

## Be informed and stay afloat!

*For Immediate Release*

*March 2010*

The National Credit Regulator (NCR), as part of promoting public awareness and as part of celebrating World Consumer Rights Month, embarked on a series of activities including road shows, radio programmes, exhibitions and workshops in conjunction with other stakeholders.

March 15 is celebrated internationally as World Consumer Rights Day. In South Africa, March is dubbed the consumer rights month. The Consumer Protection Forum which comprises of the National Credit Regulator (NCR), nine Provincial Consumer Affairs Directorates, the Council for Medical Aid Schemes (CMS), Independent Communications Authority of South Africa (ICASA) to mention a few are jointly embarking on programmes aimed at educating South African consumers. The international theme which has been adopted is **"Our money, our rights"**.

The NCR states that the international theme presents a valuable opportunity for various stakeholders to join forces and educate consumers on money related matters. "Consumers who are empowered with information on how to handle their finances can easily deal with financial difficulties," says Peter Setou, Senior Manager: Education & Strategy at the NCR.

As at September 2009, nearly 45% of South Africa's 18 million credit-active consumers had impaired records. An impaired record is a record on which any of the accounts are either classified as three or more payments in arrears, or which has an "adverse listing", or that reflects a judgment or administration order. We have also seen debt counselling applications rising to more than 150 000. The tough economic conditions over the past year have severely affected many South Africans. While some were retrenched and lost their steady income, others found that they were forced to take pay cuts as companies cut costs to stay afloat.

"Many people are faced with enormous financial pressures and most do not know how to handle their financial obligations under these circumstances. Our education campaigns are geared at encouraging consumers to be more proactive and contact their credit providers should they foresee that they will not be able to fulfil their repayments," says Setou. "Conversely, we have appealed to credit providers to assist consumers to re-arrange their repayment to affordable levels".

For consumers who can no longer afford their repayments, the first step is NOT to panic, but to contact all their credit providers and make arrangements based on their current income and affordability. Letters of demand or final notice should never be ignored; they should be attended to immediately.

Retrenched consumers must also inform all their credit providers and establish if they have credit life insurance included in their credit agreements. This is cover payable in the event of a consumer's death, disability, terminal illness, unemployment, or other insurable risks that may prevent the consumer to meet his/her obligations under a credit agreement.

Consumers are also encouraged to be cautious with their retrenchment packages. Where the package is sufficient, consumers should list priority debts, determine how the package can be used in part to settle some debts or reduce them. Additionally, consumers are advised to seek assistance from registered and licensed financial advisors or debt counsellors. Consumers should prioritise their housing loans, meaning they should never skip mortgage payments as they can lose their houses, advised Setou.

Credit providers must give consumers prior notice before they can approach a court for judgment to enforce debt repayments, they must also advise consumers of the available options such as:-

- Seeking help from a debt counsellor;
- Seeking help from an alternative dispute resolution mechanism; or
- Bringing your payments up-to-date.

***During this consumer month, we encourage consumers to:***

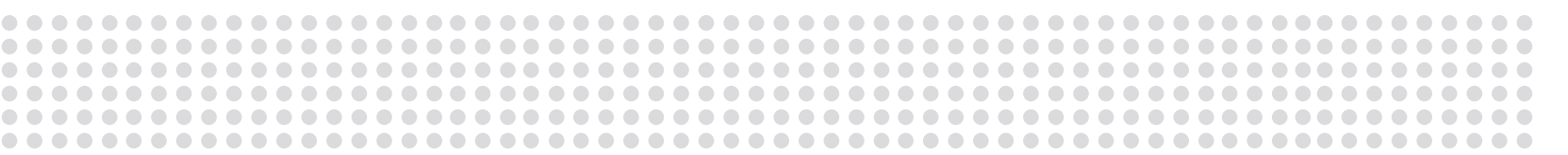
1. Always act on a letter of demand – contact your credit providers and explain your situation, they would rather receive some payment than none at all.
2. Seek help from a debt counsellor – if your credit providers are not willing to assist, approach a registered debt counsellor who will assist you to manage and restructure your debts.
3. Never skip your payments – even when you are under debt counselling, continue making payments, because if you do not pay, you could lose your house or your car.
4. Prioritise your home loan – never skip your mortgage payment even if you are under debt counselling, pay as much as you can.
5. Start saving today – saving some money every month will assist you in future.
6. Be alert all the time and exercise your rights.

Consumers shouldn't try to hide away when experiencing financial difficulties. Understanding your rights and responsibilities can help you manage your debt and live within your means, concludes Setou.

***Editors Notes***

A consumer is considered to be over-indebted if money available after payment of essential expenses is not enough to pay off all other debts. Indicators of over-indebtedness include:

- borrowing money to pay other debts, buy food and other necessities;
- skipping payments on some accounts in order to pay others because you cannot keep up;
- receiving summonses;



- having judgments granted against you;
- feeling emotionally stressed about money matters.

***Tips to help consumers who are experiencing financial difficulties:-***

- Create a budget-write down everything you spend money on, then analyse all your bank accounts and make changes where necessary, meaning take out all unnecessary expenses. By doing this you will probably save a few rands which you can use to pay debt and save.
- Stick within your means; don't spend what you don't have as credit costs money.
- Do not cancel your short term insurance cover: if something happens to the car you may be faced with higher costs than if insured.
- Should you be retrenched, inform your creditors and use your retrenchment package to settle your debts. You have the right to settle your debts earlier. Note that there is a difference between the outstanding amount and the settlement amount. Contact your credit providers and get the settlement amount. This is what you should pay.
- Try and save monthly. Avoid keeping money in non-interest earning or low-interest earning accounts. Shop around for different options.
- You have the right to one free credit report annually from registered credit bureaux, utilise this right and know your status.
- Your credit profile can affect your ability to secure certain jobs (especially those related to finance) so keep a clean record at all times.
- You have a right to receive assistance when you are over-indebted. Contact your credit provider to discuss your situation and negotiate an affordable repayment plan; if you cannot reach an agreement with your credit provider, you may contact a registered debt counsellor to assist you. Note that when you are under debt counselling you will not be able to get further credit until you have settled all your debts.
- Avoid getting more debt, rather downgrade your lifestyle.

***Useful contacts:***

- National Credit Regulator – 0860 627 627
- Department of Trade and Industry – 0861 843 384
- Financial Services Board – 0800 110 443
- Council for Medical Aid Schemes – 0861 123 267
- ICASA - (011) 566 3000
- South African Savings Institute – (011)269-3789
- Credit Ombuds – 0861 662 837
- Council for Debt Collectors – (012) 804 9808; (012) 804 8483; (012)804 3402

***Provincial Consumer Affairs Directorates***

- Eastern Cape – (040)609-3663/3050
- Gauteng – (011)335-8006/8
- Mpumalanga – (013)752-3761
- Limpopo – (015)293-8300
- North-West –(018)387-7700

- Free State – (051)400-4852
- Kwazulu Natal – (033)264-2500
- Northern Cape – (053)830-4800
- Western Cape – 0800 007 081

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