



THE NATIONAL CREDIT REGULATOR

JUNE 2018

TERMS OF REFERENCE

**TO CONDUCT AN IMPACT ASSESSMENT
OF THE EFFECT OF TOTAL COST OF
CREDIT AND CREDIT LIFE INSURANCE**

RFP NUMBER: NCR513.06.18

DUE DATE: 23 JULY 2018

SECTION 1

GENERAL TERMS OF CONDITIONS

1. General Information for Bidders

The National Credit Regulator (NCR) was established in terms of Section 12 (1) of the National Credit Act (Act 34 of 2005) and came into being on 1 June 2006.

The NCR will determine which bidding organisation (“bid participant”), if any, is appointed in response to this request for submission to conduct an impact assessment on the effect of total cost of credit and credit life insurance for a period of 4 months.

1.1. General Terms

This tender is issued in terms of the Public Finance Management Act 1 of 1999 (PFMA), the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA), the Preferential Procurement Regulations, 2017 (PPR), Supply Chain Management Regulations issued by the National Treasury and BBBEE Act.

Parties that wish to submit proposals are required to indicate that they are willing to accept the General Conditions and Procedures of the NCR (see Section 4 below and Annexure B.1). Please read this document carefully prior to submitting your proposal.

1.2. The Proposal Format

1.2.1. Economy of proposal preparation

The proposal should be prepared simply and economically, providing a straightforward and concise description of the bid participant’s ability to meet the requirements of the proposal request.

Clear factual responses are required. The content of the proposals shall determine the merit of each participant, not brochures or other marketing material. To facilitate the review of proposals, participants are required to organise their responses according to the format presented below. Should a participant wish to provide additional information, that information should be referred to, and provided for, in a file of Annexures.

1.2.2. Validity of proposals

The proposals must include a statement as to the period for which the proposal remains valid. The proposal must be valid for at least ninety (90) days from the due date for the submission of all bids. Refer to the quarters in the terms of reference (TOR).

1.2.3. Number of proposals

Each bid participant must provide **two (2)** hard copies and **1 CD** of their entire proposal, including all the documentation referred to in 1.5 below, in the format specified in that section. All submitted proposals will become the property of the NCR, and will not be returned. Receipt of all proposals will be recorded in a register at the point of receipt. One copy of the proposal must be signed and dated in black ink by the bidder or authorized representative of the bidder and initialled on each page.

2. Submission of proposals

2.1. Proposals must reach the offices of the NCR before 11:00 on 23 July 2018, and must be enclosed in a sealed envelope which must be clearly labelled/addressed on the outside:

(a) RFP No: NCR513.06.18

(b) TERMS OF REFERENCE TO CONDUCT AN IMPACT ASSESSMENT ON THE EFFECT OF TOTAL COST OF CREDIT AND CREDIT LIFE INSURANCE

(c) CLOSING DATE: 23 JULY 2018

2.2. Proposals are to be submitted in the marked tender box, in the reception area, National Credit Regulator, 127-15th Road, Randjiespark, Halfway House, Midrand. The tender box will **only** be available for the depositing of proposals between 08h00 and 16h30 on weekdays (excluding public holidays).

2.3. Please note that this RFP closes punctually at 11h00 on 23 July 2018. No late submissions will be considered under any circumstances.

2.4. **All** the documentation referred to in Section 4 below must be submitted. Failure to submit all the documentation referred to in this section may result in a submission being discarded, and not considered for evaluation.

- 2.5. If responses are not delivered as stipulated in this Section 2.1, such responses will be considered “late”, and will not be considered for evaluation.
- 2.6. The NCR shall not disclose any details pertaining to the responses received, to any other participant, as this is regarded as confidential information.
- 2.7. Envelopes must not contain documents relating to any RFP other than the one referred to in this RFP.
- 2.8. The responses to the RFP will be opened as soon as is practical after the expiry of the time advertised for receiving them.
- 2.9. Only the participants that are short-listed after the evaluation process will be informed of the results of the submission adjudication process.
- 2.10. After the evaluation process is completed, the Evaluation Committee may, prior to making a final selection, draw up a shortlist of participants and require them to make a detailed presentation to the Adjudication Committee. A minimum of 2 days’ notice will be given to relevant participants in advance of the presentation date.

