

Employees beware! Debt is an insidious trap

For Immediate Release

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According to data from Statistics South Africa, employment contracted by 1.3% or 171 000 jobs between the fourth quarter of 2009 and the first quarter of 2010. The year on year picture, shows that 833 000 jobs have been lost over the past year. According to the National Credit Regulator's statistics, there are over 18 million credit active consumers, of these, 45% have impaired records. A consumer is classified as having an impaired record if he/she has three or more payments in arrears, or has an "adverse listing", or a record that reflects a judgment or an administration order.

To date in excess of 170 000 consumers have applied for debt counselling. The scenario therefore is set for employees to exercise extra caution about how they handle their finances. It is definitely time to settle old debts, drastically reduce new ones, and control budgets with a firm hand.

"Both employees and their employers should be concentrating on a combined effort of promoting wise financial management," stresses Peter Setou, Senior Manager: Education and Strategy at the National Credit Regulator (NCR). "The NCR is continually educating and informing consumers/employees on the role of the National Credit Regulator, objectives of the National Credit Act, consumer rights under the NCA, debt counselling, credit bureaux, budgeting, dealing with over-indebtedness etc. However, our success will be limited if there is no active support and participation from both employers and their staff."

Setou strongly advises employers to include educational programmes on managing finances and dealing with over-indebtedness into their organisations' wellness programmes. Employees are also urged to make use of these services offered by employers. "It is common knowledge that stress-related illnesses have a markedly negative impact on productivity, therefore employers should assume the responsibility of advising their employees on where they can obtain assistance. When, for example, employers note a rising incidence of garnishee orders within the organisation, they should take proactive steps to point employees in the right direction for advice and counselling."

Employees who already find themselves in a position where money available after payment of essential expenses is not enough to pay all other debts must act immediately because the chances are that they may be over-indebted. The first step is to approach their credit providers and negotiate lower instalments. In most cases credit providers are willing to assist. If this fails they need to contact a registered debt counsellor and if they are not familiar with any debt counsellors, employees can contact the NCR on 0860 627 627 to locate a debt counsellor in their area.

Setou offers tips for consumers/ employees when approaching a debt counsellor:-

- It is therefore advisable to contact your credit provider first to try and resolve your problems before you can apply for debt counselling;
- Only approach a debt counsellor if you cannot get help from your major credit providers or banks;
- If you are earning below R2500, note that the NCR has set up a fund to pay for your debt counselling fees. Please enquire about this from your debt counsellor;
- Remember that a debt counsellor must disclose the fees upfront to you before you can go under debt counselling. Insist on getting this;
- 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 a 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 a copy of the agreement setting out fees for future reference.

“However, employees must realise that debt counselling does not mean that debts are cancelled – all debts must still be repaid”, and of course during this period, employees are advised that if they apply for debt counselling they may not get any further credit until their debts have been repaid.

Setou urges employees to take greater responsibility for the management of their own finances. “Ultimately it is the consumers who must exercise control over their own life. This means that they must plan their budget and adhere to it rigorously. “Employees should not be tempted by tantalising offers to ‘buy now’ without paying a deposit. These deals are no more than loans that entail high interest rates and if one does not plan properly, they may lead to over-indebtedness. Do not spend money you do not have. If you desperately have to borrow, make sure that you borrow only the amount that is strictly necessary and ascertain that you can afford the repayments.”

Debt counselling, which has been introduced by the NCA, should be seen only as a last resort, Setou says, “debt counselling should not be viewed as a way to escape payment.

The NCR conducts workshops for employers, NGO’s, tribal authorities, unions etc nationally at no cost. “Employers are urged to contact the NCR for workshops where employees will be educated on the NCA/NCR, budgeting etc”, concluded Setou.

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