

# Credit Bureau Monitor

# Q1

March 2008 | Quarter 1

Credit active consumers..... 2

Consumer accounts..... 2

Analysis of credit standing by income category..... 3

Credit bureaux activity..... 3

Independent opinion by Econometrix..... 3

Credit market activity ..... 4

Definitions..... 4

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

## Summary

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

As at March 2008, the credit bureaux had records for 17.14 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 March 2008, 10.55 million consumers were in good standing, representing 61.56% of all consumers. This is a decrease from December 2007 quarter, when 10.67 million consumers or 62.35% of all consumers were in good standing.

- The number of consumers with impaired records has increased from 6.45 million (37.65% of consumers) in December 2007 to 6.59 million (38.44%) in March 2008.
- Credit active consumers have on average three accounts per consumer.
- In the quarter to March 2008, 108.88 million enquiries were made against consumer credit records, compared to 101.54 million enquiries for the December 2007 quarter.
- 12,653 consumers have disputed the credit information on their profile in the quarter ending March 2008. This decreased from 13,990 in the quarter ending December 2007.
- 37,644 credit reports were issued to consumers in the quarter ending March 2008. 90% of these reports were issued without charge. This decreased from 45,697 in the quarter ending December 2007.

Credit standing of consumer: March 2008

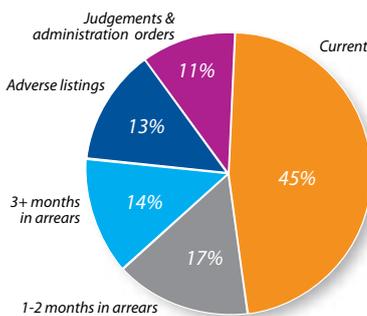
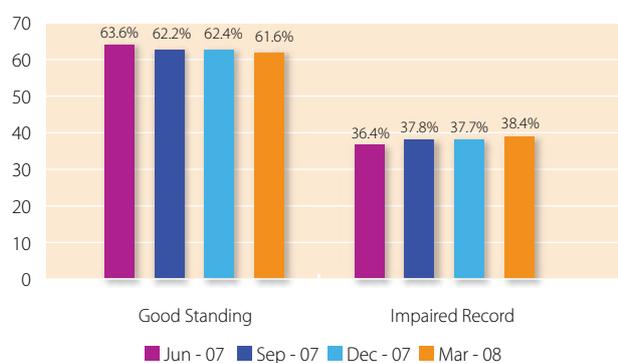


Table 1: Credit standing of consumers

	Jun'07	Sep'07	Dec'07	Mar'08
<b>CREDIT ACTIVE CONSUMERS</b>	16.78m	16.90m	17.12m	17.14m
<b>GOOD STANDING (#)</b>	10.67m	10.52m	10.67m	10.55m
<b>GOOD STANDING (%)</b>	63.60%	62.24%	62.35%	61.56%
Current	47.47%	46.57%	47.17%	45.05%
1-2 months in arrears	16.13%	15.67%	15.18%	16.51%
<b>IMPAIRED RECORD</b>	6.11m	6.38m	6.45m	6.59m
<b>IMPAIRED RECORD</b>	36.40%	37.76%	37.65%	38.44%
3+ months in arrears	12.79%	12.63%	13.50%	14.26%
Adverse listings*	11.79%	13.12%	12.75%	12.80%
Judgments & administration orders	11.82%	12.01%	11.40%	11.38%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Figure 1: Credit standing of consumers



\* Terms explained in definition section at the end of the report

Table 2: Credit standing of accounts

	Jun'07	Sep'07	Dec'07	Mar'08
<b>CONSUMER ACCOUNTS</b>	51.93m	51.55m	55.55m	58.12m
<b>GOOD STANDING (#)</b>	40.69m	39.95m	43.04m	45.32m
<b>GOOD STANDING (%)</b>	78.36%	77.49%	77.48%	77.97%
Current	68.19%	67.17%	67.43%	67.24%
1-2 months in arrears	10.17%	10.32%	10.05%	10.73%
<b>IMPAIRED RECORD</b>	11.24m	11.60m	12.51m	12.80m
<b>IMPAIRED RECORD</b>	21.64%	22.51%	22.52%	22.03%
3+ months in arrears	10.01%	9.35%	10.18%	10.38%
Adverse listings*	6.12%	7.31%	6.77%	6.61%
Judgments & administration orders	5.51%	5.85%	5.57%	5.04%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 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 quarter of 2008.

