

Credit Bureaux Monitor

September 2007 | Quarter 3

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Introduction

In terms of the National Credit Act (NCA), credit bureaux are required to submit quarterly reports to the National Credit Regulator (NCR). This report is the first release of data as submitted by credit bureaux. The NCR will publish this credit bureaux monitor on a quarterly basis

The data presented in this report relates to the second and third quarter of 2007. It covers the period from 1 April 2007 to 30 June 2007 and 1 July 2007 to 30 September 2007.

Credit Active Consumers

There were 16.9 million credit active consumers at the end of September 2007

As at the end of September 2007, credit bureaux held records of more than 32.5 million individuals on their databases of which 16.9 million (53%) were credit active. The remaining 47% of records related either to persons below the age of 18, or to persons with only personal information such as a name and identification number.

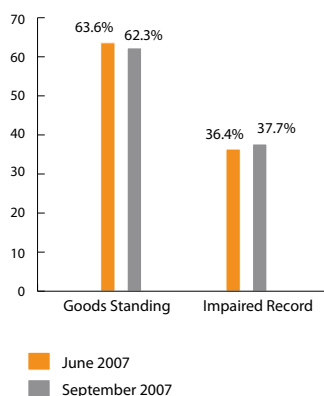
Consumers in “good standing” have declined during the September 2007 quarter

Table 1 illustrates the consumers’ credit health based on the status of their accounts.

Table 1: Credit standing of consumers

Credit Active Consumers	# Jun' 07	# Sep' 07	% Jun' 07	% Sep' 07
Good Standing	10.67 m	10.52 m	63.6%	62.3%
Current	7.96 m	7.87 m	47.5%	46.6%
1-2 months in arrears	2.71 m	2.65 m	16.1%	15.7%
Impaired Record	6.11 m	6.38 m	36.4%	37.7%
≥3 months in arrears	2.15 m	2.13 m	12.8%	12.6%
Adverse listings*	1.98 m	2.22 m	11.8%	13.1%
Judgments & administration orders	1.98 m	2.03 m	11.8%	12.0%
Total	16.77 m	16.90 m	100%	100%

Graph 1: Credit Standing of Consumers



Consumers in good standing decreased from 63.6% (10.67 million) in the June 2007 quarter to 62.3% (10.52 million) in the September 2007 quarter. Consumers with an impaired record increased from 36.4% (6.11 million) to 37.7% (6.38 million) in the two quarters. (percentages are expressed in relation to 'credit active consumers').

Of the 16.9 million credit active consumers at the end of September 2007, 46.6% were classified as current*. 15.7% had missed one or two instalments. 12.6% had missed three or more instalments. 13.1% had an adverse listing and 12.0% had a judgement or administration order against their record.

Consumer accounts in good standing decreased from 79.2% (40.78 million) in the June 2007 quarter to 78.5% (40.01 million) in the September 2007 quarter. Consumer accounts with negative entries increased from 20.8% (10.74 million) to 21.5% (10.97 million) in the September quarter.

Of the 50.98 million consumer accounts on record at credit bureaux at the end of September 2007, 68.0% were classified as current. 10.5% had missed one or two instalments. 9.4% had missed three or more instalments. 6.2% had an adverse listing and 5.9% had a judgment or administration order.

Consumer Accounts

Consumers have on average 3 accounts per person and 78.5% of accounts are in good standing

There were 50.98 million accounts listed on credit bureaux databases as at the end of September 2007 compared to 51.52 million accounts held as at the end of June 2007. This translated into an average of 3.02 accounts per credit active consumer at the end of September compared to 3.07 accounts as at the end of June 2007.

Table 2 provides a classification of accounts held on the credit bureaux according to account payment status.

Credit Active Consumers analysed by different income category*

Low income earners (earning less than R7500) account for 68.1% of credit active consumers

Based on a sample of records, and assumptions related to income proxies, it is estimated that consumers with a gross monthly income of less than R3500 constitute 23.5% of credit active consumers, while 44.6% earn between R3500 and R7500 and 31.9% earn more than R7500. The distribution did not change significantly between the June 2007 and September 2007 quarters.

Table 2: Credit standing of Accounts

Consumer Accounts	# Jun' 07	# Sep' 07	% Jun' 07	% Sep' 07
Good Standing	40.78 m	40.01 m	79.2%	78.5%
Current	35.49 m	34.68 m	68.9%	68.0%
1-2 months in arrears	5.29 m	5.33 m	10.3%	10.5%
Impaired Record	10.74 m	10.97 m	20.8%	21.5%
≥3 months in arrears	5.21 m	4.83 m	10.1%	9.4%
Adverse listings	2.60 m	3.13 m	5.1%	6.2%
Judgments & administration orders	2.93 m	3.01 m	5.6%	5.9%
Total	51.52 m	50.98 m	100%	100%

