



Relationship debt

Relationship debt occurs when one person takes on a liability for a debt incurred by another, or incurred jointly with another who is now not paying because of the personal relationship between them.

People “help out” their family or friends by obtaining goods or services for the other person, as a sole borrower or a co-borrower. In either case, a credit provider can recover the full amount owing on the debt from you. All borrowers who sign for a loan are jointly and separately liable for money owed in their name/s.

Signing a guarantee for a loan for someone who does not have a sound credit rating is risky, unless you are able and willing to meet full liability for the debt if the person you are guaranteeing does not meet the payments.

Questions you should ask yourself:

- why am I being asked to sign? Can I afford this? Can they repay me, if they need me to obtain the goods for them?
- obtain a copy of the contract and information on the guarantee
- request full information about the debt, including details of your existing and potential liability and regular reports about payment from the creditor
- notify the creditor in writing that you do not wish any further credit to be extended

If things have gone bad:

- contact the creditor and get copies of the contract, loan application, guarantee and statements
- ask the debtor (the borrower) what they are doing to rectify the situation
- see a financial counsellor if you have been called on to pay the debt and cannot afford it
- contact the Consumer Credit Legal Centre about your rights and responsibilities. See <http://www.cclcnsw.org.au>

DISCLAIMER: The information provided in this information sheet is of a general nature only, and is not intended to be legal advice. There may be errors or inaccuracies or the information may not be completely up-to-date. Always check the information provided before relying on it. The information relates to consumer law in New South Wales, Australia.