

# NATIONAL CREDIT REGULATOR

***PRESENTATION TO PORTFOLIO COMMITTEE ON  
TRADE & INDUSTRY  
ON THE NCR's STRATEGIC & ANNUAL  
PERFORMANCE PLAN***

**PRESENTED BY  
NCR CEO: MS NOMSA MOTSHEGARE  
26 MAY 2021**

# NCR EXECUTIVE TEAM

Deputy Chief Executive Officer: Adv. Obed Tongoane

Chief Financial Officer: Ms Josephine Meyer

Company Secretary: Mr Lesiba Mashapa

# OVERVIEW OF THE PRESENTATION

- ❖ Vision & Mission
- ❖ Legislative mandate of the NCR
- ❖ 5-year strategic plan
- ❖ NCR's annual performance plan 2021-2024
- ❖ Budget summary
- ❖ Credit trends during the COVID-19 period
- ❖ Debt relief measures during the COVID-19 period
- ❖ Conclusion

# VISION & MISSION

## VISION

To promote a South African consumer credit market that is fair, transparent, accessible and dynamic.

## MISSION

To support the social and economic advancement of South Africa, by:

- ❖ regulating for a fair and non-discriminatory market for access to consumer credit; and
- ❖ promoting responsible credit granting, use and effective redress.

# LEGISLATIVE MANDATE OF THE NCR

- To promote a fair & non-discriminatory marketplace for access to consumer credit: to provide for general regulation of consumer credit & improved standards of consumer information;
- To prohibit certain unfair credit and credit marketing practices;
- To promote responsible credit granting and use to prohibit reckless credit granting;
- To provide for debt re-organisation in cases of over-indebtedness;
- To regulate credit information; and
- To promote a consistent enforcement framework relating to consumer credit.

# The current credit landscape

**Credit Providers**



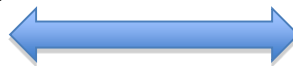
**Credit Providers = 8329**

**Alternative Dispute Resolution Agents = 7**

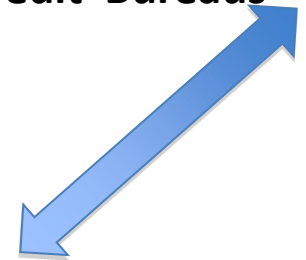
**Credit Bureaus = 44**



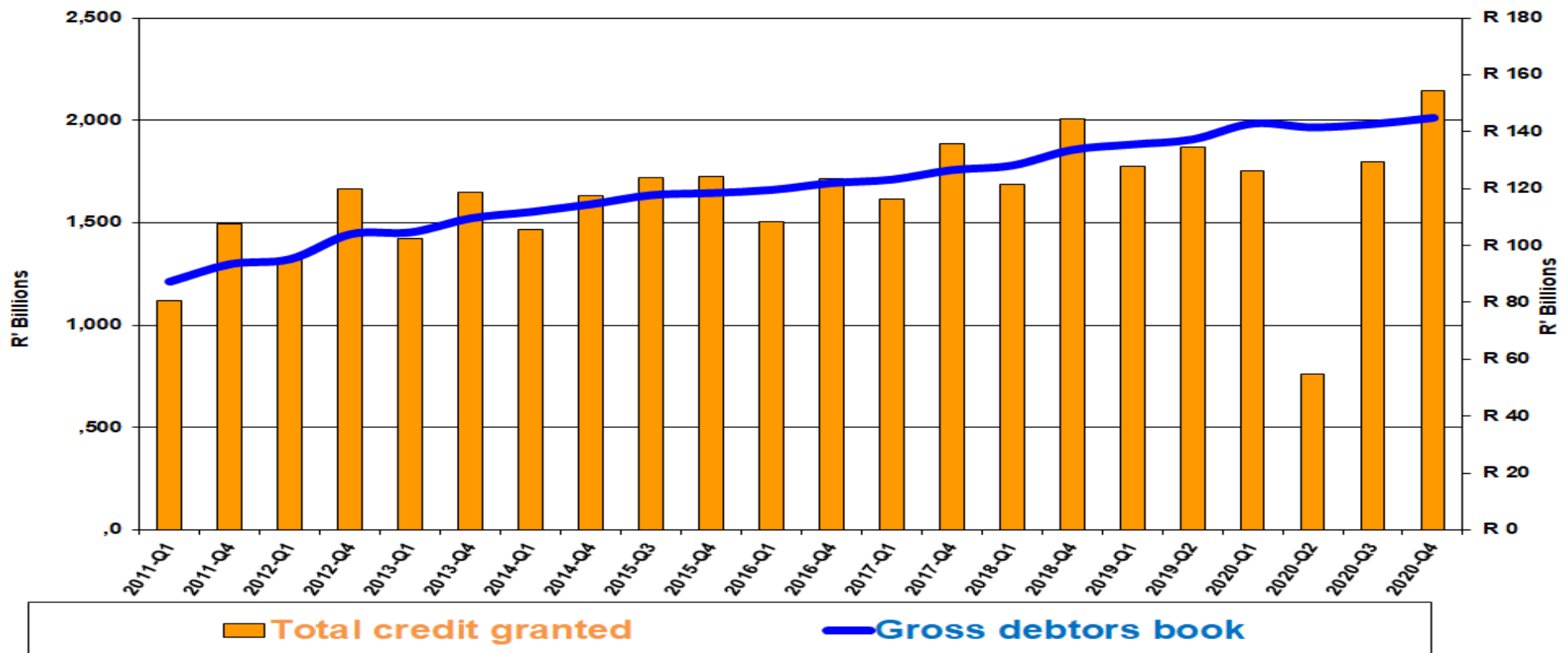
**Payment Distribution Agents (PDA) = 4**



