

Media Release

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Credit is expensive, be a smart consumer and borrow wisely!

The festive season is over and it's back to school season for many consumers. For some, there may be a need to borrow money to take care of January expenses such as school fees, uniform, transport and others. "Consumers are reminded that credit is expensive, therefore they should only borrow when it is absolutely necessary to do so and only from credit providers registered with the National Credit Regulator(NCR)", says Adv. Kedilatile Legodi, Acting Manager: Education and Communication at the NCR.

Be a credit smart consumer by understanding the total cost of the credit you are applying for before you sign on the dotted line. The cost of credit includes interest, once off initiation fees, monthly service fees, credit life insurance, etc. To understand the cost of credit, consumers should be given a pre-agreement statement and quotation that disclose the total amount repayable for the money borrowed inclusive of related costs at the end of the repayment period. "These documents are valid for five (5) business days and intended to assist the consumer to shop around for better deals and make an informed decision", adds Legodi.

According to the National Credit Act (NCA), consumers have a right to receive information in plain and understandable language, and to receive reasons from the credit provider why their credit application may have been declined. Consumers are further advised to be cautious of the unregistered credit providers and only borrow money from NCR registered credit providers." Unregistered credit providers usually charge excessive interest rates that

are not in line with the NCA, do not conduct affordability assessments and use unlawful and prohibited tactics to collect on their debt such as retaining consumers' identity documents, bank cards / pin numbers, SASSA cards and others", cautions Legodi.

Legodi stresses that it is the consumer's obligation to be truthful and honest when applying for credit by disclosing all relevant and correct information regarding their financial status. "Credit that is granted based on incorrect financial disclosure by the consumer, may lead to inability to repay the debt resulting in financial distress", concludes Legodi.

Below are helpful tips that Adv. Legodi offer to consumers when borrowing money:

- **Never ever agree to pay any upfront costs / fees** – Many consumers are duped into paying upfront fees labelled as "admin fees", "lawyer's fees", "release fees" etc. when borrowing money from unscrupulous/fake/unlawful entities usually found online. In most cases, consumers lose their money (upfront payment) without getting any of the money they have borrowed;
- **Borrow only when it is absolutely necessary to do so** and avoid borrowing money for consumables such as groceries;
- **Do not sign a blank credit agreement/document**, read the content first, understand, ask relevant questions and when satisfied sign;
- **Consider credit insurance** - Familiarise yourself with the terms of the credit insurance to avoid surprises when you most need the cover from the insurance. Credit insurance can be a life saver when you cannot repay the debt for reasons such as unemployment, disability and others;
- **Pay your debts on time** - Paying late or not paying the full instalment will adversely/negatively affect your credit rating and possibly your ability to take out credit in the future. If you think you cannot meet your monthly instalments, contact your credit provider immediately and try to re-arrange payments. Do not wait until you skip payments;
- Create a monthly budget and stick to it; and
- Check your credit report regularly.

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About The National Credit Regulator

The National Credit Regulator (NCR) was established in terms of 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

(011) 554-2612

E-mail: NMahlangu@ncr.org.za

Website: www.ncr.org.za