

MEDIA RELEASE

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Debt counselling provides hope for those in need

Although many sectors have been allowed to get back to work, many South African households are in significant financial hardship and others have been struggling to make ends meet even before the COVID-19 pandemic, says Adv. Kedilatile Legodi, Acting Manager: Education & Communication at the National Credit Regulator (NCR).

In 2007, debt counselling was introduced in the National Credit Act (NCA) as a debt relief measure intended to assist over-indebted consumers struggling to repay their debts through the restructuring of their debts and making repayments manageable. Furthermore, the process of debt counselling leads to rehabilitation as it presents consumers with an opportunity to start afresh and build a clean credit record.

What are some of the benefits of debt counselling?

- It provides an opportunity to repay debts without borrowing more money or taking on extra debt.
- If you apply before credit providers institute legal action to enforce the debt, you receive protection against such legal action and repossession of your assets.
- If you continue making repayments whilst under debt counselling, you will still be protected from repossession of your assets until all your debts are paid up.
- Essential/living expenses such as groceries, school fees and others are taken into account before a determination of how much is available to offer towards your debts.

- A registered debt counsellor negotiates reduced repayments on behalf of the consumer, using the consumer's existing income.
- The restructuring of debts will be approved by a Magistrate Court or the National Consumer Tribunal and this provides assurance that the negotiated and restructured repayment terms are fixed for the duration that you are under debt counselling.
- There is no limit in terms of the amount of debt that can be placed under debt counselling, as long as legal action is not taken, the consumer debt can be included under debt counselling.
- There is no timeframe for a consumer to be under debt counselling as the term is dependent on the consumer's financial circumstances such as debt, income, living expenses and others.
- If all your short term debt is paid in full and the only remaining debt is a home loan, if this home loan is up to date in terms of the debt counselling re-arrangement agreement, you will be issued with a clearance certificate and all credit information of accounts which were under debt counselling will be expunged from your credit profile/record at the credit bureau. This means you can start afresh and tap into the credit market on a clean slate.
- You have the option of making a single payment through the use of the Payment Distribution Agents (PDAs) registered with the NCR. PDAs have a mandate to collect and distribute debt counselling funds on behalf of consumers to credit providers. This option provides convenience for the consumer.

Whilst it may be difficult for many to confront their financial hardship, consumers who are receiving income are encouraged to act immediately by considering debt counselling as a debt relief measure and to do so before their assets such as houses, cars and others are repossessed by credit providers, urges Legodi.

Below are some of the things that consumer take further note of if considering debt counselling:

- Debt counselling is often times referred to as debt review;
- To apply for debt counselling, a consumer must have an income;

- You cannot go under debt counselling if you are still under debt administration;
- Once you apply for debt counselling, you will not get any further credit and your name will be flagged at the credit bureaus. This is not a listing, but an indicator that you have applied for debt counselling;
- Debt counselling is offered by NCR registered debt counsellors and you can verify their registration status with the NCR by visiting the NCR's website on www.ncr.org.za or calling on 0860 627 627;
- Debt counselling is not offered for free. The debt counselling related costs should be explained to consumers upfront by the debt counsellor and these fees can be confirmed on the NCR's website (www.ncr.org.za) under guidelines;
- Where a court order has been granted, consumers can only exit debt counselling upon receipt of a clearance certificate from their debt counsellor;
- Use a debt counsellor that is close to where you live or work for easy access. This will enable you to physically visit the debt counsellor's office should the need arise;
- Consumers married in community of property, have to bring a joint debt counselling application and cannot apply individually;
- The impact of making reduced payment will result in the extension of the initial repayment term.

Legodi stresses that consumers should ensure that they receive a comprehensive explanation from the debt counsellor and understand the debt counselling process before they sign and accept the application. Furthermore, they must have knowledge of who their debt counsellor is (i.e. name and NCR registration number), what the consequences of being under debt counselling is, how their debt is going to be restructured, the related costs, what their rights and obligations are under debt counselling so that they can be able to make informed decisions, stay informed to proactively address any concerns or anomalies they notice.

The NCR was established, amongst others to ensure compliance with the NCA, receive and investigate complaints. If consumers are unhappy with the service provided by debt

counsellors, credit providers, credit bureaus or PDAs, they are invited to lodge a complaint with the NCR at complaints@ncr.org.za; concludes Legodi.

Ends

About The National Credit Regulator

The National Credit Regulator (NCR) was established in terms of the National Credit Act 34 of 2005 (NCA) and is responsible for the regulation of the South African credit industry. The NCR is mandated with the registration of Credit Providers, Credit Bureaus, Debt Counsellors, Payment Distribution Agents, and Alternative Dispute Resolution Agents; and monitoring their conduct in compliance with the National Credit Act as amended. The National Credit Regulator offers education and protection to consumers of credit in promotion of a South African credit market that is fair, transparent, accessible and dynamic.

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