



THE COST OF CREDIT FOR SHORT-TERM LOANS AS A RESULT OF THE MFSA HIGH COURT DECISION

Circular No. 25/December 2016 - The cost of credit for short-term loans as a result of the MFSA High Court decision

The purpose of this Circular is to update all registered credit providers who offer short-term loans about the High Court Judgement launched by Micro Finance South Africa (MFSA) against the Minister of Trade and Industry and the National Credit Regulator (NCR).

On 21 November 2016 in the High Court, Micro Finance South Africa (MFSA) launched a matter against the Minister of Trade and Industry and the National Credit Regulator (NCR) under case number 16746/2016.

The High Court made a ruling setting aside the Minister's decision to promulgate regulations published in Government Gazette 39379, Vol. 605 of 6 November 2015, insofar as it relates to short-term credit.

The NCR and the Department of Trade and Industry (DTI) have taken a decision to appeal the decision, and in this regard an appeal application was filed on 05 December 2016.

The implication of the filed appeal application is that the operation and execution of the decision of the High Court is suspended, pending the decision of the appeal application.

In that regard, the cost of credit for short-term loan agreements concluded from 06 December 2016 until the appeal decision is handed down must be in line with the regulations published in Government Gazette 39379, Vol. 605 of 06 November 2015.

All credit providers of short-term loans must take heed of the above and ensure that they charge consumers correctly as the NCR will be monitoring compliance and taking appropriate enforcement action against any credit provider that fails to comply with the regulations.

For a copy of the notice of the Government Gazette 39379, Vol. 605 of 06 November 2015, go to: <http://www.ncr.org.za/documents/Review%20of%20Limitations%20on%20Fees%20and%20Interest%20Rates%20Regulations.pdf>

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