

## Understanding debt counselling and its fees

*For Immediate Release*

*July 2008*

Consumers suffering under the yoke of over-indebtedness can consult a Debt Counsellor for advice on how to extricate themselves from the debt trap, advises Peter Setou, Senior Manager Education and Strategy at the consumer watchdog, National Credit Regulator (NCR).

A Debt Counsellor is someone who is registered with the National Credit Regulator and who assists consumers who are experiencing debt-related problems and are having difficulty making their current monthly payment by providing them with budget advice support and mediation with credit providers.

From 1 June 2007, debt counselling services became available to consumers, who are unable to honour in a timely manner, all credit agreements to which they are party, as indicated by their history of debt repayment.

Setou says Debt Counsellors also give highly indebted consumers basic information necessary to resolve their everyday credit problems so that they do not revert back into debt trap. Debt counsellors can work independently or as part of an organization. In terms of the Act, Debt Counsellors cannot be part of organizations that provide credit, debt collection agencies or credit bureaus.

“A consumer who is over-indebted may approach a Debt Counsellor directly, or he/she may be referred to a Debt Counsellor by his/her creditor/s or by the magistrate court,” explains Setou.

In a bid to curb the exploitation of consumers, says Setou, the NCR has agreed to guidelines proposed by the Debt Counsellors’ Association of South Africa (DCASA), together with other Debt Counsellors. He explains that the guidelines are an interim measure aimed at setting maximum fees that Debt Counsellors may charge in order to limit exploitation of over-indebted consumers, pending the finalisation of the fee regulations by the Department of Trade and Industry.

The guidelines cover consumers earning more than R2500 (individual gross income). Consumers earning below R2500 will be subsidised by the NCR.

In terms of the guidelines, a Debt Counsellor may receive the following amounts in respect of consumers with an individual gross income of more than R2 500.00 per month or household income of more than R3 500.00 per month:

- 1.1 An application fee, recoverable directly from the consumer upon receiving an application for debt review, limited to R50 as prescribed by the Act.
- 1.2 A rejection fee of R300.00 in respect of consumers whose applications have been rejected in terms of section 86(7) (a);
- 1.3 A restructuring fee of the lesser of the first installment of the debt re-arrangement plan which is capped at R3000.00 (excluding Vat), in respect of a consumer whose applications have been accepted in terms of sections 86(7) (b) or 86(7) (c). (Should a joint application be required the fee can be increased to R4000.00 (excluding Vat)).
- 1.4. Should a Debt Counsellor fail to submit proposals to Credit Providers or refer the matter to a Tribunal or a Magistrate Court within 60 business days from date of the debt review application the Debt Counsellor has to refund 100% percent of the fee paid by the consumer.
- 1.5. A monthly after-care fee of 5 percent (excluding Vat) of the monthly instalment of the debt re-arrangement plan up to a maximum of R300 (excluding Vat), for a period of 24 months, thereafter reducing to 3 percent (excluding Vat) of the monthly instalment, to a maximum of R300 (excluding Vat), for the remaining period of the debt re-arrangement plan.
- 1.6. Should the consumer wish to withdraw from the process after the Debt Counselor has completed the restructuring negotiations a fee equal to 75 percent of the restructuring fee as per 1.3 above is payable by the consumer;
- 1.7. Legal fees, if and when they occur, may be recovered from the consumer provided the amount of such fees are disclosed up-front to the consumer and agreed to in writing by the consumer.

Setou also reminds Debt Counsellors that as per the conditions of registration it is a requirement for debt counselling fees to be disclosed upfront to consumers before they can be accepted for debt counselling.

- You have the right to negotiate this fee. Exercise this right. In most instances there is more than one debt counsellor in your area and you have choice. Use this as a negotiating tool

- If a debt counsellor insists on charging you exorbitant fees, you have the right to approach another debt counsellor.
- Make sure that you get copy of an agreement setting out fees for future reference.

Consumers can contact the National Credit Regulator for additional information regarding debt counselling on 0860 627 627 or log on to [www.ncr.org.za](http://www.ncr.org.za).

*Issued by:*

Bullion PR & Communications  
Lebogang Selibi  
Tel: (011) 803 3615  
Cell: 083 510 1826

*On behalf of:*

National Credit Regulator  
Contact: Bongiwe Gambu  
Tel: (011) 647 4413  
Cell: 082 501 8378  
E-mail: [bgambu@ncr.org.za](mailto:bgambu@ncr.org.za)