

MEDIA RELEASE

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Managing debt during COVID-19 times

As South Africa is battling with the rapid spread of COVID-19 and how to stimulate economic activities, many consumers are in financial distress and struggling to repay debts as a result of reduced and complete loss of income. The National Credit Act (NCA) offers various debt relief measures for financially embattled consumers struggling to repay debts and consumers are encouraged to consider these measures where applicable, advises Adv. Kedilatile Legodi, Acting Manager: Education and Communication at the National Credit Regulator (NCR).

Below are the various NCA debt relief measures to consider:

Credit Life Insurance

Credit life insurance is an insurance that a consumer purchases when applying for credit or loan. It covers the outstanding debt in the event of unforeseen circumstances such as death, retrenchment, unemployment, inability to earn an income, disability and others. In the event of the consumer becoming unemployed or unable to earn an income, the credit life insurance cover provides that credit providers must settle / pay the consumer's debt for a period of twelve (12) months or for the remaining repayment period or until the consumer finds employment or is able to earn an income, whichever period is shorter. Consumers who would like to use this relief measure but battling to get assistance from their credit providers can send a complaint to the National Credit Regulator. However, it is important

for consumers to remember that in order to benefit from credit life insurance, all payments regarding the credit life insurance policy must be up to date.

Debt Counselling / Review

Debt counselling is a debt relief measure intended to assist over-indebted consumers struggling with debt, through budget advice, negotiation with credit providers for reduced payments, extension of repayment term and restructuring of debt. Debt counselling also offers consumers protection against repossession or legal action by credit providers. Consumers who have been negatively impacted by the effects of the COVID-19 pandemic resulting in reduced income are encouraged to consider this debt relief measure since an income is required to apply for debt counselling. However, before signing up for debt counselling, consumers must ensure that the process is understood in detail and the implications thereof. Debt counselling is offered by the NCR registered debt counsellors who operate nationwide. A list of registered debt counsellors can be found on the NCR website www.ncr.org.za or by contacting the NCR on 0860 627 627.

Surrender of goods

The NCA allows consumers to voluntarily surrender / return goods to credit providers when they can no longer afford to maintain the repayments or can foresee that they will not be able to maintain future payments. In terms of section 127 of the NCA, credit agreements under which goods can be surrendered are instalment agreements, secured loans or leases.

Legodi says that there is a process to be followed, which consumers are encouraged to understand before they give notice to a credit provider to return the goods. The credit provider is required to provide the consumer with a letter setting out the estimated value of the goods, ten (10) business days after the consumer gave notice to surrender or return the goods, whichever is the latest. The consumer may withdraw the notice to surrender within 10 business days after receiving the estimated value letter, if the account is not in arrears. The credit provider will sell the returned goods in an attempt to settle the debt. However, there is no guarantee that the credit provider will sell the goods for what the

consumer still owes. If the proceeds from the sale are insufficient to settle the outstanding debt, the consumer will be liable to pay the shortfall after the sale. Consumers are also encouraged to privately sell goods that they can no longer afford to repay in an attempt to obtain the best possible price, advises Legodi.

For consumers with a need to borrow or loan money, they should do so having considered their ability to repay the debt and only use NCR registered credit providers. Consumers should never enter into any agreement with unregistered credit providers who usually retain bank cards, SASSA cards, identity documents etc. as security and a collection method. The retention of cards or identity documents is prohibited and a criminal offence in terms of the NCA. Consumers are urged to report credit providers who retain these instruments to the South African Police Service and the NCR, concludes Legodi.

Ends

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.

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