

Credit Bureau Monitor

Q2

June 2008 | Quarter 2

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The National Credit Act (NCA) requires that registered credit bureaux submit quarterly reports to the National Credit Regulator (NCR). This Credit Bureau Monitor is based upon these reports. This is the third release of the Credit Bureau Monitor and includes data for the last three quarters of 2007 and for the first two quarters of 2008.

Summary

Credit bureaux contain information on the manner in which consumers manage their credit and other financial obligations and are regulated by the National Credit Regulator. A credit bureau creates the consumer credit profile from information, which the bureau receives from credit providers.

As at June 2008, the credit bureaux had records for 17.17 million credit active consumers*:

- Consumers are considered to be “in good standing” if none of their accounts are more than 2 months in arrears. As at end June 2008, 10.38 million consumers were in good standing, representing 60.4% of all consumers. This is a decrease from March 2008 quarter, when 10.55 million consumers or 61.6% of all consumers were in good standing.

- The number of consumers with impaired records has increased from 6.59 million (38.4% of consumers) in March 2008 to 6.79 million (39.6%) in June 2008.
- Credit active consumers have on average 3 accounts per consumer.
- In the quarter to June 2008, 110.24 million enquiries were made against consumer credit records, compared to 108.88 million enquiries for the March 2008 quarter.
- 9,666 consumers have disputed the credit information on their profile in the quarter ending June 2008. This decreased from 12,653 in the quarter ending March 2008.
- 41,057 credit reports were issued to consumers in the quarter ending June 2008. This increased from 37,644 in the quarter ending March 2008.

Credit standing of consumer: June 2008

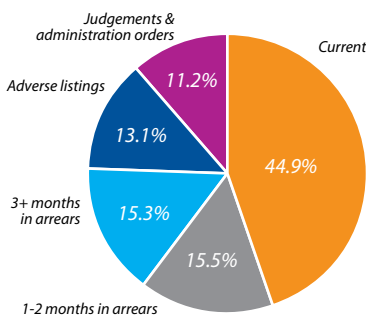


Table 1: Credit standing of consumers

	Jun '07	Sep '07	Dec '07	Mar'08	Jun '08
Credit active consumers	16.78m	16.90m	17.12m	17.14m	17.17m
Good standing (#)	10.67m	10.52m	10.67m	10.55m	10.38m
Good standing (%)	63.6%	62.3%	62.4%	61.6%	60.4%
Current	47.5%	46.6%	47.2%	45.1%	44.9%
1-2 Months in arrears	16.1%	15.7%	15.2%	16.5%	15.5%
Impaired record (#)	6.11m	6.38m	6.45m	6.59m	6.79m
Impaired record (%)	36.4%	37.7%	37.6%	38.4%	39.6%
3+ Months in arrears	12.8%	12.6%	13.5%	14.3%	15.3%
Adverse listings*	11.8%	13.1%	12.7%	12.8%	13.1%
Judgments & administration orders	11.8%	12.0%	11.4%	11.3%	11.2%
Total	100%	100%	100%	100%	100%

Figure 1: Credit standing of consumers

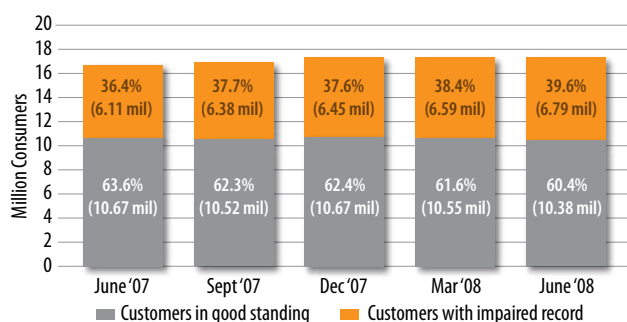


Table 2: Credit standing of accounts

	Jun '07	Sep '07	Dec '07	Mar '08	Jun '08
Consumer Accounts	52.06m	51.55m	55.55m	58.12m	60.14m
Good Standing (#)	40.69m	39.95m	43.04m	45.32m	46.81m
Good Standing (%)	78.2%	77.5%	77.5%	78.0%	77.8%
Current	68.1%	67.2%	67.4%	67.3%	68.1%
1-2 months in arrears	10.1%	10.3%	10.1%	10.7%	9.7%
Impaired Record (#)	11.36m	11.60m	12.51m	12.80m	13.32m
Impaired Record (%)	21.8%	22.5%	22.5%	22.0%	22.2%
3+ months in arrears	10.0%	9.4%	10.2%	10.4%	11.4%
Adverse listings*	6.2%	7.3%	6.8%	6.6%	5.9%
Judgments & administration orders	5.6%	5.8%	5.5%	5.0%	4.9%
Total	100%	100%	100%	100%	100%

Introduction

In terms of the National Credit Act (NCA), credit bureaux are required to submit quarterly reports to the National Credit Regulator (NCR). The data presented in this report relates to the last three quarters of 2007 and first two quarters of 2008.