3. Timetable

Date	Activity
29.06.2018	Issue tender document
23.07.2018	Closing date
25.07.2018	Evaluations – functionality criteria
27.07.2018	Consolidation and verification of scores
30.07.2018	Invite shortlisted service providers for presentations
02.08.2018	Presentations by shortlisted service providers
06.08.2018	Adjudication committee meeting
13.08.2018	Appointment of the preferred service provider

The National Credit Regulator reserves the right to determine the structure of the process, the right to determine the number of short-listed participants, the right to withdraw from the proposal process, and the right to change this timetable at any time without notice.

4. Documentation to be submitted

Please Note

All of the documentation described below must be submitted, with no omissions whatsoever. Where a particular form or format of documentation is stipulated, this is the **only** form or format in which these documents must be submitted. Failure to adhere to these requirements may result in the rejection of the entire submission.

All of the documentation referred to below (in Parts One – Eleven) must be submitted. For ease of reference and to facilitate the evaluation process, you are requested to clearly mark each part of the submitted documentation as it is referred to below.

Part One – Proposal drafted in response to Terms of Reference

Section 2 of this document below, contains the terms of reference (TOR) for the above mentioned tender. Bid participants are required to draft a proposal that will clearly indicate to the Evaluation Committee how they will fulfil the requirements as set out in the TOR.

Bid participants should include the following information when drafting their proposals:

- Proposals should make clear the relevant skills, experience and capacity of the participant, in respect of this particular TOR. This is an important evaluation criterion. Bid participants should ensure that their proposals focus on how they will address the requirements of this TOR, rather than on achievements.
- Proposals must contain the details of the proposed approach to be adopted in order to deliver the service in accordance with the TOR.
- Proposals should clearly indicate whether or not bid participants have the internal capacity to meet the requirements of the TOR.

Part Two – Pricing Proposal

Annexure A – SBD 3.1 Pricing Schedule. They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected. Additional information may be added on a separate page if necessary. **DO NOT RETYPE THESE FORMS**

The total price that the participant will charge to deliver services in accordance with the TOR must be clearly indicated. The pricing proposal should contain sufficient information to allow the Evaluation Committee to estimate the cost of the service, to a high degree of accuracy.

Please note that a financial proposal must be submitted in a **separate sealed envelope** together with your submission. The financial Proposal will be opened once all technical proposals have been evaluated. This appointment will be made in line with QBS.

All prices provided must be inclusive of Value-Added Tax (VAT).

Please note that the prices contained in the pricing proposal are the only charges that may be levied if the participant's proposal is successful, unless explicitly agreed to in writing by the National Credit Regulator, and in terms of the General Conditions of Contract.

Part Three – General Conditions and Procedures of the NCR

Annexure B and B1 - General Conditions and Procedures of the NCR. Bid participants must indicate clearly that they have read this document, and have no objections to being bound by its contents. In cases where any provisions of the General Conditions and Procedures conflict with this General Information for Bidders and/or Terms of Reference, the latter will take precedence over the General Conditions of Contract.

Part Four – Contract Form: Rendering of Services

Annexure C - Contract Form: Rendering of Services. This will only be completed by the successful bidder once a selection has been made by NCR. Participants do not, therefore, need to complete this form at the bidding stage but their proposals must clearly indicate that they have read this form, and have no objections to signing it as is, if selected as the successful participant.

Part Five – Tax Clearance Certificate

Annexure D - Please complete form SBD 2. **DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Failure to submit a valid, original tax clearance certificate issued by SARS will result in a proposal being rejected.

Please note that the Tax Clearance Certificate submitted must be valid for at least one month after the closing date of the tender.

Part Six – Preference Points Claim Form

Annexure E – form SBD 6.1. Bid participants must complete Sections 8 and 9 in full. **DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected. ***## Please note that a BBEE certificate must also be attached to the bid documents. None submission will result in zero scoring in this competitive bidding process***

Part Seven – Declaration of Interest

Annexure F – form SBD 4. **DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected.

Part Eight – Declaration of past Supply Chain Management Practices

Annexure G – form SBD 8. **DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected.

Part Nine – Non-Disclosure Agreement

Annexure H – Non-Disclosure Agreement. Participants must indicate clearly that they have read this agreement, and have no objections to signing it, as is.

Part Ten – Certificate of Independent Bid Determination

Annexure I – Certificate of Independent Bid Determination Participants. They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected.

Part Eleven – SLA draft version for supplier review

Annexure K – SLA draft version for supplier review. The participants must indicate clearly that they have read this agreement, and have no objections to signing it, as is. If not objections should be outlined separately in a letter.

