



# INVITATION TO SUBMIT COMMENTS ON THE APPLICATION OF FIXED INTEREST RATES ON CREDIT AGREEMENTS AMID VARIATIONS IN REPO RATES

## CIRCULAR 5 OF 2024

### 1. INTRODUCTION

The National Credit Regulator (“NCR”) is conducting a research study on the application of fixed interest rates on credit agreements amid variations in repo rates in accordance with Section (16)(1) of the National Credit Act (“NCA”). Section (16)(1) mandates the NCR to increase knowledge of the nature and dynamics of the consumer credit market and industry, and to promote public awareness of consumer credit matters by:

- 1.1. Monitoring socio-economic patterns of consumer credit activity within the Republic of South Africa, and in particular identifying factors concerning:
  - (i) Over-indebtedness; and
  - (ii) The patterns, causes and consequences of over-indebtedness.
- 1.2. Monitoring trends in the consumer credit market and industry with respect to the need of persons contemplated in Section 13(a) of the NCA.

### 2. PURPOSE

The NCR hereby invites stakeholders to submit comments and inputs related to the following:

- 2.1. What are the general considerations by the credit providers when applying fixed interest rates on credit agreements in the various types of credit: Mortgages; Unsecured loans (personal loans); Credit facilities; Secured credit (Vehicle finance); Developmental credit?
- 2.2. What processes are followed during the engagement between consumers and credit providers?
  - 2.2.1. Are the fixed interest rates on certain credit agreements optional or mandatory?
  - 2.2.2. What alternative options are offered to the customer if a fixed rate is required but they choose not to accept the offer?

- 2.3. Are fixed interest rates applied for the duration of the contractual period of the credit agreements?
- 2.3.1. If not, after how long are fixed interest rates on credit agreements re-negotiate with the consumer?
- 2.3.2. In other words, are they subject to review and amendment, and at whose instance?
- 2.3.3. Are there any possible relief measures to consumers who opted for fixed interest rates on credit agreements to switch to variable interest rates before the agreed term of the contractual agreement?
- 2.4. Under what circumstances will or can fixed interest rates be adjusted?
- 2.5. Are there any costs associated with changing from fixed interest rates to variable interest rates before the end of the contractual term of the credit agreement?
- 2.6. Is there anything else that you would like to add on the handling of fixed interest rates on credit agreements amid variations in the repo rates in South Africa?

**FOR MORE INFORMATION OR TO PROVIDE WRITTEN COMMENT**

The comments must be submitted to **Ms Nozuko Kamhanda** at email address **[nkamhanda@ncr.org.za](mailto:nkamhanda@ncr.org.za)** and copy **Mr Bongani Gwexe** at email address **[bgwexe@ncr.org.za](mailto:bgwexe@ncr.org.za)**, by close of business on **Friday, 13 December 2024**.

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