

# Credit Bureau Monitor

Third Quarter | September 2008

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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 fourth release of the Credit Bureau Monitor and includes data until the third quarter of 2008.

## Summary

Credit bureaux maintain consumer credit information and are regulated by the National Credit Regulator. They also create the consumer credit profiles from information received monthly from credit providers.

As at September 2008, the credit bureaux had records for 17.53 million credit-active consumers\*:

- On average each credit-active consumer has three active accounts.
- Consumers are "in good standing" if none of their accounts are more than two months in arrears. The percentage of consumers in good standing decreased from 60.4% in June 2008 to 59.5% in September 2008. Overall, the percentage of consumers in good standing has decreased by 4.1% since June 2007.
- Consumers have an impaired record if any of their accounts is classified as three or more payments in arrears, or has an "adverse listing", or has a judgment or administration order against it. The number of consumers with impaired records increased from 6.79 million in the quarter ending June 2008 to 7.10 million in the quarter ending September 2008. The percentage of consumers with impaired record also increased from 39.6% in June 2008 to 40.5% in September 2008. The comparable percentage in June 2007 was 36.4%.
- In the quarter ending September 2008, 124.66 million enquiries were made against consumer credit records, compared to 110.24 million enquiries for the June 2008 quarter, resulting in an increase of 14.42 million enquiries. Enquiries on consumer records have been increasing since December 2007.
- Consumers lodged 9,867 disputes on the accuracy of the credit information on their credit records in the quarter ending September 2008. This increased from 9,666 in the quarter ending June 2008. The total number of disputes on consumers' credit records for the period June 2007 to September 2008 is 67,311.
- The National Credit Act provides that each consumer gets one free credit report per year. 46,459 free credit reports were issued to consumers in the quarter ending September 2008. This increased from 38,068 in the quarter ending June 2008. Since the National Credit Act became effective in June 2007, a total of 254,140 free credit reports were issued to consumers.

Credit standing of consumers: September 2008

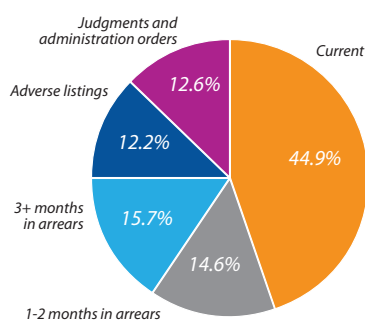


Table 1: Credit standing of consumers

	Jun'07	Sep'07	Dec'07	Mar'08	Jun'08	Sep'08
Credit-active consumers	16.78m	16.90m	17.12m	17.14m	17.17m	17.53m
Good standing (#)	10.67m	10.52m	10.67m	10.55m	10.38m	10.43m
Good standing (%)	63.6%	62.3%	62.4%	61.6%	60.4%	59.5%
Current	47.5%	46.6%	47.2%	45.1%	44.9%	44.9%
1-2 months in arrears	16.1%	15.7%	15.2%	16.5%	15.5%	14.6%
Impaired record (#)	6.11m	6.38m	6.45m	6.59m	6.79m	7.10m
Impaired record (%)	36.4%	37.7%	37.6%	38.4%	39.6%	40.5%
3+ months in arrears	12.8%	12.6%	13.5%	14.3%	15.3%	15.7%
Adverse listings*	11.8%	13.1%	12.7%	12.8%	13.1%	12.2%
Judgments and administration orders	11.8%	12.0%	11.4%	11.3%	11.2%	12.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Figure 1: Credit standing of consumers