5. Evaluation Criteria

Proposals will be evaluated on the 80/20 preference points scoring system: that is, 80% of the points awarded will be based on price, as indicated in the table below; and 20% of the points awarded will be based on B-BBEE codes system, allocated as indicated in the table below:

B-BBEE status level of contributor	Number of points	Price
1	20	80
2	18	
3	14	
4	12	
5	8	
6	6	
7	4	
8	2	
Non-compliant contributor	0	
Total maximum points	20	

6. Conflict of interest

Service providers are required to provide services that are professional, objective and impartial. Service providers must ensure that there is no conflict of interest between existing assignments, obligations and responsibilities to other clients and the services set out in the TOR. In the event of any uncertainty in this regard, full disclosure in the submitted proposal should be considered. Non-disclosure of a conflict of interest may be grounds for termination of any contract.

7. Confidentiality agreement

The successful service provider may have access to confidential data or information. The appointment of a successful bidder is subject to that bidder agreeing to the contents of, and signing, the NCR's standard Non-Disclosure Agreement.

8. Contact details

This no-contact policy does not apply to any information deemed to be in the public domain, or which is readily available from organs of State, which are repositories of such information. All communications and enquiries/requests for clarification relating to this proposal should be directed to procurement@ncr.org.za

SECTION 2

TERMS OF REFERENCE TO CONDUCT AN IMPACT ASSESSMENT ON THE EFFECT OF TOTAL COST OF CREDIT AND CREDIT LIFE INSURANCE

2. BACKGROUND AND INTRODUCTION

The National Credit Amendment Act 19 of 2014 (“NCAA”) was enacted on 19 May 2014 and came into effect on 13 March 2015.

2.1. Regulation 42(1) now prescribes the calculation of interest as follows:

Sub-sector	Maximum Prescribed Interest Rate
Mortgage Agreements	RR + 12% per annum
Credit Facilities	RR + 14% per annum
Unsecured Credit Transactions	RR + 21% per annum
Developmental Credit Agreements:	
➤ Developmental of Small Business	RR + 27% per annum
➤ For Low Income Housing	RR + 27% per annum
Short Term Credit Transactions	5%p/m – 1 st Loan & 3%p/m subsequent loans in a calendar year
Other Credit Agreements	RR + 17% per annum
Incidental Credit Agreements	2% per month

2.2. Regulation 42(2) now prescribes the maximum initiation fee that can be charged:

Sub-sector	Maximum Prescribed Interest Rate
Mortgage Agreements	RR + 12% per annum
Credit Facilities	RR + 14% per annum
Unsecured Credit Transactions	RR + 21% per annum
Developmental Credit Agreements:	
➤ Developmental of Small Business	RR + 27% per annum
➤ For Low Income Housing	RR + 27% per annum
Short Term Credit Transactions	5%p/m – 1 st Loan & 3%p/m subsequent loans in a calendar year
Other Credit Agreements	RR + 17% per annum
Incidental Credit Agreements	2% per month

2.3. The maximum prescribed service fee = R60

- a. The service fee covers the cost of administering a credit agreement, which is the operational cost of the CP such as the rent, labor, communication, banking, processing of repayments and any other costs related to the administration of a credit agreement.
- b. A service fee must be charged for a calendar month in which it is due and payable and on a *pro rata* basis where the credit agreement was concluded during the course of that calendar month.

2.4. The Credit Life Insurance Regulations was published in the Government Gazette on 9 February 2017 and came into effect 6 months after publication on 9 August 2017.

- a. The CLIR applies to credit providers and prescribe a maximum cost that can be charged to a consumer.

Sub-sector	Maximum prescribed cost per month of Credit Life Insurance
Mortgage Agreements (excluding affordable housing mortgage agreements)	R2 per R1000 of deferred amount
Affordable housing mortgage agreements - Principle debt due and payable not > R450k	R2 per R1000 of deferred amount age < 55 R2.50 per R1000 of deferred amount age > 55
Credit facilities	R4.50 per R1000 of the average utilisation of the credit limit in the billing cycle
Unsecured credit transactions	R4.50 per R1000 of deferred amount
Short term credit transactions	R4.50 per R1000 of deferred amount
Developmental credit agreements	R4.50 per R1000 of deferred amount
Other credit agreements	R4.50 per R1000 of deferred amount

- b. The cost a credit provider may charge for credit life (Section 106(1)(a)) including cost of commission, fees or expenses in relation to the credit life may not exceed the prescribed maximum.