**Debt Counsellors = 1722**



# Disbursement vs. outstanding debtors book - grand total



Credit Granted vs Gross Debtors	2018-Q4	2019-Q1	2019-Q2	2019-Q3	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4
Gross debtors book	R1,85 tri	R1,88 tri	R1,90 tri	R1,93 tri	R1,96 tri	R1,98 tru	R1,96 tri	R1,98 tri	R2,01 tri
Total credit granted	R144,66 bil	R127,86 bil	R134,71 bil	R143,00 bil	R145,38 bil	R126,35 bil	R54,68 bil	R129,45 bil	R154,42 bil

# NCR statistical releases

**Collect & disseminate information from credit bureaus & credit providers (sections 13, 16 et al)**

**For the purpose of (a) monitoring trends by the NCR, other public entities & government, and (b) information for the credit industry to assess trends & risks**

**Focus on dis-aggregation, to get better understanding of profile of credit granted, profile of consumers, access to different form of finance ... & changes over time**





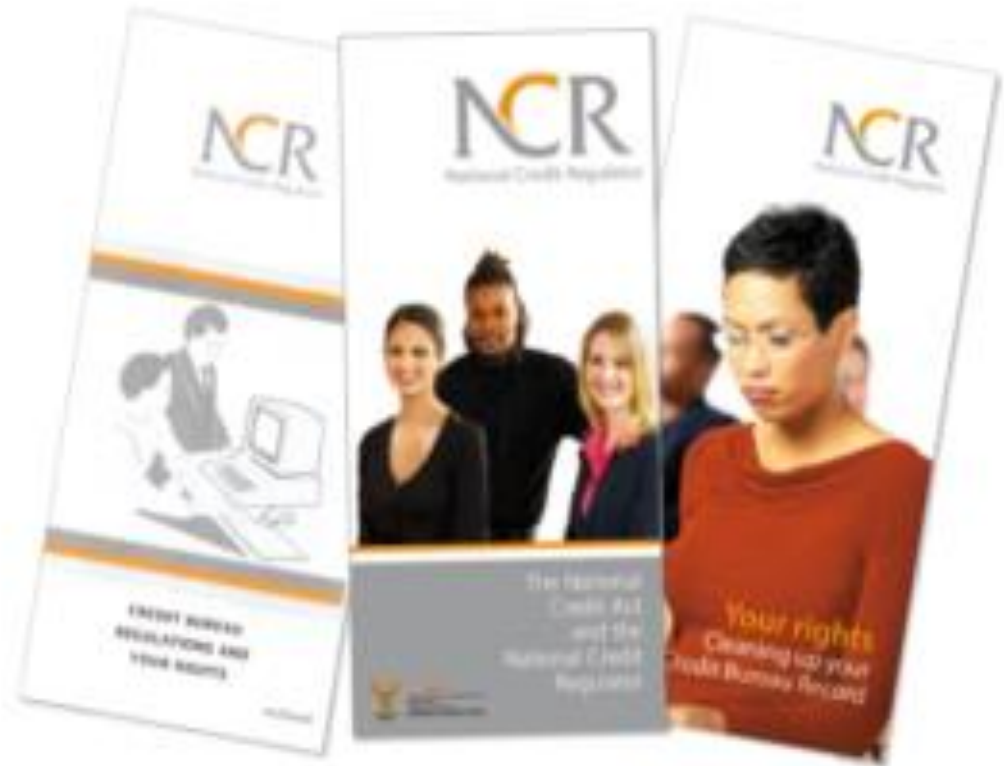
# NCR publications



## THE NATIONAL CREDIT ACT, 2005 (MOLAO WA SETSHABA WA SEKOLOTO)

'Ka moka tšeo o swanetšego go di tseba ka ga  
Molao wa Setšhaba wa Sekoloto bjalo ka moadimi'

Volume 1: 2007



*Summary of Act & short brochures on different aspects  
... in all official languages & available on [www.ncr.org.za](http://www.ncr.org.za)*

# ***5-YEAR STRATEGIC PLAN***

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**Impact statement 1: Improved regulatory environment, which promotes economic growth through job creation, integration and transformation.**

**Impact statement 2: A fair, responsible and accessible consumer credit market promoted.**

# 5-YEAR STRATEGIC PLAN (continued)

## Impact statement 1: Improved regulatory environment, which promotes economic growth through job creation, integration and transformation.

