

Media Release

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The Full Bench of the North Gauteng High Court rules in favour of the dti and NCR in the MFSA review application on the interest rate on the short-term loan

The Full Bench of the North Gauteng High Court has ruled in favour of the National Credit Regulator (NCR) and Department of Trade and Industry (dti) in the MicroFinance South Africa (MFSA) review application challenging the regulations reducing the interest rate on the second short-term loan in a calendar year. The regulations reduced the interest rate on the second short-term loan in a calendar year from 5% to 3% per month. The judgment of the Full Bench set aside an earlier judgment by Justice Louw setting aside the regulation reducing the interest rate on the short-term loan.

The Full Bench found, amongst others, that:

- Justice Louw erred in not considering the evidence of the dti and NCR on various issues in his judgment;
- The reduction of the interest rate on the short-term loan serves a legitimate government purpose of combatting consumer over-indebtedness;
- The Minister of Trade and Industry considered all relevant factors, and acted rationally and lawfully;
- Many credit providers have already amended their systems to implement the regulations at considerable costs;

- It would not be in the interests of justice to set aside the regulations and place millions of consumers in a position to pay higher interest rates merely because a small number of credit providers feel the regulations make them less profitable; and
- The MFSA and its members is a small portion of the total role players in the South African credit industry.

The MFSA was ordered to pay the NCR and dti's costs, including the costs of the application for leave to appeal as well as the costs of two counsel.

"The NCR welcomes the judgment and calls on all credit providers to support initiatives by government and the NCR to address consumer over-indebtedness", says Nomsa Motshegare, Chief Executive Officer of the NCR.

The regulations remain in force and means that consumers pay 5% interest on the first short-term loan and 3% interest on subsequent short-term loans in a calendar year.

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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.

For more information contact:

Media Office: media@ncr.org.za

Or

Lebogang Selibi

(011) 554-2722

E-mail: lselibi@ncr.org.za