Credit Active Consumers

There were 17.17 million credit active consumers at the end of June 2008

As at the end of June 2008, credit bureaux held records of more than 36 million individuals on their databases of which 17.17 million (46.7%) were credit active. The remaining 53.3% of records show only identification information but no credit activity (this includes minors, for whom only identification details are reflected).

Percentage of consumers in good standing had decreased

Of the total of 17.17 million credit active consumers, the percentage of consumers in good standing decreased to 60.4% for the June 2008 quarter, from 61.6% for the quarter ending March 2008. This implies that the percentage of consumers with impaired records increased to 39.6% for the June 2008 quarter, from 38.4% for the quarter ending March 2008 and 36.4% for the quarter ending June 2007. This is an increase of 1.2% since the last quarter and an increase of 3.2% since the June 2007 quarter. The number of consumers with impaired records increased by 203,000 since the previous quarter, while the total number of credit active consumers increased by 26,700. Further detail, including a breakdown of the nature of the impairments, is provided in Table 1.

A primary reason for the increase is the number of credit active consumers is the extent to which existing credit providers, which had not submitted information to credit bureaux in the past and are now submitting data to the credit bureaux, and thus improving the accuracy of the credit bureau information.

Consumer Accounts

The previous table analysed the credit status of consumers. Table 2 does a similar analysis as Table 1, but based upon the accounts held by all consumers in aggregate.

60.14 million open accounts were listed on the credit bureaux databases as at June 2008, compared to 58.12 million for the March 2008 quarter and 52.06 million for the June 2007 quarter. The primary reason for the increase in the number of accounts is an expansion in the extent to which credit providers are reporting this information to credit bureaux and not to an increase in the number of accounts opened. Credit active consumers have on average 3 accounts per person.

Of the 60.14 million consumer accounts on record at credit bureaux at the end of June 2008, 68.1% were classified as current, 9.7% had missed one or two instalments, 11.4% had missed three or more instalments, 5.9% had an adverse listing and 4.9% had a judgment or administration order. The decrease in adverse listing may be partly caused by credit providers implementing debt restructuring with consumers who are over indebted, instead of taking enforcement actions.

The worsening of the good credit status is consistent across all income groups, with the respective levels of decrease for the low, middle and high-income categories being 2.1%, 0.7% and 1.9%.

Analysis of credit standing by income category

Credit bureaux do not collect data on consumers' income. The analysis of consumer credit standing by income category reflected in Table 3 is based on an estimation of consumer income performed by one of the main credit bureaux.

There is a consistent decrease in the percentage of consumers in good standing across all income categories. The middle-income group has the worst credit records, with 45.0% of consumers having impaired records, compared to 31.9% of the higher income category reflecting impaired records. The worsening of the good credit status is consistent across all income groups, with the respective levels of decrease for the low, middle and high-income categories being 2.1%, 0.7% and 1.9%. The middle-income group's credit behaviour has stayed relatively constant compared to both the lower-income and higher-income groups' credit behaviour.

Table 3: Credit standing according to different income categories

Income bands	Individuals earnings up to R3 500			Individuals earnings from R3 500 – R7 500			Individuals earnings more than R7 500		
	Dec'07	Mar'08	Jun'08	Dec'07	Mar'08	Jun'08	Dec'07	Mar'08	Jun'08
Good standing	60.3%	58.4%	56.3%	57.3%	55.7%	55.0%	71.5%	70.0%	68.1%
Current	41.0%	37.0%	36.7%	38.7%	35.8%	35.6%	51.5%	48.9%	47.2%
1-2 Months in arrears	19.3%	21.4%	19.6%	18.6%	19.9%	19.4%	20.0%	21.1%	20.9%
Impaired record	39.7%	41.6%	43.7%	42.7%	44.3%	45.0%	28.5%	30.0%	31.9%
3+ Months in arrears	17.2%	18.4%	19.0%	10.8%	11.9%	12.4%	7.2%	7.9%	8.1%
Adverse listings*	19.3%	19.8%	21.0%	22.0%	22.3%	22.2%	12.0%	12.6%	13.8%
Judgments & administration orders	3.2%	3.4%	3.7%	9.9%	10.1%	10.4%	9.3%	9.5%	10.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note: Only one credit bureau's information per income band is quoted herein.

Independent opinion by Econometrix

Credit standing of consumers

There is an indication of an accelerating pace of debt stress, which is not seasonal. This would be in line with forecasts and the prevailing economic circumstance. It apparently remains confined to a relatively small number of consumers, which continues to be contrary to the widespread reports on substantial mortgage and other credit defaults.

Consumer accounts

Consumers with impaired records increased marginally, whilst the figures for three + months in arrears increased by a greater amount than the average. This would tend to confirm that the debt stress levels are increasing. The continued decreasing trend for adverse listings and judgement and administration orders indicate that counselling and debt restructuring are having a moderating affect on the overall impaired record figures. This is possibly masking the true level of stress being felt by consumers.

