

Media Release

December 2018

Do not overdo it this festive season – Spend Wisely!

This year has been quite a difficult one for some people as we have seen the petrol price hikes, VAT increases, interest rate increases, electricity increases etc making the cost of living very difficult for consumers whilst the total outstanding gross debtors book for consumer credit was R1.80 trillion as at June 2018, says Jimmy Golele, Acting Manager: Education & Communication at the NCR. The gross debtors book represents what consumers owe in terms of mortgages, vehicle finance, unsecured credit, store cards, credit cards, overdrafts, short term credit etc.

“We are advising consumers to be cautious of their spending during this festive season and only spend what they can afford.” Consumers should not overdo it, says Golele. During the silly season you would find people spending unnecessarily on things that they do not need and sometimes wasting as they have additional income in a form of bonuses, stokvel payouts etc. “Additional income such as this can be used to settle debt and also be saved in platforms that will grow the money unlike spending it on things you do not need and those that will finish your money”, advises Golele.

When spending during the festive season, consumers should think about the new year which will be upon us sooner than we can realise. The new year comes with its own expenses such as school uniform, school registration fees, transport costs, food costs

and many other costs. “If you failed to plan and spend wisely during the festive season, you will find yourself cash strapped in the new year and it will be difficult to get out”, says Golele.

He says consumers should only use registered credit providers when seeking credit because using unregistered lenders can end up being their worst nightmare in the near future. “Unregistered lenders will take your identity documents, bank cards / PINs and SASSA cards and withdraw your money immediately after you get paid. They will literally pay themselves first and leave you with change to get by for an entire month”, he adds. Golele says this will lead to a debt-trap and make such consumers dependent on these lenders for a very long time.

Unregistered lenders often charge consumers unlawful interest rates that are more than what the law specifies. The danger of being charged unreasonable interest rates is that consumers will battle to finish repaying the loan, meaning they will be stuck with that lender. “This means that you will be enslaved to the micro-lender”, cautions Golele. “According to the National Credit Act, each and every one who gives out credit and charges interest must register with the National Credit Regulator”, says Golele.

During the silly season, consumers should be wary of deals such as “buy now, pay after three months” and then incur additional credit during those three months, cautioned Golele. “Do not be afraid to request for a pre-agreement statement and quotation when applying for any type of credit, remember, it is your right according to the National Credit Act.” A quotation will inform consumers on how much the new credit will cost them prior to putting their signatures on the contract/credit agreement. It will also enable consumers to shop around and do a comparison.

“Use your bonus to reduce your debt burden by paying off existing debt. Remember as soon as you settle outstanding credit that you are blacklisted for, the listing will be removed from your credit report thus giving you a better chance of getting new credit for asset building purposes such as getting finance for a mortgage bond, says Golele.

To consumers who have lost their jobs, please inform your credit providers about your situation. If you were paying for credit life insurance, contact your credit providers for assistance as the aim of credit life insurance is to pay the consumer's debt either in full or a portion in case the consumer dies, gets retrenched or disabled whilst still owing that particular credit, says Golele.

Below are tips to assist consumers to spend wisely during the festive season:

- Draw a budget for the month and include all debt, rent, electricity, water, insurance, transport, gifts, entertainment, etc;
- When going shopping, have a shopping list to avoid buying unnecessary items;
- If you didn't budget for a holiday earlier in the year, it might be too late and risky in terms of finances to go on holiday this year;
- Prioritise your home loan and rent;
- Before you cancel any insurance, speak to a financial advisor;
- If you borrow money, make sure you borrow only for what is strictly necessary, and ensure that you can afford the repayments;
- Start saving for next year's projects that you would like to undertake such as holidays, renovations, studying, big sales, etc;
- If you are battling with your debts, contact a registered debt counsellor for assistance; and
- As much as possible, during the festive season keep to your normal spending patterns. Don't make drastic changes that may leave you over-indebted in the new year.

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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 (the Act) 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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