

THE NATIONAL CREDIT REGULATOR ISSUES AN ALERT TO CONSUMERS: BEWARE OF MISLEADING AND PROHIBITED PRACTICES BY DEBT COUNSELLORS

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Johannesburg – The National Credit Provider (“NCR”) is issuing an alert to consumers to be vigilant of debt counsellors engaging in the deceptive or misleading practice of placing consumers under debt counselling without their knowledge or consent. “Through an alarming number of complaints received by the NCR, a worrying trend has come to light,” says Ms. Enica Mpete, Manager of the Complaints Department of the NCR, “Debt counsellors are duping consumers into debt counselling without a full understanding of the process which they are entering into, some are not even aware that they have consented to it.”

This prohibited conduct misrepresents the spirit and objectives of the National Credit Act 34 of 2005 regarding the provisions of debt counselling as a debt relief measure. Ms. Mpete adds that debt counsellors are required to conduct debt counselling services in line with the NCA and to conduct these services in a manner that does not put the debt counselling industry and the NCR into disrepute.

Consumers are urged to be on the alert of this prohibited conduct of debt counsellors who unscrupulously mislead unsuspecting consumers into debt counselling or place them under debt counselling without their knowledge or consent. As the consequences of these actions have long-lasting after-effects on a consumers financial well-being, Ms. Mpete highlights following trends and advice that consumers need to pay attention to.

TRENDS OBSERVED

The following misleading trends leading to the consumers signing up for debt review without their knowledge or consent have been observed:

- Consumers are contacted telephonically where they are offered assistance on debt consolidation or reduction of interests or instalments on their accounts. In other instances, the caller would claim to be calling from the NCR or working together with the NCR and the Government to assist consumers with their debts.
- In most instances, callers already have consumers’ information in respect of their obligations, thus making consumers believe they are really working with the NCR and Government.
- Consumers are misled to provide and/or confirm personal information telephonically with the understanding of providing same for something other than debt counselling (for e.g. debt consolidation or reduced interest or instalment on accounts).

- Debt counselling application forms are sent to consumers via a link to their phone to sign electronically, and all information obtained telephonically is later transferred to the Form 16 or debt counselling application.
- Some consumers only become aware of the debt counselling flag when they apply for credit, which is rejected due to the debt counselling flag.

WHAT YOU NEED TO KNOW AS A CONSUMER:

- Debt counselling or debt review is a formal process that was introduced by the NCA as a voluntary debt relief measure to assist over-indebted consumers.
- A consumer is over-indebted if his/her income is not sufficient to cover all his/her living expenses and debt repayments.
- Consumers have a right to fully understand and consent to any financial decision and **MUST NOT** be pressured to sign any document without reading it and fully understanding its implications.
- Consumers should approach a debt counsellor for assistance and voluntarily apply for debt counselling – not the other way around!
- It is prohibited conduct and in contravention of the NCA for a debt counsellor to mislead consumers into debt counselling or place consumers under debt counselling without their knowledge and full understanding or consent.

In addition to the important information listed above, Miss Mpete offers the following warning, “Remember, if you are placed under debt counselling you will **not be able to access further credit** until the application is rejected by the debt counsellor or by the Magistrate’s court, or until all your current debt obligations are fully settled”.

WHAT YOU CAN DO AS A CONSUMER:

- You have a right to ask the caller where or how they obtained your information without your consent.
- Do not sign documents on your phone on the first day and/or during the first call.
- Always ask for a copy of the document so you can read it at home before signing anything.
- Be cautious of unsolicited telephone calls offering assistance with your debt obligations and do not fall victim of these scams.
- Stay informed and educate yourself to understand your rights and options as a consumer in relation to debt review and its implications on your financial future.
- Report any related prohibited conduct to the NCR for further investigation.

“The NCR encourages consumers to communicate in writing or in person instead of over the phone where they need to make decisions concerning their finances. If you suspect that you may be a victim, need more information or to report this prohibited conduct, please contact the NCR on the details below. The NCR will continue to monitor these trends and ensure that appropriate enforcement action is taken against debt counsellors who are found to be engaging in this type of unscrupulous and prohibited conduct,” concludes Ms. Mpete.

If you suspect that you may be a victim, for more information or to report this prohibited conduct, please contact Complaints Department on 0860 627 627 or Complaints@ncr.org.za

ENDS

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ABOUT THE NATIONAL CREDIT REGULATOR

The National Credit Regulator is tasked with regulating the South African credit industry, ensuring fair practices, promoting responsible lending, and protecting consumer rights under the National Credit Act.