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## Media Release

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### **DEBT COUNSELLING-A debt relief measure for over-indebted consumers**

Debt counselling was introduced by the National Credit Act 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. Various circumstances such as job loss, reduction of income, sickness, death, rising cost of living (petrol hikes, increase in food prices, electricity, etc.) and others are often the main contributors for consumer over-indebtedness. Consumers who are experiencing financial distress should not ignore their debt obligations, they need to approach credit providers and communicate their financial position and negotiate reasonable repayment options. If this attempt fails, consumers are encouraged to consider debt counselling and approach a registered debt counsellor who will on their behalf negotiate reasonable repayment terms informed by what the consumer can afford with the credit providers, says Adv. Kedilatile Legodi, Manager: Debt Counselling at the National Credit Regulator(NCR).

The concept of debt counselling is often misunderstood by many, as a result consumers miss out on the benefits and the protection that debt counselling offer. In addition, there is a high number of false and misleading debt counselling marketing practices noted by the NCR either online, social media or telephonic with the sole intent of exploiting unsuspecting and financially distressed consumers. Some of these marketing practices, promise a certain percentage of debt reduction (even prior to a financial assessment), savings or consolidation. If it sounds too good to be true, it probably is, warns Adv. Legodi.

Consumers are advised to be aware of false and misleading practices and to not fall victim particularly if approached. Understanding the debt counselling process from end to end, the consequences, the applicable fees charged, when, where and how to pay such fees, the various

steps of the process, the prescribed timelines, the provisions to exit debt counselling and others are important elements that the consumer must ensure knowledge of before signing on the dotted line.

Debt counselling is only conducted by a debt counsellor registered with the NCR. In terms of the National Credit Act, debt counsellors are registered as individuals and not as a juristic person/company. Therefore, a financially distressed consumer seeking the services of a debt counsellor, must ensure that he/she knows the full details of the debt counsellor offering to assist. This includes the debt counsellors name and surname, place of practice and the NCR registration number which is issued upon registration by the NCR. Even if the debt counsellor is operating using a business/trading name, the consumer has a right to be provided this information. To verify the registration of a debt counsellor with the NCR, please visit [www.ncr.org.za](http://www.ncr.org.za) or send an email to [info@ncr.org.za](mailto:info@ncr.org.za).

Adv. Legodi further provides clarity on the question that often comes up, when is a consumer under debt counselling? A consumer is considered to be under debt counselling when he/she has applied for debt counselling in a prescribed manner as set out in the National Credit Act. A duly completed and signed application form (referred to as Form 16) or a clear record of when the consumer furnished all information/documentation to the debt counsellor is used to prove that a consumer is under debt counselling. It is for this reason, that consumers are advised to ensure understanding of the debt counselling process before finalisation of the application. Consumers should not succumb to the pressure of signing the application if unsure. For a detailed explanation of the debt counselling process, consumers are advised to visit the NCR website at [www.ncr.org.za](http://www.ncr.org.za) .

Some important factors to consider:

- There is a difference between debt counselling and debt consolidation. Debt consolidation offers the consumer one loan to pay off all debts. This will result in the reduction of the consumer's multiple payments into one single monthly payment to the credit provider that has granted the consolidation loan.
- If approached and offered debt counselling, insist on getting clarity from the caller regarding their source of information or where they received your contact details and do your homework first before you commit to what is being offered.

- Debt counselling does not cancel debt, it helps consumers to make reduced payments using disposable income and without having to borrow more money.
- If under debt counselling you will be paying reduced amounts, as a result the repayment period of your debt may increase and you will take longer to pay off your debts. However, you will still enjoy the legal protection against enforcement of debt by credit providers as long as you continue making payments as agreed.
- Debt counselling is not a savings plan, it is a measure intended to provide relief for over-indebted consumers. Anyone saying even if you are not over-indebted you can apply, please note that this is misleading and do not do any business with such an individual, they do not have your best intentions at heart.
- When under debt counselling, you cannot apply for further credit until you have repaid your debts and have been issued with a clearance certificate.
- If you apply for debt counselling, a debt counselling flag/indicator will be displayed on your credit profile at the credit bureau until a clearance certificate is issued by the debt counsellor.
- If you are married in community of property, you must jointly apply for debt counselling with your spouse.
- Debt counselling is not a free service—visit the NCR website on <https://www.ncr.org.za/documents/debt%20counselling%20fee%20structure%20guideline.pdf> for a fee guideline and request a written disclosure of applicable fees prior to applying for debt counselling from your debt counsellor.
- Do not give/pay the debt counsellor money to pay your credit providers. You can either pay your credit providers directly or use a Payment Distribution Agent.
- If your debt counsellor is un-contactable, please contact the NCR immediately for assistance.

If consumers wish to lodge a complaint against a debt counsellor, credit provider, credit bureaus or a payment distribution agent they may send the complaint to [complaints@ncr.org.za](mailto:complaints@ncr.org.za). To get a list of registered debt counsellors operating closer to work or residential area, consumers are advised to visit [www.ncr.org.za](http://www.ncr.org.za). Given the current economic climate, many consumers will undoubtedly find it difficult to cope and manage contractual repayments, please do not despair, be proactive, do not be pressurized, address your financial hardships by seeking more information on the debt counselling process and gain a thorough understanding because an informed consumer is a protected one, concludes Adv. Legodi.

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**About The National Credit Regulator**

The National Credit Regulator (NCR) was established as the regulator under 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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