

**MEDIA RELEASE**

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**Borrow Wisely. T's and C's apply!**

“Excessive spending during festive season, places pressure on household disposable income, making the new year not so prosperous. The sad reality is that not everyone is beginning the new season debt free. Some are already in a state of financial distress after acquiring more debt pre- or/during the festive season. For them to meet basic necessities they had to borrow money to stay afloat. And if indeed borrowing is the only solution suitable to your personal circumstances, borrow wisely and responsibly!” said Ms Kweyama, Manager: Education and Communication at the National Credit Regulator (NCR).

Ms Kweyama added that borrowing wisely and responsibly mean consumers should ensure that they only borrow what they need and can afford to pay back in full, and within the stipulated timeframe. Although the National Credit Act (NCA) dictates that credit providers must conduct an affordability assessment to determine if a consumer qualifies for credit, a responsible and honest consumer must fully and truthfully disclose information on all his/her financial obligations, in particular income and expenditure to enable the credit provider to conduct accurate affordability assessment.

She warned, “Unfortunately in many instances when consumers realise that when they honestly disclose their expenses, they would not be eligible for credit, they tend to understate their expenditure and overstate their income in order to qualify. As a result, they

find themselves in huge amounts of debt – which they are unlikely to repay at all or repay on time”.

Another popular method of accessing short term credit quickly is pawning valuable items like furniture, jewellery, vehicles, etc. in exchange for cash. The pawnbrokers hold assets as security and in most cases, consumers are given a short-term to repay the loan in full. However, should one default on the repayment, pawnbrokers can sell their assets to recoup the money loaned to them. Before signing on the dotted line, ensure that you understand the terms and conditions of a pawn transaction, because very often the interest rates charged are quite high and most pawnbrokers do not disclose fees like storage, insurance, etc. upfront.

Desperation also compels some consumers to seek credit from loan sharks or “mashonisa”- despite many warnings about their unlawful practices. Most “mashonisas”, like some pawnbrokers, are not registered with the NCR. Their modus operandi include retaining consumers’ bank cards, pin codes and identity cards to collect on the loans. Remember, it is illegal for a “mashonisa” or pawnbroker to retain your personal documents. Report this to the South African Police Services and the NCR.

Important considerations before applying for credit:

- Take an amount of credit that you need and you can afford to repay;
- If you can, pay cash rather than take credit;
- Borrow only from registered credit providers;
- Understand the terms and conditions of a credit agreement;
- Never leave your bank/SASSA card, pin code, identity document with a credit provider; and
- If you need a loan, do not pay any upfront fees.

“Borrowing and pawning are expensive and consumers should be careful not to take more than they can afford to pay back as this can often lead to serious financial woes. “Always

keep in mind that when interest rates are increased by the South African Reserve Bank , this is passed on to consumers by credit providers and increases your monthly instalments” concludes Kweyama.

**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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