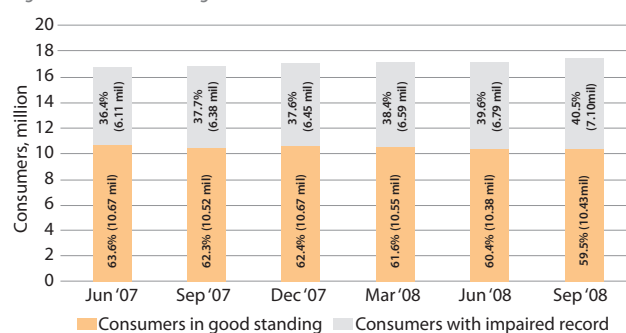


Figure 2: Consumers with impaired record

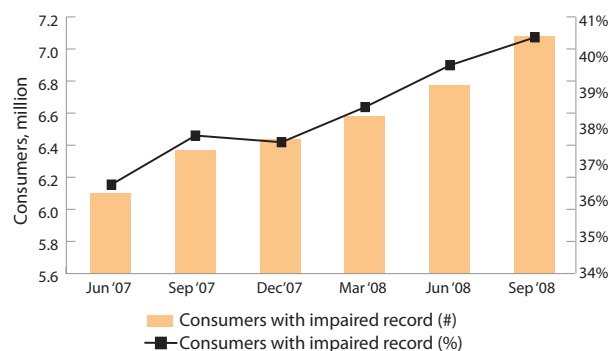


Table 2: Credit standing of accounts

	Jun'07	Sep'07	Dec'07	Mar'08	Jun'08	Sep'08
Consumer accounts	52.06m	51.55m	55.55m	58.12m	60.14m	60.82m
Good standing (#)	40.69m	39.95m	43.04m	45.32m	46.81m	47.39m
Good standing (%)	78.2%	77.5%	77.5%	78.0%	77.8%	77.9%
Current	68.1%	67.2%	67.4%	67.3%	68.1%	68.7%
1-2 months in arrears	10.1%	10.3%	10.1%	10.7%	9.7%	9.2%
Impaired record (#)	11.36m	11.60m	12.51m	12.80m	13.32m	13.43m
Impaired record (%)	21.8%	22.5%	22.5%	22.0%	22.2%	22.1%
3+ months in arrears	10.0%	9.4%	10.2%	10.4%	11.4%	12.5%
Adverse listings*	6.2%	7.3%	6.8%	6.6%	5.9%	4.9%
Judgments and administration orders	5.6%	5.8%	5.5%	5.0%	4.9%	4.7%
<b>Total</b>	<b>100%</b>	<b>100%</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 covers the period from April 2007 to September 2008.

## Credit Active Consumers

There were 17.53 million credit active consumers at the end of September 2008

As at the end of September 2008, credit bureaux held records for more than 37 million individuals on their databases of which 17.53 million (46.9%) were credit-active. The remaining 53.1% of records show only identification information but no credit activity (this includes minors, for whom only identification details are reflected).

### Further decrease in percentage of consumers in good standing

Of the total of 17.53 million credit-active consumers, the percentage of consumers in good standing decreased from 60.4% for the quarter ending June 2008 to 59.5% for the September 2008 quarter. The percentage of consumers with impaired record increased from 39.6% for the quarter ending June 2008 and 36.4% for the quarter ending June 2007 to 40.5% for the September 2008 quarter. Consumers with impaired record increased by 990,000 since the June 2007 quarter and by 310,000 since the June 2008 quarter. Further detail, including a breakdown of the nature of the impairments, is provided in Table 1 and Figure 1.

The number of consumers with impaired record has been increasing since June 2007. The rate of increase became more prominent in the three quarters of 2008 as reflected in Figure 2.

The increase in the number of credit active consumers is still influenced by the extent to which credit providers submit data that was previously not submitted to the credit bureaux thereby improving the accuracy of the data at the credit bureaux.

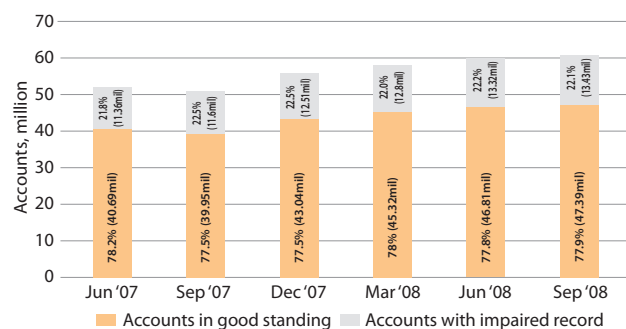
## Consumer Accounts

Table 2 is based on total aggregate of accounts held by all credit active consumers.

