



The National Credit Regulator
 127-15th Road, Randjespark
 Midrand
 1685
 Tel: (011)554-2600/2700
 Website: www.ncr.org.za

MEDIA RELEASE

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Covid-19 impact on credit extension

The National Credit Regulator (NCR) released the Consumer Credit Market Report (CCMR) and the Credit Bureau Monitor (CBM). These reports are based on the data submitted to the NCR by registered credit providers and credit bureaus, respectively. The latest edition of the reports covers credit market information from March 2020 to June 2020. The total value of new credit granted decreased by 56.72% quarter-on-quarter from R126.35 billion to R54.68 billion. The number of credit agreements entered into decreased by 47.73% quarter-on-quarter from 3.93 million to 2.05 million.

The following were some of the most significant trends observed in terms of credit granted for the quarter ended June 2020:

- The value of new mortgages granted decreased by R25.95 billion (66.65%) quarter-on-quarter and by R27.20 billion (67.69%) year-on-year.
- Secured credit which is dominated by vehicle finance, decreased by R18.57 billion (47.51%) quarter-on-quarter, and by R20.69 billion (50.22%) year-on-year.
- Credit facilities decreased by R9.71 billion (50.53%) quarter-on-quarter and by R11.60 billion (54.97%) year-on year.
- Unsecured credit decreased by R15.10 billion (59.64%) quarter-on-quarter and by R18.42 billion (64.32%) year-on-year.

The total outstanding consumer credit balances (or gross debtors book) as at June 2020 was R1.96 trillion, representing a decrease of 0.94% quarter-on-quarter and an increase of 3.09% year-on-year. The trends for outstanding balances for the quarter ended June 2020 were as follows:

- Mortgages debtors book decreased by R4.26 billion (0.43%) for the quarter ended June 2020 and increased by R25.90 billion (2.70%) year-on-year.
- Secured credit debtors book decreased by R4.51 billion (1.01%) for the quarter ended June 2020 and increased by R7.63 billion (1.75%) year-on-year.
- Credit facilities debtors book decreased by R6.96 billion (2.64%) for the quarter ended June 2020 and increased by R7.42 billion (2.97%) year-on-year.
- Unsecured credit debtors book decreased by R2.97 billion (1.33%) for the quarter ended June 2020 and increased by R15.24 billion (7.41%) year-on-year.

Credit bureaus held records for 26.96 million credit-active consumers, which showed a decrease of 3.69% when compared to the 27.99 million in the previous quarter. Consumers classified in good standing decreased by 559,318 to 16.96 million consumers. This amounts to 62.90% of the total number of credit-active consumers, a decrease of 3.19% quarter-on-quarter and 3.65% year-on-year. The number of credit active accounts decreased from 85.99 million to 85.23 million in the quarter ended June 2020. The number of impaired accounts has increased from 19.88 million (23.12%) to 20.66 million (24.24%) in June 2020, an increase of 779,707 quarter-on-quarter and 506,836 year-on-year.

The number of credit reports issued to consumers decreased from 240,688 to 217,743. A total of 199,977 (91.84%) credit reports were issued free of charge, and the balance of 17,766 (8.16%) were issued at a cost. There were 29,017 disputes lodged on information held on consumer credit records for the quarter ended June 2020, a decrease of 26.67% quarter-on-quarter and 21.66% year-on-year.

Nomsa Motshegare, the Chief Executive Officer (CEO) of the NCR advises consumers battling to keep up with their payments to contact their credit providers first to negotiate for lower instalments or some kind of relief to assist them with their debts. If this fails, consumers are further advised to approach registered debt counsellors for assistance. Motshegare further advised that consumers who have credit life insurance should make a claim against their credit life insurance. Credit life insurance is an insurance that a consumer purchases when applying for credit or loan. It covers the outstanding debt in the event of unforeseen circumstances such as death, retrenchment, unemployment, inability to earn an income, disability and others. In the event of the consumer becoming unemployed or unable to earn an income, the credit life insurance cover provides that credit providers must settle / pay the consumer's debt for a period of twelve (12) months or for the remaining repayment period or until the consumer finds employment or is able to earn an income,

whichever period is shorter. Consumers can contact the NCR on 0860 627 627 / www.ncr.org.za for additional information.

Comparisons in this release- ‘quarter-on-quarter’ refers to a comparison between the March 2020 and June 2020 quarters, and ‘year-on-year’ refers to a comparison between the June 2019 and June 2020 quarters.

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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.

For more information contact:

Media Office: media@ncr.org.za

Or

Ntombizodwa Mahlangu

064 752 3926

E-mail: nmahlangu@ncr.org.za

Website: www.ncr.org.za