

Times are tough, borrow wisely

For Immediate Release

January 2009

Given the grim market conditions characterized by galloping inflation and steep interest rates, consumers would do well to wise up when borrowing money.

Record over-indebtedness levels should also compel consumers to think twice before applying for credit.

“Consumers are advised to borrow money responsibly and wisely, especially at this time of the year,” says Peter Setou, Senior Manager: Education and Strategy at the National Credit Regulator (NCR).

Setou points out that often, at this time, consumers are desperate for financial assistance and may take out loans recklessly.

“This entails borrowing money without planning how to repay the loan, borrowing money from unscrupulous credit providers, signing loan contracts they do not understand and eventually finding themselves in worse financial predicaments.”

Credit includes financial products such as credit cards, clothing accounts, overdrafts and long-term and short-term loans.

According to Setou, it is paramount that consumers should be au fait with their rights as borrowers in order to protect themselves from unscrupulous lenders.

The National Credit Act - which was signed into law on March 15, 2006 – is aimed at regulating the credit granting industry, curbing reckless lending and ensuring that consumers are protected from harmful business practices by lenders.

Key features of the National Credit Act are to ensure that interest and fees are regulated and that the advertising and marketing for credit must contain prescribed information on the cost of credit.

“Compare interest rates and other costs from different credit providers, always ask and make sure you understand what the total monthly payment, including insurance and all other charges is. Avoid paying over too many months; it will cost you more in the end,” advises Setou.

According to Setou, a credit provider must not enter into a credit agreement unless the credit provider has given the consumer a pre-agreement statement and a quotation in the prescribed form. The credit provider must provide the consumer with a copy of a document that records their credit agreement.

Setou says during the festive season consumers receive their bonuses and other extra income. Unfortunately, consumers do not plan how to spend the money and spend their income on “nice to haves” instead of “must haves”.

They fail to plan for the New Year for essentials such as school fees, uniform, rent, transport, electricity and are left with no money because they’ve exhausted their income. Consumers are then left with no option but to approach lenders for credit, he adds.

The NCR in conjunction with its partners such as the Department of Trade and Industry (DTI), Provincial Consumer Affairs Directorates, Financial Services Board (FSB), and the Council for Medical Aid Schemes amongst others have been running an awareness campaign countrywide to educate consumers about their rights and obligations.

“We believe that an informed consumer is a protected consumer”, concluded Setou.

Issued by:
Bullion PR & Communication
Lola Lazarus

On behalf of:
National Credit Regulator
Lebogang Selibi
Tel: (011) 554-2722