

**Borrow responsibly with the future in mind**

The festive season has come and gone, unfortunately it left some in a desperate position. It is rather unfortunate that some consumers do not plan for the New Year during the festive season and find themselves having to borrow for essentials such as school uniform, registration fees, stationery, transport money, food etc.

Because of desperation, these consumers might borrow recklessly and from unregistered credit providers, says Mpho Ramapala, Education & Communication Manager at the National Credit Regulator (NCR). She advises consumers to only borrow from registered credit providers. Consumers should plan in advance on how to repay the loans and most importantly determine whether they can afford the repayments, she further advised.

Credit providers also have an obligation to conduct an affordability assessment prior to granting the consumer credit, adds Ramapala.

The National Credit Act (NCA) allows a consumer to be given a pre-agreement statement and quotation when seeking credit. These outline the terms and conditions of the proposed agreement and all costs involved such as interest, monthly service fees, once off initiation fees, credit insurance if there is any, a deposit if required, number of instalments, date of first instalment, and last instalment etc. Consumers should always request a quotation when seeking credit. They can also use the quotation to shop around for better deals, adds Ramapala.

This means that consumers will know what is expected of them prior to signing the credit agreement. In addition, they will be aware of the cost of credit and the terms and conditions before signing the actual credit agreement. If there is anything consumers don't understand, they must seek assistance before committing themselves, explains Ramapala.

Once a consumer signs the credit agreement, they have an obligation to honour the terms and conditions of that particular agreement including repayments. This basically means that if a consumer, for some reason cannot honour their repayments, they should communicate their situation with their credit providers. They should not avoid the situation with the hope that it will get better in time because it only gets worse advises Ramapala.

Ramapala warns that consumers should never sign blank credit agreements as they won't have control over other information added afterwards.

### **Tips for borrowing wisely:**

- Borrow as little money as possible. Borrowing to fund your children's education or a home loan can be a good thing, but borrowing for consumables or to pay off other debt or to fund luxuries such as holidays or designer clothing can condemn you to a lifetime of debt. Only borrow for what you really need.
- Avoid paying over too many months as it will cost you more in the end.
- If there is credit insurance, familiarise yourself with the terms of the insurance to avoid surprises when you most need the insurance.
- Be honest - Make sure that you honestly disclose all the information required by the credit provider. Dishonesty may cause you to lose the protection offered by the National Credit Act.
- Create a monthly budget and stick to it - work out how much income your family earns and what your total expenses are each month. Will you be able to pay for your new debt once you've covered all your expenses? You should also plan for unexpected costs such as if one of your family members is retrenched.
- Always keep receipts of your payments as you might need these in the future.
- Always include savings in your budget.
- Pay your debts on time. Paying late will adversely affect your credit report and possibly your ability to take out credit in the future. If you think you cannot meet your monthly instalments, call your credit provider immediately and try to re-arrange payments. Do not wait until you skip payments.
- Check your credit report regularly. This way you'll be able to identify any errors and correct them. Under the NCA, you are entitled to one free copy of your credit report each year at any other time, upon payment of the inspection fee of the credit bureau if any.

For a comprehensive list of registered and cancelled / lapsed credit providers, consumers can visit the NCR's website: [www.ncr.org.za](http://www.ncr.org.za).

For additional information, consumers can contact the NCR on 0860 627 627, [info@ncr.org.za](mailto:info@ncr.org.za).

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