

Presentation to the Portfolio Committee on Trade and Industry

Our Approach to Debt Relief



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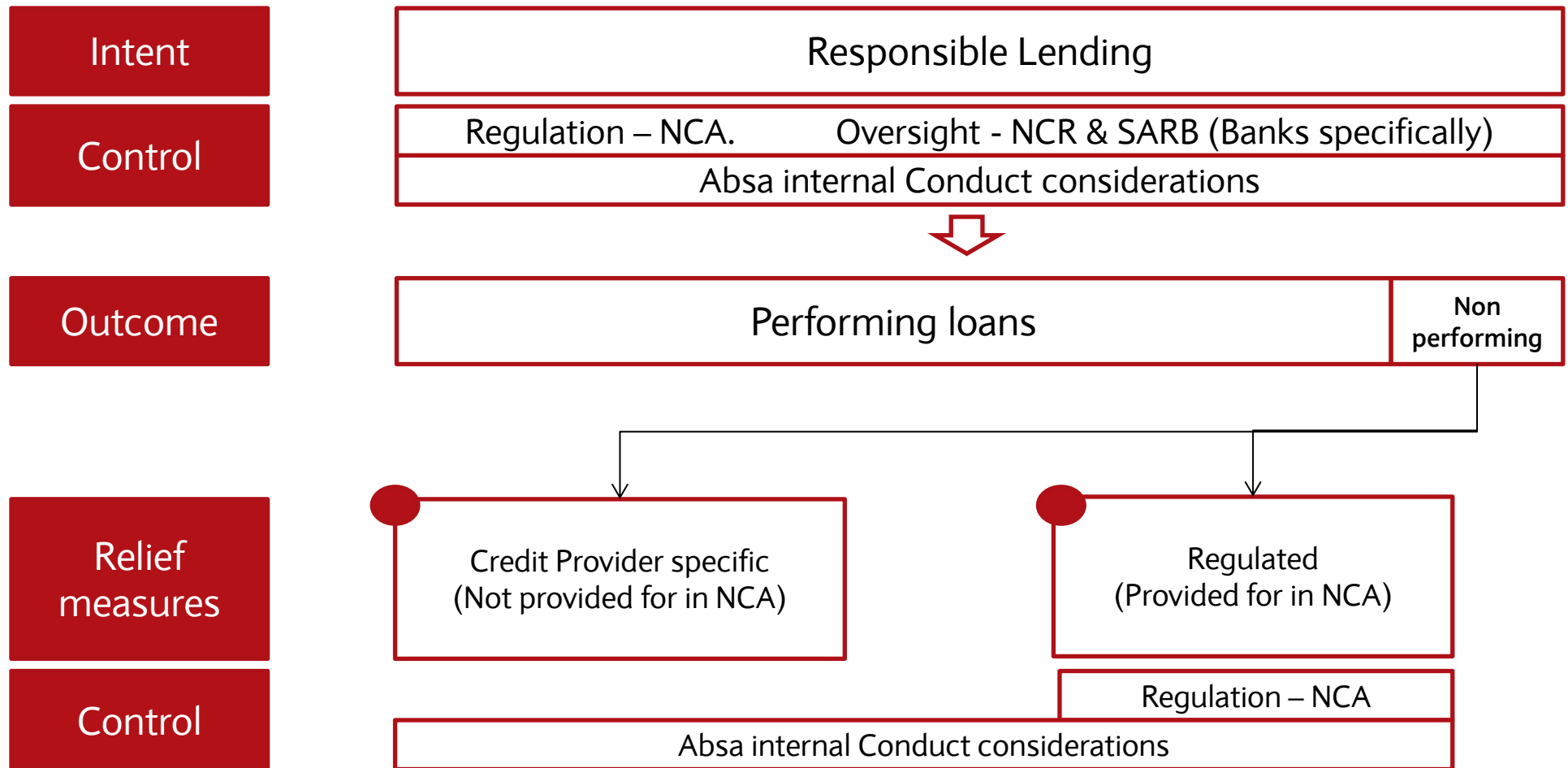
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Introduction

- Absa understands and fully supports the principle of responsible lending, not only from a legislative point of view in terms of adherence to the NCA, but also from its own Conduct and Commercial considerations.
- Our purpose is to help people achieve their ambitions - in the right way. This underscores the principle of responsible lending as well as finding solutions for customers where they find themselves in financial difficulty due to changes in circumstances.
- We therefore fully support the Committee's intention to assist over-indebted consumers and appreciate the opportunity to participate in the process.
- This paper aims to:
 - Provide general context.
 - Provide a view on all measures (*Regulated and non-Regulated*) we apply to support customers in finding debt relief solutions that work for both parties - whilst balancing the rights of the customer as well as our rights as credit provider.
 - Outline the key benefits of current debt relief measures and point out areas of potential improvement requiring consideration.
 - Outline key criteria that should inform qualification for debt relief measures as well as the potential impact thereof.

General context

Reckless lending is voidable, relief applies to legal lending



Absa provides more than just legislated debt relief measures

Recommend a mix of Credit Provider specific and Regulated measures

	Credit Provider specific (Not provided for in the NCA)	Regulated (Provided for in the NCA)
Benefits	<ul style="list-style-type: none"> Commercial incentive to find workable solutions with customers. Rather have performing loans. Promotes innovation which could feed future industry standards and potentially regulation. Flexibility - allows for bespoke solutions/agreements based on customer specific circumstances. Concessions pre-agreed (where DCRS is used). Solves quicker. Does not require court involvement. 	<ul style="list-style-type: none"> Provides a standard approach. Can be monitored by Regulators and enforced. Allows for coordination across the industry where a borrower has multiple credit providers.
Current practice and opportunities	<ul style="list-style-type: none"> Bespoke arrangement plans: <ul style="list-style-type: none"> <i>Term and rates concessions.</i> Re-ages (curing of arrear debt) <ul style="list-style-type: none"> <i>When temporary lapse in payment occurs.</i> Settlement discounts <ul style="list-style-type: none"> <i>Provides incentive to customer.</i> Credit life <ul style="list-style-type: none"> <i>Includes retrenchment, disability and life cover. Assist customers with claims and awareness.</i> Low balances (protecting lower income and/or vulnerable customers) HelpU sell (Mortgages) Do not subscribe to Emolument Attachment Orders. 	<ul style="list-style-type: none"> Debt Review – good legislation, however: <ul style="list-style-type: none"> Education/Awareness. Adoption barriers – legal cost & turnaround time of Debt Counseling process. Process inefficiencies: e.g. DCRS adoption provides opportunity. Non NCA debt not included legislatively. Maximum solve term does not allow for customer specific requirements. No incentive for good behaviour other than rehabilitation. No real-time update of DC status at credit bureaus. In duplum. Prescription.
Overall	Continuous evaluation of the success of measures and testing of challenger alternatives.	Good legislation with incredible potential - not fully optimised yet. Some challenges requiring solutions.

Criteria and impact of debt relief measures

- Criteria should be based on **willingness** and **ability** to pay:
 - Regardless of industry or other groupings that could be interpreted as preferential against another.
 - Regardless of type of debt or term. However, the debt relief solutions should take into account the nature of the debt in order to solve.
- Need to have the ability to deal with changes in circumstances.
- Criteria should not impact on consumers not requiring debt relief:
 - No risk to depositor funds.
 - Should not create incremental costs that could increase cost of credit.
 - Not cause restrictions of accessibility to credit.
- **Fully supportive** of debt relief measures that are **sustainable**. The impact of optimising existing debt relief measures alone would be material based on the growth in Debt Counseling observed despite the current inefficiencies/issues experienced.