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MEDIA RELEASE

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Debt counselling offers new lease of life for over-indebted consumers

The National Credit Act introduced debt counselling in 2007 as a debt relief measure that could assist over-indebted consumers through providing budget advice, negotiating with credit providers for reduced payments and restructuring debt, thereby protecting the consumer from legal action by credit providers. Debt counselling is by no means a savings mechanism and consumers should beware of misleading advertising which markets debt counselling by promising consumers monthly savings of about 60%, cautions Anne-Carien Du Plooy, Acting Manager: Education & Communication at the National Credit Regulator (NCR).

Consumers contemplating debt counselling should first understand the terms and conditions. Debt counselling is not a free service, costs and fees are applicable. Not everyone can qualify for debt counselling. In order to qualify for debt counselling, consumers must have a disposable income to enable negotiation for the reduction of installments, says Du Plooy. "Only over-indebted consumers can qualify for debt counselling, if a consumer does not qualify, they will be rejected." It is therefore, very important for consumers contemplating debt counselling to approach only registered debt counsellors who will advise them of all terms and conditions, costs and fees, as well as conduct proper financial assessments to determine if the consumer can qualify for debt counselling, adds Du Plooy.

Important considerations before contemplating debt counselling:

- Consumers married in community of property need to apply for debt counselling jointly. What this means is that when two people are married in community of property, one cannot simply undergo debt counselling independently. Only those married out of community of property can apply for, and undergo debt counselling independently;
- Consumers under debt administration cannot apply for debt counselling;
- Consumers cannot apply for, or be granted any new credit while they undergo debt counselling;
- Consumers can only exit debt counselling once they have settled all their short term debt which includes vehicle finance, credit and store cards, loans etc. and have received a clearance certificate from their debt counsellor;
- Should a consumer have a home loan account, payments have to be up to date in terms of the debt counselling re-arrangement order before a clearance certificate is issued; and
- A consumer will only be eligible to apply for, or be granted, new credit once they have been issued with a clearance certificate by a debt counsellor.

Remember that debt counselling is not offered free of charge. It is imperative that consumers understand this and are aware of the costs upfront. Debt counselling fees are as follows:

- Application fee: fifty rand (R50.00), payable prior to commencing the assessment. Paid upfront and in full;
- Administration fee: three hundred rand (R300.00) per debt counselling application. Paid upfront and in full;
- Attorney fees: To be agreed upon with the attorney and communicated with the consumer when applying for debt.
- Restructuring fee is either equal to the distributable amount or a maximum fee of eight thousand rand (R8 000.00) for a single applicant. For consumers married in community of property, the restructuring fee is either equal to the distributable amount or a maximum fee of nine thousand rand (R9 000.00). The restructuring fee

- is a once off payable in month one (1) after the debt counsellor has drafted and submitted the restructuring documents.
- After the assessment, if the consumer or debt counsellor strongly feels that there is reckless lending, the consumer is liable to pay a once-off fee of one thousand five hundred rand (R1 500.00);
 - Aftercare fee: is payable monthly after month two (2) of the debt counselling service. The fee is equal to (five) 5% of the distributable amount up to a maximum fee of four hundred and fifty rand (R450.00);
 - NCT Submission fee - Submission of the National Consumer Tribunal of R500 (excluding NCT filing fee);
 - Once the restructuring process is complete, a consumer can either make their payments directly to their credit provider or through a registered Payment Distribution Agent (PDA); and
 - Consumers should request a receipt from the debt counsellor upon payment of the application and administration fees. Debt Counsellors are prohibited from collecting and distributing debt counselling funds to credit providers.

Before signing up for debt counselling, consumers are advised to request information from their debt counsellor on how their debts will be restructured. Once signed up, consumers should also request to be given all debt counselling related documents such as their application form, restructuring proposal and court order. Du Plooy once again stressed the importance that debt counselling should only be done by a debt counsellor registered with the NCR and has a certificate that shows their names and their "NCRDC" number. Consumers have a right to demand to see this proof. The NCR also advises consumers to make use of debt counsellors who are in the vicinity of where they live or work as this enables them to physically visit the debt counsellor's office if the need arises. It is also important to have your debt counsellor's contact details, names, physical address etc. readily available.

Consumers can get a list of all registered debt counsellors on www.ncr.org.za. Alternatively, consumers can call the NCR on 0860 627 627, concludes Du Plooy.

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About The National Credit Regulator

The National Credit Regulator (NCR) was established in terms of the National Credit Act 34 of 2005 (the Act) and is responsible for the regulation of the South African credit industry. The NCR is mandated with the registration of Credit Providers, Credit Bureaus, Debt Counsellors, Payment Distribution Agents, and Alternative Dispute Resolution Agents; and monitoring their conduct in compliance with the National Credit Act as amended. The National Credit Regulator offers education and protection to consumers of credit in promotion of a South African credit market that is fair, transparent, accessible and dynamic.

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