



The National Credit
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Media Release

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If you can no longer afford to pay your debts, debt counselling could be of help

At times and for many reasons such as recession, change in circumstances and others, consumers find themselves in a debt trap and no longer able to pay their monthly debt repayments. Consumers who are in this situation should not hide, feel despondent or despair; there is a debt relief measure in terms of the National Credit Act (NCA) which could provide relief. This debt relief measure is called debt counselling which is offered by National Credit Regulator's (NCR) registered debt counsellors, says Kedilatile Legodi, Manager: Debt Counselling at the NCR.

Through debt counselling, consumers can be assisted by getting advice on how to budget and a debt counsellor will negotiate with credit providers on behalf of the consumer for reduced payments and ultimately restructure their debts. "If your income is not enough to pay for all your living expenses and all of your debts, chances are that you could be over-indebted." There are a number of signs that can assist to check whether a person is over-indebted or not, such as a consumer who cannot repay his / her debts on time as agreed with credit providers; taking out loans in order to repay other loans; using a credit card and / or overdraft facility to pay debts, buy food and other necessities; skipping payments on some accounts in order to pay others; starting to receive letters of demand and summonses from credit providers and/or lawyers and having judgments granted against them. "These

are the signs that should immediately prompt one to seek assistance before it is too late”, advises Legodi.

“If you are experiencing any of the above signs, you should speak to your credit providers and negotiate for lower monthly repayments. However, if this process does not work, you can approach an NCR registered debt counsellor for assistance”.

“To be able to go under debt counselling, a consumer must be employed and have an income which will be used to offer reduced payments to credit providers”, clarifies Legodi.

Consumers’ attention is drawn to the following important things to note if they are considering debt counselling:

- Only make use of NCR registered debt counsellors. Upon registration, the NCR issues the debt counsellor a registration certificate and a window decal (green sticker) as a means of identification to consumers. If they are not visible, please request them from the debt counsellor;
- Understand the debt counselling process, your rights and obligations prior to applying for debt counselling;
- If you are married in community of property, you must jointly apply for debt counselling with your partner;
- All debt counselling applications must be reduced to either a court or consent order;
- Debt counselling service is not free of charge – visit the NCR website for a fee guideline on www.ncr.org.za and request a written disclosure of applicable fees prior to applying for debt counselling;
- You have a right to request for, and be provided with reasons if your application for debt counselling is rejected;
- Do not give/pay the debt counsellor money to pay your credit providers. You can either pay your credit providers directly or use a Payment Distribution Agent (PDA) that is registered with the NCR. There are currently only four NCR registered PDAs whose details can be found at www.ncr.org.za or by calling the NCR on 011 554 2600;

- If you experience any challenges under debt counselling, your debt counsellor is your first point of contact. Make use of your debt counsellor and always ensure that you are kept in the loop on the progress of your application;
- If your debt counsellor is un-contactable, please contact the NCR immediately for assistance.

Consumers are also encouraged to remain responsible for their finances when they are under debt counselling. “They should ensure a full and correct financial disclosure at time of application, make monthly repayments as agreed on the restructuring plan, follow up on monthly payments made to the PDAs and also ensure that they understand the process, applicable fees and implications”, says Legodi.

Legodi also clarifies the following points about debt counselling:

- Debt counselling does not cancel your debts, it helps you make reduced payments using your disposable income;
- When under debt counselling, consumers cannot apply for further credit;
- A consumer’s credit bureau profile will display a debt counselling flag/indicator until a clearance certificate is issued by the debt counsellor;
- Debt counselling process does not have a specified period to run, it depends on each consumer’s financial circumstance and the type of credit agreements the consumer has;
- You can be issued with a clearance certificate even if you have a home loan that is not paid up. As long as the home loan is up to date and you have paid up all your short term debts including a vehicle finance;
- Debt counselling is not a savings plan – Don’t fall for advertisements that promise you over 60% savings on your monthly instalments.

“Remember, it is debt counselling and not debt cancelling. Therefore, you are still liable to pay your debts when under debt counselling”, concludes Legodi.

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About The National Credit Regulator

The National Credit Regulator (NCR) was established as the regulator under 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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