, Telstra was fined \$50 million dollars in 2021 for unconscionable conduct in selling mobile plans to First Nations peoples. Telstra agreed to compensate customers affected. You can ring Telstra's First Nations Connect Team on 1800 444 403 or use their email: firstnationsconnectcomplaints@team.telstra.com.

If your dispute is successful, some possible outcomes could be:

- your whole debt is waived (so you have nothing more to pay)
- your debt is reduced
- you get a refund
- your service is reinstated
- credit report listings are removed
- other compensation for impacts on you (such as for an unfair amount of distress or anxiety caused to you).

Ask for a payment plan

Telco companies must work with you if you tell them you are in financial hardship. There are protections in the Telecommunications Consumer Protection Code. Your telco's hardship number and hardship policy should be on their website.

Work out what you can afford to pay

Work out what you can afford to pay fortnightly/monthly to the debt. A free financial

counsellor can help you figure out what you can afford. [Find a free financial counsellor through the National Debt Helpline website](#) or phone 1800 007 007.

Start paying what you can afford now. This lowers the debt, stops arrears increasing (the amount you are behind), and may help avoid your phone service being disconnected.

Ask for a financial hardship arrangement

Contact the telco (a free financial counsellor can help if you need it) and ask to talk to their hardship team. Telcos must work with you when are in financial hardship.

Tell the telco:

1. You cannot pay the full debt owed and you are in financial hardship.
2. Ask for assistance – options include one or more of:
 - a pause on payments for a short time
 - a payment plan
 - removing (waiving) part or all of the debt
 - removing late payment, termination or other fees
 - restricting services or capping service usage
 - changing to a lower cost plan or pre-paid to help you manage costs without charging you any extra change fees
 - if you are in a contract and still paying off your device, consider whether you can afford to pay off the device, or if it would be better to hand the device back to reduce your payments.

If you have more than one plan or account, be clear about what help you want on each account.

3. Ask the telco not to disconnect you or cancel your contract. Tell them if you have any reasons why it is critical that you can't lose the service (for example, you have medical issues and need to be able to ring an ambulance, or you live in a remote area and would be isolated if your service was cut off).

The telco may not agree to everything you ask for – think about whether what they offer is fair and affordable for you.

If you reach an agreement, get it in writing and make the agreed repayments. If your situation changes again, talk to the telco again and renegotiate.

How to ask for hardship – some examples:

I'm in between jobs at the moment, I lost my job when the café shut down. I need some time to look for another job. I need to keep my phone and data plans active to look for work but I can't afford anything right now. Can you pause the payments for me for 3 months and keep both accounts active? I can go back to my normal payments once I find a new job.

My arthritis has gotten to the point where I can't work anymore. I'm 63 years old and will have trouble finding other work. I can't afford my \$69/month plan and I don't need so many call and data anymore, but I have another 14 months to go on the contract. Is there any way to move to a cheaper plan, with no fees. I expect to be on Jobseeker until I qualify for the age pension and can't afford much at all. I can either hand in my phone, or pay it off over time - can you tell me what how each option will affect me?

I was diagnosed with depression a few months ago, since I lost my job, and haven't been opening any mail or emails. My phone has just been disconnected, and I've found a termination notice asking me to pay \$750 to pay out the contract. I can't afford this and I need a phone to book my medical appointments. Can you reconnect my phone on a cheaper plan - I can afford \$30 per month, and waive the \$750 payout cost? Or at least waive all the fees, and let me pay off the rest of my phone's cost in instalments under my new plan?

Complaining about Telcos

If the telco will not help you, [you can complain to the Telecommunications Industry Ombudsman \(TIO\) through their website](#) or by calling 1800 062 058. There are time limits, so don't delay.

TIO can investigate issues such as:

- whether you are responsible for the debt
- incorrect billing
- account suspensions
- unfair sales practices or contracts
- unfair debt collection practices
- credit report listings.

Outcomes from TIO include:

- a payment plan or other hardship arrangement
- removing or reducing the debt
- removing or reducing fees

- compensation for any losses suffered
- getting documents or account statements
- compensation for an excessive amount of inconvenience, delay or stress/anxiety (this tends to be modest and capped at \$1500, except for privacy complaints).

Complain to TIO immediately if your telco is threatening to disconnect your service.

Ask the telco to agree in writing not to disconnect you while TIO is investigating your complaint.

Once you lodge your complaint, TIO will give you contact details of a more senior person in the telco.

If your issue is hardship, continue to make the repayments you can afford.

Continue contact with the telco and TIO

Keep talking to the telco.

Keep your complaint going at TIO. Don't give up. Send an email, or call TIO if you don't hear anything for any more than 21 days. TIO may ask you to get back to them if you do not hear from the telco directly.

Get legal advice if there is no progress or you are not happy with the outcome. There may be other options such as a tribunal or court but risks and time limits apply and you should get some advice first.

Need more help?

[For a list of other resources, visit our Useful Links page.](#)

Last updated: February 2023