

## **Pawnbrokers urged to comply with the National Credit Act**

*For Immediate Release*

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“Pawnbrokers fall within the National Credit Act (NCA) definition of a credit provider as they are in the business of providing credit and lending” says Peter Setou, Senior Manager of Education and Strategy at the National Credit Regulator (NCR).

All pawnbrokers must comply with the requirements of the NCA, in general, and with those that specifically relate to pawn transactions - such as the agreement must stipulate the date on which it ends, the pawnbroker bears the risk of the property delivered to it as security, and the pawnbroker must return the property to a consumer who has discharged all obligations under the credit agreement.

Pawn transactions are classified as ‘small’ credit agreements (either short-term or ‘other’) under the NCA, and interest rates charged are regulated, as are pre-agreement statements and quotations. This means that fees and interest must be within maximum prescribed limits. Compliance with all relevant NCA provisions is monitored by the NCR. “Pawnbrokers that have at least 100 agreements on their books, or a total outstanding principal debt owed to them under pawn agreements exceeding R500 000, must register with the NCR.”

Setou says that pawnbrokers above these thresholds must register with the NCR– and if they do not, they may not offer credit. “The NCR has engaged with the Pawn Board to ensure compliance by its members, and this body is working with the NCR to achieve this.”

With South African consumers under tremendous financial pressure, the pawnbroker business has probably seen quite a rise in stressed individuals coming to lenders for financial assistance. Setou hence advises pawnbrokers to assess whether they have now surpassed the 100 agreements/R500 000 loan book threshold, and register with the NCR if appropriate.

Setou also advises consumers to be aware of the rights afforded to them by the NCA when dealing with pawnbrokers. “Besides all of the general rights given by the NCA, there are some specific ones relating to pawn transactions. If a pawnbroker fails to return a consumer’s property on termination of the agreement, the consumer should lodge a complaint with the National Credit Regulator or the Provincial Consumer Affairs Office. Where the property has for example, been destroyed in a fire, or is lost due to circumstances beyond the control of the pawnbroker, the consumer is entitled to be refunded a fair market value of the property less any outstanding settlement amount.

If failure to return the goods is due to a reason under the control of the pawnbroker e.g. the goods have been sold, the relief is double the fair market value minus any outstanding settlement value.”

Setou highlights that for all pawnbrokers, the provisions of the NCA regarding financial affordability assessments do not apply, and a consumer would not be able to claim that the pawnbroker engaged in reckless lending when concluding that transaction. “Pawnbrokers are exempt from the reckless lending provisions of the NCA.”

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