



4. HIGHLIGHTS



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The National Credit Act (NCA) was passed into law in March 2006 and its key objective is to contribute to the development of a fair and equitable credit market that is accessible to all South Africans. The National Credit Regulator (NCR) was established as the regulator under the NCA and is responsible for the regulation of the South African credit industry. It is tasked with carrying out education, research, policy development, registration of industry participants, investigation of complaints, and ensuring enforcement of the Act.

Some of the key challenges and accomplishments of the NCR during the financial year to 31 March 2009 are worthy of special mention.

Consumer Education

The NCR is required to promote public awareness of consumer credit matters and aims to reach across a broad range of consumers with varying needs. Together with the Deaf Federation of South Africa and the South African Council for the Blind, it ran 'train-the-trainer' programmes on the NCA and the functions of the NCR, with the aim of improving awareness of credit matters among people with disabilities. Representatives from all provinces attended. They will in turn run information workshops in their respective communities. The NCR as part of the Consumer Protection Forum - which comprises of all nine Provincial Consumer Affairs Offices, the Department of Trade and Industry (DTI), and sector regulators - focused on a number of campaigns including "borrow wisely" and "spend wisely" campaigns which ran during the festive season. During the month of March as part of celebrating World Consumer Rights Day, the NCR ran an educational campaign aimed at giving consumers practical information on how to survive during tough economic conditions. Through these initiatives the NCR reached out to many ordinary South Africans. The NCR believes that through these collaborations more consumers can be reached and impacted positively.

The Consumer Credit Report

The NCR published its first Consumer Credit Report based on information submitted by the largest credit providers in SA, accounting for an estimated 90% of the consumer credit market. This first report covers the quarters from 1 October 2007 to 30 June 2008 and it is now published on a quarterly basis, giving a comprehensive breakdown and analysis of the total credit market in SA.

Extracts of the first Consumer Credit Report

1. Consumers in South Africa owed credit providers R1.12 trillion in household debt as at June 2008. This represented an industry growth of 3% from March 2008 to June 2008.
2. 63% or R706 billion of the debt owed were in the form of mortgages followed by vehicle and furniture at 21% and credit facilities (credit cards, store cards, overdrafts) at 12%.
3. 87% or R975 billion of the debt was granted by the major retail banks.
4. There are about 35 million credit active accounts of which 64% represents credit cards, store cards and overdrafts.
5. New credit granted has declined from R93 billion in Dec 2007 to R76 billion in June 2008.
6. Credit granted in the form of mortgages and vehicle finance decreased by 4% and 8% respectively during the previous 2 quarters.
7. 91% of new mortgages granted were to individuals earning above R15 000 per month.
8. 96% of short-term credit granted was to individuals earning less than R10 000 per month.
9. As at June 2008, Gauteng Province received 51% or R39 billion of new credit granted followed by Western Cape (15%) and KwaZulu Natal (11%).
10. Consumers are experiencing some difficulty in repaying long-term debt as opposed to short-term debt.



The Credit Bureau Monitor

In the previous financial year, the NCR launched the Credit Bureau Monitor which is based on information submitted by credit bureaux. This publication is now released on a quarterly basis and reflects valuable insights into the credit standing of SA consumers and notable trends in the credit landscape. The Monitor is distributed widely amongst industry players as well as key stakeholders and role players.

Declaratory Application to the High Court

The introduction of debt review for debt-stressed consumers was a groundbreaking first for the SA credit industry. It enables over-indebted consumers, through the assistance of debt counsellors, to renegotiate their repayment obligations, with approval from the Magistrates' Courts. The process has been obstructed by uncertainty and inconsistencies among Magistrates and credit providers on the interpretation of the key sections of the Act relating to debt counselling. This has had a negative impact on the number of cases that gets finalised through the courts. To date 58 842 consumers have applied for debt counselling, but only 2 347 have been finalised through the court system whilst about 4 101 are pending in the courts. To ensure the debt review process can be a smooth and quick one, the NCR launched an application to the High Court for clarity on several matters such as jurisdiction, monetary limits, procedures and delivery of documents. The application was heard on 2-3 March 2009 and judgment in this matter is expected to be handed down in due course. This will go a long way in addressing the current challenges. The NCR has simultaneously proposed changes to the Act to the Department of Trade and Industry to address some of the challenges. It is anticipated that these amendments will be finalised during the new financial year.

Investigations and Prosecutions

The NCR conducted 99 investigations into registered credit industry participants on a variety of issues - including the unacceptable practices and consequences of reverse mortgage schemes which deprive consumers of their home ownership. The well-reported cases of credit providers Asset Management Specialists, Frabert, HD Finance, Chatspare and a 'blitzkrieg' in Rustenburg ensured that several illegal practices were brought to an end. These included loan-splitting to benefit from exemption provisions that permit higher interest rates, the retention of bank cards, personal information numbers and identity documents, and the use of blank documents and illegal collection methods.

Credit Bureaux Audits

All credit bureaux were required to be subject to a once-off special audit to ensure they were NCA-compliant, that consumer credit information was correct and that policy documents and procedures were appropriate. As at the extended deadline of May 2008, all had submitted these audit reports. Non-compliance issues highlighted in these reviews will be monitored for resolution through the annual compliance report which is required from credit bureaux.

Research

Two key research projects were commissioned during the year – one looking at the impact of information sharing on the accessibility to finance and credit by Small, Micro and Medium sized Enterprises; the other on the impact of the NCA on the granting of consumer credit, particularly with regard to pricing and access to credit. The first report has already been published whilst the second report will be published during May 2009.