Outcome	Outcome indicators	Five year target
Improved consumer protection through education and awareness of the NCA.	Number of consumer education and awareness campaigns and activities conducted on consumer rights.	3 400
	Number of consumer education and awareness campaigns and activities conducted on deceptive and unfair practices.	650
Increased efficiency in registration of persons and entities to facilitate creation of job opportunities.	% of new entrants (persons and entities) registered within a number of days of receipt of signed proposed conditions and payment of registration fees.	99% of applications registered within 2 business days.

# 5-YEAR STRATEGIC PLAN (continued)

## Impact statement 2: A fair, responsible and accessible consumer credit market promoted:

Outcome	Outcome indicators	Five year target
Improved compliance through enforcement of the NCA	Number of investigations on credit providers for compliance with regulations pertaining to the total cost of credit.	2 000 investigations
	Number of investigations on credit providers for compliance with regulations pertaining to reckless lending.	1 500 investigations
	Number of investigations on credit bureaus for compliance with the Act	70 investigations

# NCR's ANNUAL PERFORMANCE PLAN 2021-2024

## 1. Institutional Programme Performance Information

### 1.1. Programme: Improved regulatory environment

1.1.1. Purpose of the programme: To promote economic growth through job creation, integration and transformation.

Outcome	Output	Annual Target	Medium Term Targets	
		2021-22	2022-23	2023-24
Improved consumer protection through education and awareness of the NCA.	Conduct consumer education and awareness campaigns and activities regarding consumer rights	500	520	540
	Conduct campaigns and activities regarding deceptive and unfair practices.	120	130	140

# NCR's ANNUAL PERFORMANCE PLAN 2021 -2024 (continued)

Outcome	Output	Annual Target	Medium Term Targets	
		2021-22	2022-23	2023-24
Increased efficiency in registration of persons and entities to facilitate creation of job opportunities	Improve efficiency in the registration process of persons and entities.	Register 97% of persons and entities in the consumer credit market within 9 business days of receipt of signed proposed conditions and payment of registration fees.	Register 98% within 8 business days	Register 99% within 7 business days

# NCR's ANNUAL PERFORMANCE PLAN 2021 -2024 (continued)

## 1.2 Programme: Enforcement of the National Credit Act.

**1.2.1 Purpose of the programme:** To promote a fair, responsible and accessible consumer credit market through the enforcement of the NCA.

Outcome	Output	Annual Target	Medium Term Targets	
		2021-22	2022-23	2023-24
Improved compliance through enforcement of the NCA.	Improve compliance with regulations pertaining to the total cost of credit	Conduct 420 investigations on credit providers	440	500
	Enforcement action taken where necessary by end of the financial year.	Take enforcement action on 80% of investigations which identified noncompliance	80%	85%

# NCR's ANNUAL PERFORMANCE PLAN 2021 -2024 (continued)

## 1.2 Programme: Enforcement of the National Credit Act (Cont.)

Outcome	Output	Annual Target	Medium Term Targets	
		2021-22	2022-23	2023-24
Improved compliance through enforcement of the NCA.	Improve compliance with regulations pertaining to the total cost of credit (including credit life insurance)	Conduct an impact study of limitations on fees and interest rates and credit life regulations and submit a final report to the dtic.	-	-



# NCR's ANNUAL PERFORMANCE PLAN 2021 -2024 (continued)

## 1.2 Programme: Enforcement of the National Credit Act

Outcome	Output	Annual Target	Medium Term Targets	
		2021-22	2022-23	2023-24
Improved compliance through enforcement of the NCA.	Conduct investigation relating to reckless lending and/or collection of prescribed debt, on credit providers	Conduct 380 investigations on credit providers	430	450
	Enforcement action taken where necessary by end of the financial year.	Take enforcement action on 70% of investigations which identified noncompliance	75%	80%

# NCR's ANNUAL PERFORMANCE PLAN 2021 -2024 (continued)

## 1.2 Programme: Enforcement of the National Credit Act.

Outcome	Output	Annual Target	Medium Term Targets	
		2021-22	2022-23	2023-24
Improved compliance through enforcement of the NCA.	Improve compliance by hosting credit bureaus in respect of quality, accuracy, data security/protection, the removal of paid up judgements and adverse consumer credit information.	Conduct 3 investigations on hosting credit bureaus	4	5
	Enforcement action taken where necessary by end of the financial year.	Take enforcement action on 75% on investigations which identified noncompliance	75%	80%

# NCR's ANNUAL PERFORMANCE PLAN 2021 -2024 (continued)

## 1.2 Programme: Enforcement of the National Credit Act.

**1.2.1 Purpose of the programme:** To promote a fair, responsible and accessible consumer credit market through the enforcement of the NCA.