## Credit Active Consumers

**There were 17.14 million credit active consumers at the end of March 2008**

As at the end of March 2008, credit bureaux held records of more than 36 million individuals on their databases of which 17.14 million (47%) were credit active. The remaining 53% 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 17.14 million credit active consumers, the percentage of consumers in good standing decreased to 61.56% for the March 2008 quarter, from 62.35% for the quarter ending December 2007. This implies that the percentage of consumers with impaired records increased to 38.44% in the last quarter, from 37.65% for the quarter ending December 2007 and 36.4% for the quarter to June 2007. This is an increase of 0.79% since the last quarter and an increase of 2.04% since the June 2007 quarter. The number of consumers with impaired records increased by 140,000 since the previous quarter, while the total number of credit active consumers increased by 20,000.

Further detail, including a breakdown of the nature of the impairments, is provided in Table 1. The credit bureaux indicated that there was a disruption in their access to judgments data, and that these numbers may thus be under-stated.

## Consumer Accounts

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

58.12 million open accounts were listed on credit bureaux databases as at quarter ending March 2008, compared to 55.55 million for the December 2007 quarter and 51.93 million for the June 2007 quarter. The primary reason for the increase in the number of accounts is an expansion in the extent of reporting by credit providers and not an increase in the number of accounts opened. Credit active consumers have on average 3 accounts per person.

Of the 58.12 million consumer accounts on record at credit bureaux at the end of March 2008, 67.24% were classified as current, 10.73% had missed one or two instalments, 10.38% had missed three or more instalments, 6.61% had an adverse listing and 5.04% had a judgment and administration order. As indicated earlier, the judgment numbers may be under-stated due to an interruption in credit bureaux' access to judgments data.

## Analysis of credit standing by income category

The analysis of the credit standing income category as reflected in Table 3 is based on an income estimator model developed by one of the main stream credit bureaus. The model was revised in December 2007 and the breakdown is not comparable with the breakdown that was presented in the first Credit Bureau Monitor.

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 44.28% of consumers having impaired records, compared to 29.96% of the higher income group reflecting impaired records. The worsening of the good credit status is consistent across all income groups, with the respective levels of decrease in credit standing for the low, middle and high-income categories being 1.88%, 1.54% and 1.45%.

Table 3: Credit standing according to different income categories

INCOME BAND	INDIVIDUALS EARNINGS UP TO R3500		INDIVIDUALS EARNINGS FROM R3500 – R7500		INDIVIDUALS EARNINGS MORE THAN R7500	
	Dec'07	Mar'08	Dec'07	Mar'08	Dec'07	Mar'08
<b>GOOD STANDING</b>	<b>60.27%</b>	<b>58.39%</b>	<b>57.26%</b>	<b>55.72%</b>	<b>71.49%</b>	<b>70.04%</b>
Current	41.01%	37.01%	38.68%	35.79%	51.52%	48.94%
1-2 months in arrears	19.26%	21.38%	18.57%	19.94%	19.97%	21.10%
<b>IMPAIRED RECORD</b>	<b>39.73%</b>	<b>41.61%</b>	<b>42.74%</b>	<b>44.28%</b>	<b>28.51%</b>	<b>29.96%</b>
3+ months in arrears	17.19%	18.38%	10.76%	11.86%	7.26%	7.91%
Adverse listings*	19.27%	19.79%	22.04%	22.33%	11.96%	12.57%
Judgments & administration orders	3.27%	3.44%	9.94%	10.08%	9.29%	9.48%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: The income estimator model for credit active consumers on the credit bureau was updated in December 2007. The numbers quoted herein are therefore not comparable with the ones in the first Credit Bureau Monitor. Not all credit bureaus are able to provide information per income band.

