

DEBT COUNSELLING EXPLAINED

1. What is debt counselling?

- Debt counselling is one of the debt relief measures available in South Africa and provided for in the National Credit Act.
- This process is intended to assist over-indebted consumers struggling with debt, through budget advice, negotiation with credit providers for reduced payments and restructuring of debts.

2. What is over-indebtedness?

- A consumer is over-indebted if he/she cannot service his/her debts in a timely manner as agreed with credit providers. The following are some of the indicators of over-indebtedness:
- You borrow money to pay other debts;
- You use your credit card and overdraft facilities to pay debts, buy food and other necessities;
- You skip payments on some accounts in order to pay others;
- You receive letters of demand and summonses from credit providers and/or lawyers;
- You have judgments granted against you.

3. Who can apply for debt counselling?

- Consumers who are struggling to meet their monthly debt obligations qualify to apply for debt counselling.
- These consumers should have a distributable income, which will be used to offer reduced payments to their credit providers.
- Consumers married in community of property must jointly apply for debt counselling.

4. Who performs debt counselling?

- Debt counselling services are offered by debt counsellors registered with the National Credit Regulator (NCR);
- Prior to registration, debt counsellors have to successfully complete a debt counselling training course, satisfy prescribed education, experience or competency requirements and display an ability to manage their own finances;
- Consumers can verify debt counsellors by checking their registration certificate which has the NCR logo and will indicate the debt counsellors details and registration number;
- All registered debt counsellors should have a window decal (green sticker) at their premises and it should be visible;
- Consumers can also verify registration of debt counsellors with the NCR.

5. Are there any applicable fees?

- Yes, there are debt counselling fees and legal fees applicable to debt counselling ;The NCR debt counselling fee guideline is obtainable from www.ncr.org.za <<http://www.ncr.org.za>> , alternatively by calling the NCR contact centre on 0860 627 627.

6. Who is responsible for payment distributions to credit providers?

- The National Credit Regulator has accredited Payment Distribution Agencies (PDAs) tasked with collecting consumers' monies and distributing these monies to the credit providers.
- Consumers may obtain more information about accredited PDAs by calling the NCR contact centre on 0860 627 627
- Debt Counsellors are prohibited from collecting and distributing debt counselling funds to credit providers. This clearly means that consumers should not pay monies over to debt counsellors, but rather use an accredited PDA.

7. What are consumer rights and responsibilities on debt counselling?

Rights:

- Consumers have a right to apply for debt counselling;
- Consumers have a right to request for, and be provided with, reasons if the application for debt counselling is rejected;
- Consumers have a right to a written disclosure of fees applicable prior to application for debt counselling;
- Consumers have a right to a full disclosure of the debt counselling process prior to application for debt counselling
- Consumers have a right to receive distribution statements from their debt counsellors and PDAs on a monthly basis.

Responsibilities:

- Consumers have a responsibility to ensure full and correct financial disclosure at time of application;
- Consumers have a responsibility to make monthly repayments as agreed with the debt counsellor;
- Consumers have the responsibility to follow up on monthly payments made to the PDAs;
- Consumers have a responsibility to ensure that they understand the process, applicable fees and implications.

Remember that if you are in doubt about any of your rights and responsibilities on debt counselling, please contact the NCR for clarity.

8. Additional Information for Consumers under debt counselling

- When a Section 129 letter has been issued, the credit agreement will not be included under debt counselling. So, please be pro active and don't wait until it is too late.
- Consumers cannot apply for further credit whilst under debt counselling;
- A consumer's credit bureau profile will display a debt counselling flag until a clearance certificate is issued or the consumer withdraws from debt counselling;
- If your circumstances change, please notify the debt counsellor immediately;
- If the debt counsellor is un-contactable, please contact NCR immediately ;

Consumer Tips:

- Only make use of registered debt counsellors;
- Ensure that processes and fees are explained upfront (this includes implications and your rights and responsibilities as a consumer);
- Money should not be paid directly to debt counsellors
- Money should be distributed through a PDA
- It is DEBT COUNSELLING and not DEBT CANCELLING. Consumers are still liable to pay their debts when under debt counselling.