Outcome	Output	Annual Target	Medium Term Targets	
		2021-22	2022-23	2023-24
Improved compliance through enforcement of the NCA.	Improve compliance by hosting credit bureaus relating to quality, accuracy, data security/protection, the removal of paid up judgements and adverse consumer credit information	Evaluate 100% annual compliance reports certified by an independent auditor, submitted by credit bureaus for their 2020 financial year.	100%	100%
		Take enforcement action on 70% of non-compliant credit bureaus	70%	70%

# NCR's ANNUAL PERFORMANCE PLAN 2021 -2022 (continued)

## DTIC Joint Key Performance Indicators

The following Joint Indicators set out areas of focus that National Credit Regulator (NCR) will report to on a quarterly basis to the Executive Authority. NCR will contribute to achievement of the joint indicators and the output required in a report to the Executive Authority that sets out the actions taken by NCR highlighting the contributions to the achievement of the dtic outcomes.

- **Joint Indicator 1: Integrated support to drive industrialisation**
- **Joint Indicator 2: The AfCFTA (Africa Continental Free Trade Area) Export Plan**
- **Joint Indicator 3: Investment Facilitation and Growth**
- **Joint Indicator 4: District Development and Spatial Equity**
- **Joint Indicator 5: Actions to promote transformation**
- **Joint Indicator 6: The Green Economy and Greening the Economy**
- **Joint Indicator 7A (Generic): Strengthening and building a capable state**

# NCR's ANNUAL PERFORMANCE PLAN 2021 -2022 (continued)

## Joint Indicator 1: Integrated support to drive industrialisation

Output Indicator	2021-22 Annual Target
A percentage (%) of the procurement plan dedicated to increasing and diversifying localization through government and private sector procurement and promotion of beneficiation	Implement 60% of the procurement plan (excluding ICT procurement)

## Joint Indicator 2: The AfCFTA (Africa Continental Free Trade Area) Export Plan

Output Indicator	2021-22 Annual Target
Sign Memorandum of Understanding with 1 Regulator in one SADC country for regulatory information sharing and capacity building.	Sign Memorandum of Understanding with 1 Regulator in one SADC country for regulatory information sharing and capacity building.

# NCR's ANNUAL PERFORMANCE PLAN 2021 -2022 (continued)

## Joint Indicator 3: Investment Facilitation and Growth

Output Indicator	2021-22 Annual Target
Number of workshops conducted on developmental credit	Conduct 2 workshops on developmental credit
A research report with recommendations on regulatory impediments	One research report with recommendations on regulatory impediments

## Joint Indicator 4: District Development and Spatial Equity

Output Indicator	2021-22 Annual Target
Participate and consider applications in the IFWG to test products to facilitate entry into the South African credit.	Participate and consider applications in the IFWG where necessary.

# NCR's ANNUAL PERFORMANCE PLAN 2021 -2022 (continued)

## Joint Indicator 5: Actions to promote transformation

Output Indicator	2021-22 Annual Target
A percentage(%) of the procurement spent on majority women owned companies	40% of procurement spent on majority women owned companies
Number of National Credit Act training sessions for women owned companies conducted.	Conduct 4 training sessions to women owned law firms.

## Joint Indicator 6: The Green Economy and Greening the Economy

Output Indicator	2021-22 Annual Target
Recycle used working paper and obtain a certificate.	A certificate produced on recycled used working paper.

# NCR's ANNUAL PERFORMANCE PLAN 2021 -2022 (continued)

## Joint Indicator 7A (Generic): Strengthening and building a capable state

Output Indicator	2021-22 Annual Target
% of new persons and entities registered in consumer credit market within a number of business days of receipt of signed proposed conditions of registration and payment of fees.	Register 97% of persons and entities within 9 business days.



