

NCR DEBT COUNSELLING CIRCULAR

No. 6 OF 2008

The purpose of this Circular is to inform you that an agreement has been reached with **major** credit providers (**not all**) regarding the cost of distribution of payments to credit providers. The credit providers have agreed to carry the costs of distribution at a set fee per amount being distributed. Consumers will not have to carry any costs of distribution.

This arrangement should form part of the restructuring proposal that is submitted to credit providers as part of the negotiation process.

BACKGROUND

Upon approval of Debt Counsellors' application for registration, they (Debt Counsellors) sign general and specific **Conditions of Registration**. In terms of these Conditions, a Debt Counsellor is not authorised to receive consumers' payments and distribute them to various credit providers. The NCR has approved two Payment Distribution Agencies to perform the distribution function, namely, National Payment Distribution Agency (DCM) and Consumer Protection Excellence (CPE).

Additional Payment Distribution Agencies have submitted their Tenders and the NCR is in the process of finalising their selection. Further information in this regard will be distributed to all registered Debt Counsellors as soon as the selection process has been completed.

Currently, the cost of distribution is borne by consumers. Once this arrangement is implemented, it will ease the burden on over-indebted consumers.

FEES PAYABLE TO THE PAYMENT DISTRIBUTION AGENCIES

The amounts payable for the cost of distribution are as follows:

- A fee of R7.00 for each payment between R1.00 and R200.00 distributed in respect of each credit agreement included in the consumer's debt re-arrangement plan;
- A fee of R15.00 for each payment between R201.00 and R500.00 distributed in respect of each credit agreement included in the consumer's debt re-arrangement plan;
- A fee of R25.00 for each payment above R501.00 distributed in respect of each credit agreement included in the consumer's debt re-arrangement plan.

- These amounts exclude Value Added Tax (VAT).

The amount offered to each credit provider in respect of their agreements will be credited in full to the consumer's account. The amounts above will be borne by credit providers.

PROPOSALS TO CREDIT PROVIDERS

The NCR recommends that Debt Counsellors who do not make use of any software programme insert a clause along these lines in the proposals:

***“The costs of the payment distribution will be borne by the credit providers and the parties agree that the following amounts can be deducted by the PDA from the amount owing to the credit providers. The full payment offered in respect of each credit agreement as set out in this proposal shall be credited to the account of the consumer.*”**

Distribution fees:

- ***R7.00 for each payment between R1.00 and R200.00***
- ***R15.00 for each payment between R201.00 and R500.00***
- ***R25.00 for each payment above R501.00”***

Debt Counsellors who make use of any of the recognised software programmes that are available will only need to ensure that these changes have been affected on the system.

In the case of a specific credit provider arguing that they did not form part of this agreement, the costs for the payment distribution will have to be negotiated with that credit provider. If the negotiations fail, the consumer will have to bear the costs.

EFFECTIVE DATE OF IMPLEMENTATION

This arrangement will apply to all proposals received by credit providers after 01 September 2008. It will not be applied retrospectively.

FOR MORE INFORMATION

Should you have any questions or queries, please do not hesitate to contact:

Mpho Thekiso on 011 554 2600 or mthekiso@ncr.org.za

Disclaimer

While the NCR has taken reasonable care to ensure the factual accuracy of this circular, it cannot guarantee such accuracy especially with regards to future events. Accordingly, NCR does not accept any liability for damages incurred by any party as a result of decisions or actions taken on the basis of information supplied in this circular.