3. PURPOSE OF THE TOR

The purpose of this TOR is to appoint a professional service provider to conduct an impact assessment on the effect of the total Cost of Credit (Regulations 42 – 44) and the Credit Life Insurance Regulations (Regulation 3) on the consumer credit industry from the date the regulations came into effect.

3.1. SCOPE OF WORK

The service provider is required to assess and report on the impact of the total Cost of Credit and the Credit Life Insurance Regulations on the consumer credit industry in respect of the following:

- a. The volume in the supply of credit for different credit product types;
- b. The supply of credit to different risk categories of consumers;
- c. The size and term of credit products;
- d. The risk appetites of credit providers;
- e. Requirement(s) of the regulations that have reduced or increased the supply of credit to each risk category of consumers;
- f. Shifts in lending patterns to or from different credit products;
- g. Impact on credit providers' lending and risk models; and
- h. Impact on credit product pricing.

In addition to the above, the service provider should report on the following with respect to the impact of the affordability assessment regulations:

- a. Comparisons in the volume of reckless credit agreements in major debt counsellors' portfolios written off by credit providers pre and post implementation of the regulations;
- b. The reasons for the loans in (a) being reckless.

3.2. METHODOLOGY

- a. Focus groups of consumers, credit providers in different sectors of the credit market, and debt counsellors to ascertain their views on the impact of the regulations;
- b. Focus groups with hosting credit bureaux to obtain their views on the state of consumers' credit health pre and post implementation of the regulations.

3.3. DURATION

The preferred bidder will be granted 4 months to prepare a report in line with the above requirements and present to the National Credit Regulator.

3.4. RESEARCH STUDY OUTPUTS

- a. A project plan detailing key milestones to be delivered, which should be discussed and agreed to with the NCR;
- b. Project inception report detailing the overall structure of the final report and key focus areas;
- c. Various instruments that will be used in the conduct of this study given the multifaceted nature of data and information gathering of this project;
- d. The interview instruments and guidelines that need to be developed and agreed to in advance with the NCR;
- e. A draft report that reflects all items listed under the scope of work and other relevant matters should be presented to the NCR within 12 weeks of the commencement of the study;
- f. A detailed presentation summarising the key preliminary findings should be presented to the NCR within one week thereafter;
- g. Facilitate at least two workshops with the project co-ordinator and other members at the NCR with a view of refining preliminary findings;
- h. Finalising the report that incorporates the NCR's comments and further work by the service provider within one week of the presentation at the NCR.

4. FUNCTIONALITY EVALUATION CRITERIA AND WEIGHTING

Criteria	Weights
<p>Understanding of the NCR requirements</p> <p>Does the proposal show bidder's understanding of the NCR requirements to conduct an impact assessment on the effect of total cost of credit and credit life insurance for a period of 4 months</p>	25
<p>Proposals should make clear the <u>relevant skills, experience and capacity</u> of the participant, in respect of this particular TOR</p> <ul style="list-style-type: none"> • The experience of the company in undertaking similar work or projects; • The relevant skills level of the entire project team (Brief CV's of the team members); • Capacity and experience in operating at a strategic level. 	30
<p>Proposals must contain the details of the proposed approach to be adopted in order to deliver the service in accordance with the TOR.</p> <p>Proposed approach in relation to the scope of work and the outputs above</p> <ul style="list-style-type: none"> • Project Execution Plan or Framework; • Ability to meet tight deadlines and work schedules; • Ability to develop a clear and measurable project plan when appointed to undertake the project. 	30
<p>References</p> <p>Contact details and reference letters of at least two references from amongst recent clients with whom similar work has been conducted in the past 12 Months</p>	15
TOTAL	100

Bidders are required to score a minimum of 70% points on functionality to qualify to be evaluated in the next level (BBBEE and price). Bidders who do not score the minimum of 70% points on functionality will be disqualified and not be evaluated on price and BBBEE.

5. ADDITIONAL INFORMATION

- a.** Brief company profile, as relevant to the above mentioned terms of reference.
- b.** Experience in the relevant areas – outlining the following areas:
 - i. What experience you have in conducting similar assessments/studies?
 - ii. What experience do you have in conducting research?
 - iii. What experience do you have within the credit industry?
- c.** A proposal including methodology.
- d.** Certification of all team members, highlighting experience relevant to this exercise. Confirmation that the proposed team members will in fact be available to undertake this exercise at the appropriate time and meet the necessary deadlines.
- e.** The proposal should contain a work plan, showing tasks, timelines etc.
- f.** Financial proposal must include the cost of disbursements, flights, VAT etc.
- g.** Proof of CSD registration.