# BUDGET SUMMARY

Budget items	2018/19 Final	2019/20 Final	2020/21 Preliminary	2021/22 Budget	2022/23 Estimate	2023/24 Estimate
	R'000	R'000	R'000	R'000	R'000	R'000
Income	137 611	167 733	157 803	169 400	174 100	176 700
Expenditure	(136 772)	(143 399)	(157 803)	(169 400)	(174 100)	(176 700)
Difference	839	24 334	-	-	-	-

# Revenue

Revenue Streams	2018/19 Final	2019/20 Final	2020/21 Preliminary	2021/22 Budget	2022/23 Estimate	2023/24 Estimate
	R'000	R'000	R'000	R'000	R'000	R'000
dtic grant	75 361	79 580	71 272	81 430	83 241	84 060
Fees from registrants	41 573	49 526	52 002	52 000	52 000	52 000
Other income	20 677	38 627	34 529	35 970	38 859	40 640
Total revenue	137 611	167 733	157 803	169 400	174 100	176 700

Note:

Other income comprise a recovery of costs incurred for investigations and consumer education activities conducted.

# Expenditure item

Expenditure items	2018/19 Final	2019/20 Final	2020/21 Preliminary	2021/22 Budget	2022/23 Estimate	2023/24 Estimate
	R'000	R'000	R'000	R'000	R'000	R'000
Compensation of employees	85 297	89 612	87 366	92 400	94 300	98 800
Goods and services	48 113	47 375	55 684	66 800	69 200	67 000
Capital Expenditure	3 362	6 412	14 753	10 200	10 600	10 900
Total budget	136 772	143 399	157 803	169 400	174 100	176 700
Total approved budget	137 611	167 733	157 803	169 400	174 100	176 700
Difference	(839)	(24 334)	-	-	-	-

1. The increase in compensation of employees is as a result of the filling of posts, including internships.
2. The increase in operating expenditure is due to additional research topics identified (e.g. Research on unsecured loans & the impact on COVID-19) & the increase in cellphone/data costs due to remote working

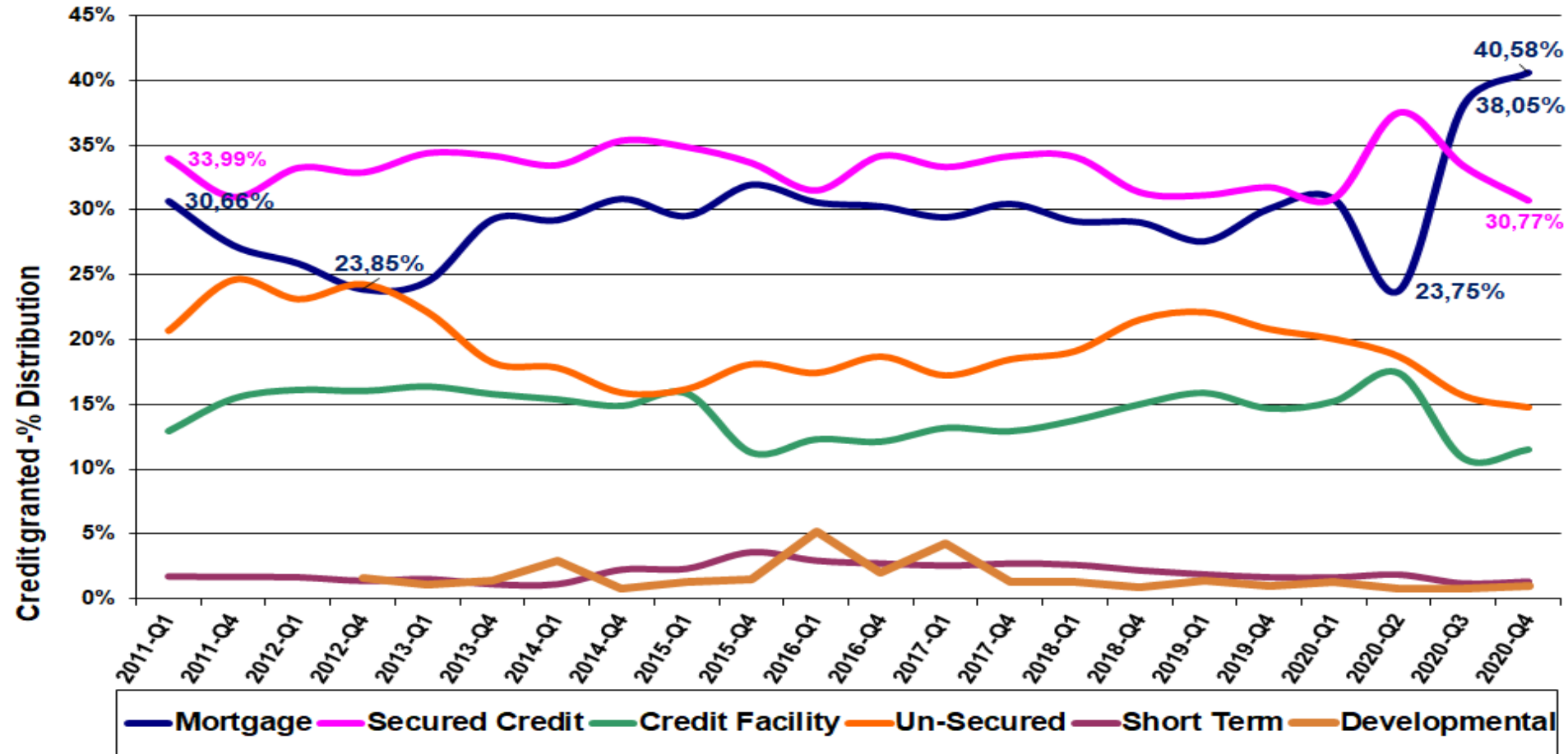
# CREDIT TRENDS DURING THE COVID-19 PERIOD