Credit-active consumers have, on average, three accounts per person. 60.82 million open accounts were listed on the credit bureaux databases as at September 2008, compared to 52.06 million for the June 2007 quarter and 60.14 million for the June 2008 quarter. Note that the increase in accounts is partly due to an increase in data submission and not only to an increase in credit provision.

Of the 60.82 million consumer accounts on record at credit bureaux at the end of September 2008, 68.7% were classified as current, 9.2% were one or two instalments in arrears, 12.5% were three or more instalments in arrears, 4.9% had an adverse listing and 4.7% had a judgment or administration order.

Figure 3: Credit standing of accounts



Since June 2007 to September 2008, accounts in current increased by 0.9%; accounts with one or two instalments in arrears decreased by 0.8%; accounts with three or more instalments in arrears have increased by 2.5%; accounts with adverse listing decreased by 1.3% and accounts with judgments or administration orders decreased by 0.9%. The decrease in adverse listing, judgments and administration orders may partly be attributed to credit providers being required to notify the consumers prior to listing with the credit bureaux or debt rearrangements agreed between credit providers and consumers or through debt counselling processes. Table 2 and Figure 3 illustrate further breakdown for each quarter since June 2007 to September 2008.

## Independent opinion by Econometrix

### Credit standing of consumers

The figures continue to show increased levels of debt stress, which is in line with the previous increases in interest rates. There are indications that the increasing stress level trend may be moderating. The effect of any decreases in interest rates is not yet reflected in these figures. Debt stress continues to be confined to a relatively small number of consumers.

### Consumer accounts

The figures in this section tend to confirm the moderating trends in debt stress set out above with certain exceptions. For example the three+ months in arrears continues to increase. This tends to indicate that institutions and credit providers are accommodating their customers with revised and or extended credit terms. The decreasing trend for adverse listings and judgement and administration (J&A) orders indicates that counselling and debt restructuring are having an affect on the overall figures and continuing to mask the true level of stress being felt by certain categories of consumer.

### Enquiries made on consumer records.

It should be noted that enquiries due to consumers seeking credit actually decreased but that all other enquiries continued to increase in absolute and percentage terms. It could be anticipated that in the next quarter ending December all enquiries including credit related enquiries will increase.

### Economic outlook for 2009

In looking ahead at 2009, the principal determinant of the extent to which domestic economic activity will decline further or might stabilise and recover, is likely to be the course of the global economy. There are a number of influences on

the South African economy, which favour the South African economy gradually recovering over the course of the coming year. These include:

- The dramatic reversal in recent months in the rising trend of fuel prices.
- Inflation more generally is likely to fall in coming months.
- The possibility of further interest rate cuts.
- The continuation of infrastructural investment.
- Salary increases are likely to improve consumers' balance sheets.
- 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.

In general, South Africa's financial system is in a much healthier state than that of its counterparts overseas. There is therefore considerable scope for the economy to sustain positive economic growth in the year ahead, albeit modest by recent standards. Despite difficulties and job losses experienced by some economic sectors, due to the factors set out above, the downturn in other parts of the economy will be more muted. It can therefore be expected that the level of debt stress in the economy will continue at relatively high levels in some sectors but the general level of consumer debt stress should start to reduce, as the recovery gets under way in the course of the year.

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



Table 3: Enquiries

	Number of enquiries				Percentage change		
	Dec'07	Mar'08	Jun'08	Sep'08	Dec'07 to Mar'08	Mar'08 to Jun'08	Jun'08 to Sep'08
Enquiries due to consumers seeking credit	12.81m	11.14m	12.75m	12.41m	-13.0%	14.5%	-2.6%
Other credit related enquiries	39.29m	62.50m	57.68m	66.45m	59.1%	-7.7%	15.2%
Enquiries not related to credit	49.44m	35.24m	39.81m	45.80m	-28.7%	12.9%	15.0%
<b>Total credit bureau enquiries</b>	<b>101.54m</b>	<b>108.88m</b>	<b>110.24m</b>	<b>124.66m</b>	<b>7.2%</b>	<b>1.3%</b>	<b>13.1%</b>