Table 3: Distribution of consumers according to income categories

Income Categories	# Jun' 07	# Sept' 07	% Jun' 07	% Sept' 07
Individuals earning up to R3500	3.95 m	3.96 m	23.6%	23.5%
Individuals earning R3500 to R7500	7.49 m	7.54 m	44.6%	44.6%
Individuals earning more than R7500	5.33 m	5.40 m	31.8%	31.9%
Total	16.77 m	16.90 m	100%	100%

Table 4: Credit standing according to different income categories

Income Bands	Individuals Earning up to R3500		Individuals Earning from R3500 - R7500		Individuals Earning more than R7500	
	Jun' 07	Sept' 07	Jun' 07	Sept' 07	Jun' 07	Sept' 07
Good Standing	48.1%	46.4%	61.0%	56.9%	77.9%	75.9%
Current	29.1%	28.5%	39.6%	36.4%	58.2%	55.9%
1-2 months in arrears	19.0%	17.9%	21.4%	20.5%	19.7%	20.0%
Impaired Record	51.9%	53.6%	39.0%	43.1%	22.1%	24.1%
≥3 months	17.6%	16.6%	11.8%	12.2%	5.4%	6.0%
Adverse listings	28.6%	30.8%	18.5%	21.6%	9.5%	10.5%
Judgments & administration orders	5.7%	6.2%	8.7%	9.3%	7.2%	7.6%
Total	100%	100%	100%	100%	100%	100%

Adverse listings have generally increased across all income categories

The credit standing of consumers in different income groups is summarised in Table 4. In each income category, consumers' credit health has decreased from the June 2007 quarter to the September 2007 quarter.

The lowest income category (earning up to R3500) has 46.4% consumers in good standing as apposed to 75.9% in the income category earning more than R7500.

Credit Market Activity

Enquiries made on consumer records decreased in the September 2007 quarter

Different parties access consumer information on credit bureaux for various reasons. It is most often used for the purpose of granting credit, but can also be used to trace individuals, verify an address or to assess a person who is being considered for employment in a position that entails the handling of cash or finances.

88.5 million enquiries were made on consumer records during the September 2007 quarter. This was lower than the 115.6 million enquiries on consumer records during the June 2007 quarter. In the September 2007 quarter, credit granting enquiries accounted for 65% of the total of 88.5 million enquiries (compared to 75% in the June quarter).

Credit providers are the most frequent users of credit bureaux data

An analysis of the type of entities that access consumer records shows that banks accounted for 43% of enquiries on consumer records in the September 2007 quarter. In the June 2007 quarter, bank enquiries constituted 49% of all enquiries. Retailers are the second largest users of consumer credit information, accounting for 15% of enquiries in the June 2007 quarter and 25% in the September 2007 quarter.

Credit Bureaux Activity

In the 12 months to September 2007, credit bureaux provided 160 195 free credit reports to consumers

Since 1 September 2006, consumers may request a free credit report from the credit bureau, once in 12 months. In the 12 months to September 2007, 160 195 such reports were provided to consumers.

In the September 2007 quarter, credit bureaux issued 59 169 reports to consumers of which 84.8% were free of charge. In the June 2007 quarter, 55 865 reports were issued of which 80.9% were free of charge.

Consumer credit record disputes

Credit bureaux receive calls from consumers, which include general questions, queries and disputes on the details of their credit records. For the quarter ending September 2007, consumers lodged over 35,000 disputes with the different credit bureaux.

Data cleansing benefits more than 6 million consumers

As part of Section 73 regulations of the National Credit Act, credit bureaux had to remove dormant accounts, adverse entries and certain judgment listings from consumer records. This process has proved to be of significant benefit to consumers with the removal of more than 5 million dormant accounts, more than 7 million adverse entries (related to debts of less than R500) and more than 1.2 million judgments. Based on data received from the credit bureaux, it is estimated that the data cleansing process has positively affected the credit records of more than 6 million consumers as at the end of September 2007.

In the June 2007 quarter, bank enquiries constituted 49% of all enquiries. Retailers are the second largest users of consumer credit information, accounting for 15% of enquiries in the June 2007 quarter and 25% in the September 2007 quarter.

Definitions

Terms used in the report	Definition
1. Credit active consumers	Means 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 are reflected in an entry on the consumer's credit record at the credit bureaux.
2. Impaired record	Means an account that has 3 or more missed instalment an adverse listing or judgment or administration order.
3. Good standing	Means that an account is current or one or two instalments have been missed.
4. Adverse listing	Includes adverse classifications of consumer behaviour, such as 'slow paying', 'absconded', 'default', 'handed over' and 'write-off'.
5. Current	Means that a consumer is up to date with payments and has not missed any payments by the due date.
6. Income categories	Credit bureaux have provided the NCR with income estimates based on various inputs and assumptions in an income estimator model. The income estimates were provided for a random sample of 70% of credit active consumers held on their database.

Payment status as per table 2:

The consumer is counted once in accordance with the account that has the worst payment status.

For example:

- If a consumer has three accounts and payments for all three accounts are up to date, the consumer is counted once under ***Current***.

- If a consumer has three accounts and two are current, but one of the accounts on record shows an entry of "handed over", the consumer is counted once under ***Adverse listing***.

For further information

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