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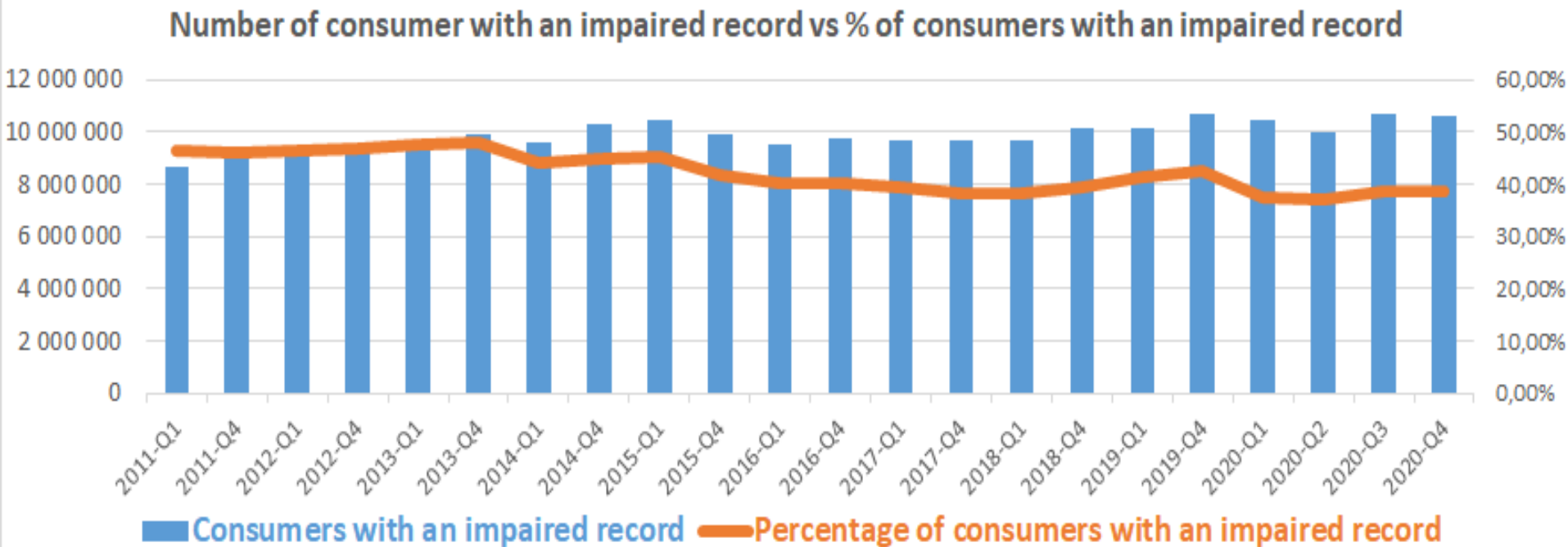
## Statistics