Analysis of credit standing by income category

The deterioration in the repayment of debt by the three income groups appears to be significant as is indicated by the figures for the three+ months in arrears figures. The middle-income group has the worst credit record of all consumers

having impaired records. This possibly reflects their higher capacity to overspend with limited resources as compared to the higher income group that generally have more resources to fall back on.

Enquiries made on consumer records.

There are likely to be seasonal factors involved. One would anticipate that the quarters ending December could involve a higher number of enquiries due to seasonal factors associated with the festive season. It would appear that other credit related enquiries remain at a significantly higher level than in the quarter ending December 2007.

Conclusion

The figures are indicating that the correction of an unhealthy market situation is continuing. There are no indications from the figures in the report that the levels of debt stress are abnormal or excessive. However, the global and domestic economic environments suggest that the past interest rate increases will result in a further deterioration in terms of consumer and business stress before the situation improves.

This commentary was obtained from Econometrix on the trends reflected in the Credit Bureau Monitor



Table 4: Enquiries

	Number of Enquiries			Percentage of Enquiries		
	Dec '07	Mar '08	Jun '08	Dec '07	Mar '08	Jun '08
Enquiries due to consumers seeking credits	12.81m	11.14m	12.75m	12.6%	10.2%	11.6%
Other credit related enquiries	39.29m	62.50m	57.68m	38.7%	57.4%	52.3%
Enquiries not related to credit	49.44m	35.24m	39.81m	48.7%	32.4%	36.1%
Total credit bureaux enquiries	101.54m	108.88m	110.24m	100%	100%	100%

Table 5: All enquires distributions according to sectors

	Number of Enquiries			Percentage of Enquiries		
	Dec '07	Mar '08	Jun '08	Dec '07	Mar '08	Jun '08
Banks	37.72 m	52.77m	43.40m	37.1%	48.5%	39.4%
Retailers	28.66m	24.51m	28.38m	28.2%	22.5%	25.7%
All Other*	35.16m	31.60m	38.46m	34.7%	29.0%	34.9%
Total	101.54m	108.88m	110.24m	100%	100%	100%

*All Other includes enquiries made by Micro lenders, Telecommunications, Utility, Insurance, Onsellers and Collections agencies.

Table 6: Credit reports sold

	Number of Credit Records			Percentage of Credit Records		
	Dec '07	Mar '08	Jun '08	Dec '07	Mar '08	Jun '08
Credit reports sold without charge	40,342	33,868	38,068	88.3%	90.0%	92.7%
Credit reports sold with charge	5,355	3,776	2,989	11.7%	10.0%	7.3%
Total number of credit reports sold	45,697	37,644	41,057	100%	100%	100%

Credit Market Activity

Enquiries made on consumer records

As reflected in Table 4, 110.24 million enquiries were made on consumer records in the quarter to June 2008. This is only a 1.2% increase from 108.88 million enquiries in the quarter ending December 2007. 63.9% of enquiries were made for credit granting purposes of which 11.6% (12.75 million) in June 2008 were because of consumers proactively seeking credit from a credit provider, this increased from 10.2% (11.14 million) in March 2008.

Credit providers are the most frequent users of credit bureaux data

Table 5 illustrates an analysis of the type of entities that access consumer records shows that banks accounted for 39.4% of enquiries in quarter ending June 2008. This is a decrease of 9.1% in the bank enquiry volumes from the previous quarter.

Retailers are the second largest users of consumer credit information at 25.7% in quarter ending June 2008. Retail enquiries increased by 3.2% since the previous quarter.

Credit Bureaux Activity

The credit reports issued upon request from consumers increased to 41 057 in quarter ending June 2008, from 37 644 in quarter ending March 2008. Of this total, 92.7% were free. Further detail is provided in table 6.

Consumer credit record disputes

Credit bureaux receive a range of different types of calls from consumers, which include general questions, queries and disputes on the details of their credit records. In March 2008 quarter, 12 653 disputes were lodged by consumers with respect to the information on their credit records. This number decreased to 9 666 in the quarter ending in June 2008.

Definitions

Terms used in the report	Definitions
1. Credit active consumers	Consumers that have an obligation to pay a credit provider and/or has an account with a supplier of goods or services (e.g. telecommunications service providers, doctors, plumber, etc) and these obligations resulted in an entry on the consumer's credit record at the credit bureaux.
2. Impaired record	A record on which any of the accounts are either classified as 3 or more payments in arrears, or has an "adverse listings", or that reflects a judgment or administration order.
3. Good standing	An account which is current or on which the client has not missed more than one or two instalments, which has no adverse listings and has no judgments.
4. Adverse listing	Accounts with adverse classifications such as 'slow paying', 'absconded', 'default', 'handed over' and/or 'write-off'
5. Current	A consumer is up to date with payments and has not missed any instalment over the period of the credit agreement.