

## Media Release

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### Consider debt counselling to defeat debt

Loss of employment, salary cuts, medical bills, rising fuel prices, food and cost of living in general and overspending are some of the reasons why consumers end up being over-indebted. A consumer is considered to be over-indebted if the available income is not enough to pay for basic living expenses and debts. The National Credit Act (NCA) introduced debt counselling as a debt relief measure aimed at assisting and rehabilitating consumers who are over-indebted. This assistance is provided by debt counsellors registered with the National Credit Regulator (NCR) through negotiation with credit providers and reduction of monthly contractual payments in line with the consumer's disposable income, whereas rehabilitation is realised through regular reduced payments until the debt is paid up and a clearance certificate is issued, says Kedilatile Legodi, Manager for Debt Counselling at the NCR.

When consumers are under debt counselling, they get protection against legal action by credit providers and for as long as they maintain payments of their monthly reduced payments. Consumers who are married in community of property have to make a joint debt counselling application. There is no prescribed and fixed debt counselling repayment term and the period that a consumer remains under debt counselling depends on the consumer's income, basic living expenses and the type of debt the consumer has, explains Legodi. Once all debts have been paid up under debt counselling, the consumer will be issued with a clearance certificate to show that they are debt free.

At times, debt counselling is offered / advertised as a payment holiday or a savings plan where consumers are promised to save up to a certain percentage of their monthly instalments. This type of advertisement is misleading and prohibited, says Legodi. Consumers need to understand that debt counselling is a relief measure to cope with the financial distress and that they remain responsible to continue paying their debts until they are paid up. Debt counselling does not in any way, give consumers a break from paying their debts, stresses Legodi.

Consumers are encouraged to be proactive and seek help immediately when they notice signs of over-indebtedness and financial distress. In addition, before consumers sign the debt counselling application form, they have to make sure that they understand what the debt counselling process is, what their rights and obligations are as well as the consequences of being under debt counselling. Debt counsellors have an obligation to explain the process in detail and to disclose applicable debt counselling fees in writing.

To get a list of registered debt counsellors within their areas, consumers are advised to visit the NCR website ([www.ncr.org.za](http://www.ncr.org.za)). Debt should not be a silent killer or the end of the road for consumers, there is relief in debt counselling that leads to rehabilitation, concludes Legodi.

**ENDS**

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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 (the Act) 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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