On the credit trends during the COVID-19 period

# Percentage distribution of disbursement per credit type



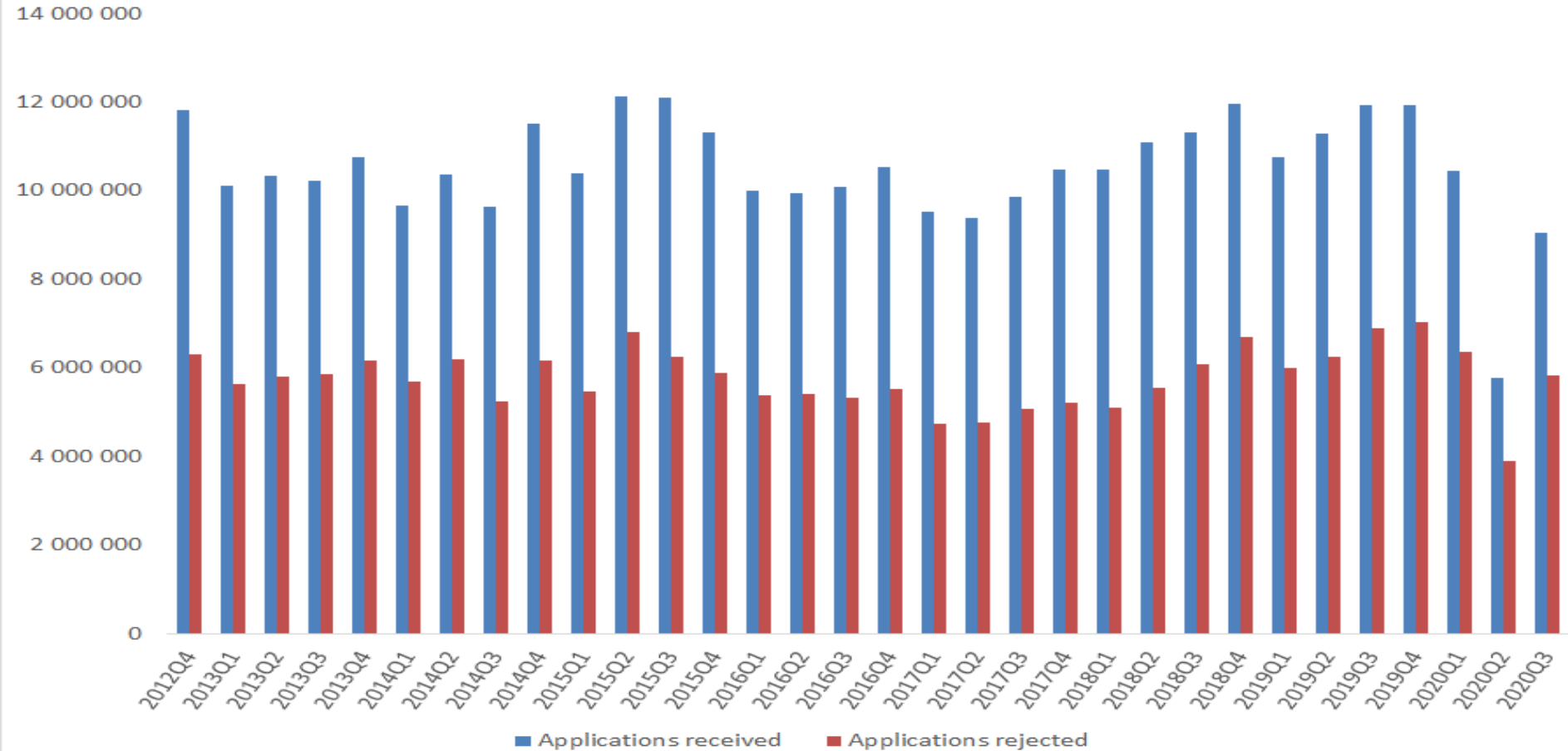
# The current credit landscape...performance of consumers



- Consumers with impaired records increased slightly in December 2020, the majority of which are 3 or more months in arrears.
- Consumers are showing elements of debt stress, this continued even after some credit providers offered payment holidays during the national lockdown level 5 and 4.

