National Debt Counselling Association
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The Honourable MP Ms J Fubbs
Chairperson: Portfolio Committee on Trade and Industry
Attention: Mr A Hermans
Parliament of the Republic of South Africa
Cape Town 8000

12 January 2018

Dear Honourable Fubbs,MP

The National Debt Counselling Association (NDCA) is made up of a number of member organisations (predominantly large debt counselling companies, namely National Debt Advisors, Pioneer Debt Counselling, Consumer Debt Help, DebtBusters) who collectively serve over 30% of the active consumers under debt counselling. As NDCA, we welcome the Trade and Industry Portfolio Committee's diligent work on crafting the "debt relief bill" as an amendment to the National Credit Act, and the tireless efforts you and other MPs have exerted to improve the financial situation of those consumers who need it the most.

Over the last decade, our member companies have collectively helped over 100,000 South African consumers (reaching over 400,000 when you include their families) improve their financial situations. We believe debt counselling is a very successful, world-class, one-of-a-kind mechanism that helps South Africans get back on their financial feet.

The Debt Counselling industry is also an important job creator, with estimated 8,000-10,000 South Africans currently working in the industry. Furthermore, Debt Counsellors speak to over 100,000 of South Africans each month, giving free financial advice and free credit reports to those citizens who need it most. Many of those consumers are those who would fall under the target category of the debt relief bill.

In fact, one of our member organisations, Consumer Debt Help, was set up in 2013 as a dedicated low-income focused Debt Counselling Company where over 9,000 South Africans with income of R6,000 p.m. or less were assisted over the years. Therefore, as an association, we have firsthand knowledge on what it takes to help the most vulnerable, low-income consumers.

Overall, we support the debt relief bill. In our view, there are three areas that we submit which should be considered that should make the implementation of the legislation more practical:

1. **Utilizing the existing infrastructure of debt counsellors**: The dti and the NCR have built up, over the last decade, a fantastic infrastructure of over 3,000 debt counsellors across South Africa, who speak to probably 1m over-indebted consumers each year. We submit that the committee should explore further how existing mechanisms can be used rather than reinventing the process. The industry has the infrastructure and the reach to deal with assessments from debt

relief bill, and in any case, debt counsellors already field inquiries from thousands of consumers who are the primary target of the debt relief bill. In addition, NCR/NCT does not have adequate operational capacity to certify reported income, collate credit report documents, and put a case together to determine whether someone would benefit from such a programme. However, debt counsellors already do all of these, and therefore must be made part of the assessment process. We believe and submit that DCs should also be allowed to make the assessment on behalf of consumers; that way the existing infrastructure of DCs can be used not only for assessments, but also for wider awareness and spreading the word. We submit that one way to manage costs and avoid abuse would be to have a "flat fee" model.

2. **Using existing avenues and NCA provisions to help consumers**: Many over-indebted consumers already have credit insurance (credit life insurance) as part of credit agreements they would have signed in the past. As part of the debt relief assessment, whether existing credit life could cover outstanding debt in the case of retrenchments, should be evaluated. We believe that at least 25% of existing credit agreements have credit life insurance that could help individuals. In addition, the NCR has the power to change reckless lending and affordability assessment metrics. For example, currently 9% of a consumer's net income could be used as threshold for determining "minimum necessary expenses" by a credit provider – NCR can change this ratio. Similarly, we believe the provisions made for punishment of reckless lending are adequate in the current National Credit Act – instead of changing provisions to punish debt counsellors for "negligence" with regards to reckless lending, the share of net income that can be used for necessary expenses as part of affordability assessments should be increased from 9% to a much higher number, such as at least 20-25%.

3. **Targeting the segment of the population who would benefit the most**: Some of the targeted consumers can afford other avenues, such as debt counselling. Therefore, we believe some other qualifying criteria (such as debt/income ratio?) must be put in place to ensure "those who can afford to, pay down their debt" within existing debt relief avenues available. Those consumers who can afford debt counselling should be given a low-income subsidy. The NDCA has proposed such a low-income subsidy, and would be happy to share the details.

In addition to the aforementioned policy concerns, we have also attached an addendum with specific comments on the proposed debt relief bill. As the NDCA, we would welcome the opportunity to present to the Committee as part of the public hearings process.

We look forward to hearing from you.

Yours sincerely,

Benay Sager
Chairperson
National Debt Counselling Association
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