Table 4: All enquiries – distributions according to sectors

	Number of enquiries				Percentage change		
	Dec'07	Mar'08	Jun'08	Sep'08	Dec'07 to Mar'08	Mar'08 to Jun'08	Jun'08 to Sep'08
Banks	37.75 m	52.77m	43.40m	40.76m	39.8%	-17.8%	-6.1%
Retailers	28.69m	24.51m	28.38m	40.98m	-14.6%	15.8%	44.4%
All Other*	35.10m	31.60m	38.46m	42.92m	-9.9%	21.7%	11.6%
<b>Total</b>	<b>101.54m</b>	<b>108.88m</b>	<b>110.24m</b>	<b>124.66m</b>	<b>7.2%</b>	<b>1.3%</b>	<b>13.1%</b>

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

Table 5: Credit reports sold

	Number of credit reports				Percentage change		
	Dec'07	Mar'08	Jun'08	Sep'08	Dec'07 to Mar'08	Mar'08 to Jun'08	Jun'08 to Sep'08
Credit reports sold without charge	40,342	33,868	38,068	46,459	-16.0%	12.4%	22.0%
Credit reports sold with charge	5,355	3,776	2,989	2,072	-29.5%	-20.8%	-30.7%
<b>Total number of credit reports sold</b>	<b>45,697</b>	<b>37,644</b>	<b>41,057</b>	<b>48,531</b>	<b>-17.6%</b>	<b>9.1%</b>	<b>18.2%</b>

## Definitions

Terms used in the report	Definitions
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, plumbers, etc) and these obligations resulted in an entry on the consumer's credit record at the credit bureaux.
Impaired record	A record on which any of the accounts are either classified as three or more payments in arrears, or has an "adverse listing", or that reflects a judgment or administration order.
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.
Adverse listing	Accounts with adverse classifications such as 'slow paying', 'absconded', 'default', 'handed over' and/or 'write-off'.
Current	A consumer is up to date with payments and has not missed any instalment over the period of the credit agreement.

## Credit Market Activity

### Enquiries made on consumer records

Table 3 illustrates the number of enquiries made on consumer records per quarter from June 2007 to September 2008. 124.66 million enquiries were made on consumer records for the said period with a percentage increase of 13.1% from June 2008 quarter. For the quarter ending September 2008, 78.86 million (63.3%) of 124.66 million enquiries made, were for credit-granting purposes. Of the 78.86 million enquiries, 12.41 million were for credit application by consumers; this however shows a percentage decrease of 2.6% when compared to the quarter ending June 2008. Other credit-related enquiries, which include debt tracings and enquiries related to marketing, increased from 57.68 million for the quarter ending June 2008 to 66.45 million for the September 2008 quarter; a percentage increase of 15.2% when compared to the June 2008 quarter.

### Credit providers and retailers are the most frequent users of credit bureaux data

Table 4 illustrates consumer records enquiries by entity. Banks and retailers are the largest users of consumer credit information at 40.76 million and 40.98 million enquiries respectively for the quarter ending September 2008. For the quarter ending September 2008, retailers had a percentage increase of 44% while banks had a percentage decrease of 6.1%. Overall, in the year 2008, bank enquiries have been decreasing whilst retailer enquiries have been increasing each quarter.

## Credit Bureau Activity

Consumers requested 48,531 credit reports for the quarter ending September 2008 compared to 41,057 credit reports requested in the quarter ending June 2008. 95.7% of credit reports were free in the quarter ending September 2008. As at September 2008, the number of free credit reports issued since the National Credit Act became effective is 254,140. Further detail is provided in table 5.

### Consumer credit record disputes

In the June 2008 quarter, consumers lodged 9,666 disputes with respect to the information on their credit records. This number increased to 9,867 for the quarter ending in September 2008. As at September 2008, the total number of disputes lodged by consumers since the National Credit Act became effective is 67,311.