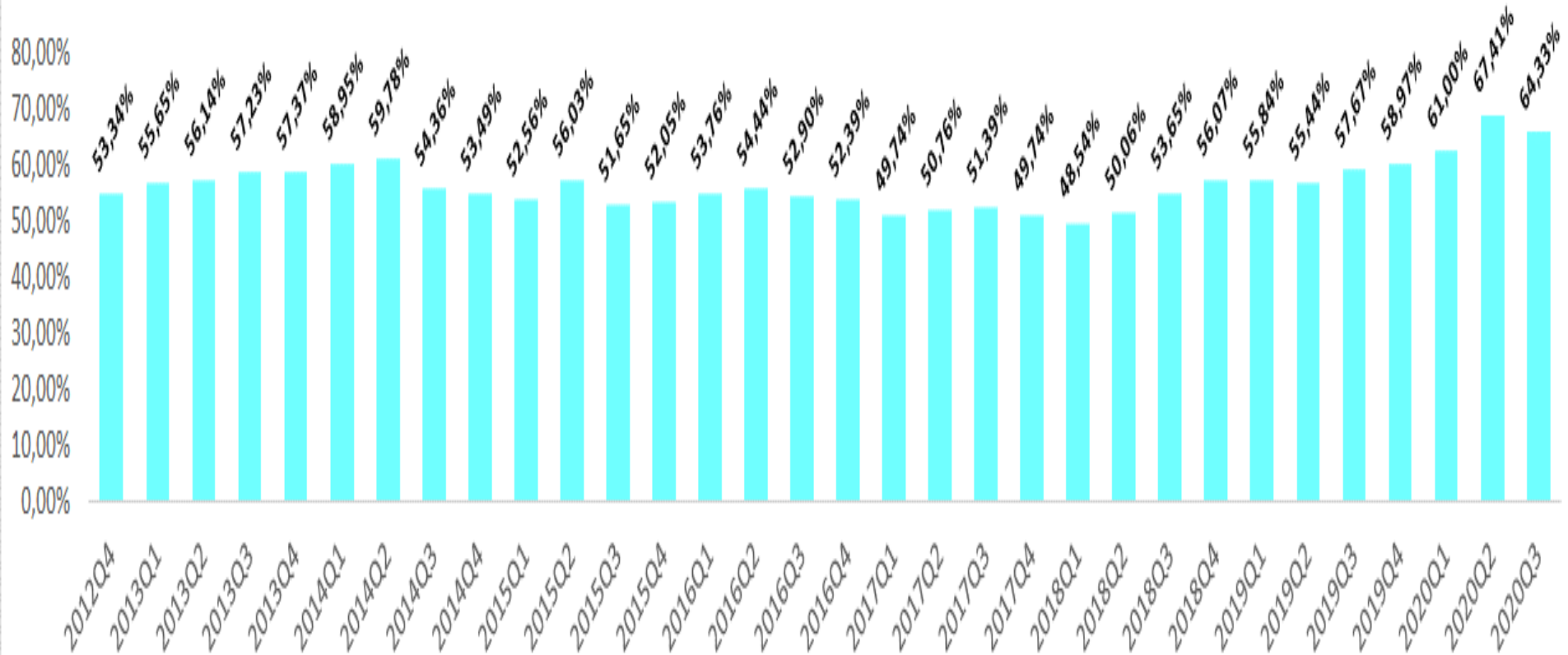
# Applications received and rejected

Application for credit



# Rejection rate

Rejection rate





# Applicable interest rate caps: pre and during national lockdown

Credit type	Maximum Prescribed Interest Rate	Maximum Prescribed Rate: Pre national lockdown (Effective-19-03-2020)	Maximum Prescribed Rate: During National lockdown- (Effective-25-03-2021)
1. Mortgage agreements	[RR + 12%] per year	18,25%	15,50%
2. Credit facilities	[RR + 14%] per year	20,25%	17,50%
3. Unsecured credit transactions	[RR + 21%] per year	27,25%	24,50%
4. Developmental credit agreements	[RR + 27%] per year	33,25%	30,50%
4.1 Small business			
4.2 Low income housing			
5. Short-term transactions	5 % per month on the first loan, 3% per month on subsequent loans	5% per month and 3%	
6. Other credit agreements	[RR + 17%] per year	23,25%	20,50%
7. Incidental credit agreements	2% per month	2% per month	

**Current Repo Rate (RR) is 3.50% as determined by SARB. Prime rate =7,00%**

**Pre National lockdown Repo Rate (RR) was 6,25% and prime rate was 8.75% = 2020/03/20**

# DEBT RELIEF MEASURES DURING THE COVID-19 PERIOD

The following added debt relief measures were offered to consumers who were experiencing financial difficulties:

- ❑ Payment breaks/holiday(period varied per credit provider and subject to credit risk guidelines);
- ❑ Claims from Credit life insurance;
- ❑ Restructuring of debt and reduction of instalments;
- ❑ Emergency loans; and
- ❑ Debt review consumers who were adversely impacted were given an opportunity to apply for change in circumstance.

# Impact on debt counselling industry

To have a broader picture on the impact of the pandemic for consumers from a **Debt Counsellor (DC)** point of view, a survey was conducted and responses from 200 DCs were received as follows:

(April to December 2020)

- ❑ 70% of debt counsellors experienced 33% or less of their consumers becoming unemployed;
- ❑ 62% of debt counsellors experienced 34% or more of their consumers experiencing a temporary loss of income;
- ❑ 84% of DC consumers experienced a change in circumstances;
- ❑ 47% of DC consumers utilised credit life insurance;
- ❑ 48% of DC consumers made general enquiries about emergency loans.

# CONCLUSION

- ❑ The Covid-19 pandemic has undoubtedly resulted in an adverse financial impact on the already over-burdened consumers as a result of temporary or permanent loss of income causing increased debt repayment defaults and terminations. This impact will be felt by many more consumers over a long period of time still to come.
- ❑ The noted decrease on the number of consumers applying for debt counselling could be as a result of lack of income to enable a debt counsellor to negotiate for reduced instalments.

# *Thank You!*



[www.ncr.org.za](http://www.ncr.org.za)

# Q & A