## Credit Bureaux Activity

The credit reports issued upon request from consumers decreased to 37 644 in quarter ending March 2008 from 45 697 in quarter ending December 2007. 90% of the 37 644 credit reports in the quarter of March 2008 were free.

## Consumer credit record disputes

Credit bureaux receive calls from consumers, which include general questions, queries and disputes on the details of their credit records. In December 2007 quarter, 13 990 disputes were made by consumers relating to information on their credit records. This number decreased to 12 653 in the quarter ending in March 2008.

## Independent opinion by Econometrix August 2008

### Impaired Records

The figures on impaired records show increased levels of debt stress but nothing dramatic or out of line with expectations arising from the gradual increases in interest rates. In addition, there does not seem to be any significant differences in the increase in indicated stress levels at the different income levels.

### Credit Market activity

There are two potential implications that could possibly be drawn from the data in this section of the report.

- The fall in enquiries from retailers may appear somewhat surprising in view of their increased requirement for careful credit reviews. However, it could be considered that they are facing a substantial decline in sales of goods on credit. Consumers prefer not to default (the records in tables 2 and 3 show this is indeed limited at this stage) but the sign of their stress is possibly indicated by the fall off in demand for goods on credit and hence applications for credit from retailers.

- The increase in enquiries from banks possibly indicates either individuals are seeking alternative avenues for credit and/or are drawing on their equity arising from the wealth effect arising from the equity now available in their other assets and property if purchased in earlier periods.

### Conclusion

The figures indicate that it is probably a relatively small group showing extreme debt stress, and therefore are not significantly affecting the aggregate figures being considered here. The analysis suggests that there are signs that stress is rising and could continue to rise over the next 12 to 18 month period, while the effect of past interest rate increases work their way through the system and are reflected in the data that becomes available. Under the circumstances, it is probably a time for caution in exercising policy options, which may exacerbate the situation.

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



\* Terms explained in definition section at the end of the report

Table 4: Enquiries

	DEC'07		MAR'08	
	Enquiries	%	Enquiries	%
Enquiries due to consumers seeking credits	12.81m	12.62%	11.14m	10.23%
Other credit related enquires	39.29m	38.69%	62.50m	57.40%
Enquiries not related to credit	49.44m	48.69%	35.24m	32.37%
<b>Total credit bureaux enquiries</b>	<b>101.54m</b>	<b>100%</b>	<b>108.88m</b>	<b>100%</b>

Table 5: Enquiries distributed according to sectors

	DEC'07		MAR'08	
	Enquiries	%	Enquiries	%
Banks	37.72 m	37.13%	52.77m	48.47%
Retailers	28.66m	28.20%	24.51m	22.51%
All Other*	35.16m	34.67%	31.60m	29.02%
<b>Total</b>	<b>101.54m</b>	<b>100%</b>	<b>108.88m</b>	<b>100%</b>

## Credit Market Activity

### Enquiries made on consumer records

As reflected in Table 4, 108.88 million enquiries were made on consumer records in the quarter to March 2008. This is an increase from 101.54 million enquiries in the quarter ending December 2007. 67.84% of enquiries were made for credit granting purposes of which only 10.23% (11.14 million) in March 2008 were because of consumers proactively seeking credit from a credit provider, this decreased from 12.62% (12.81 million) in December 2007.

### 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 48.47% of enquiries in quarter ending March 2008. This is an increase from 37.13% in quarter ending December 2007.

Retailers are the second largest users of consumer credit information at 22.51% in quarter ending March 2008. This is a decrease from 28.20% in quarter ending December 2007.

## 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.