

NATIONAL CREDIT REGULATOR

BRIEFING TO THE PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY

PRESENTED BY
MS NOMSA MOTSHEGARE (NCR CEO)
26 October 2012

OVERVIEW OF PRESENTATION

1. STATISTICS

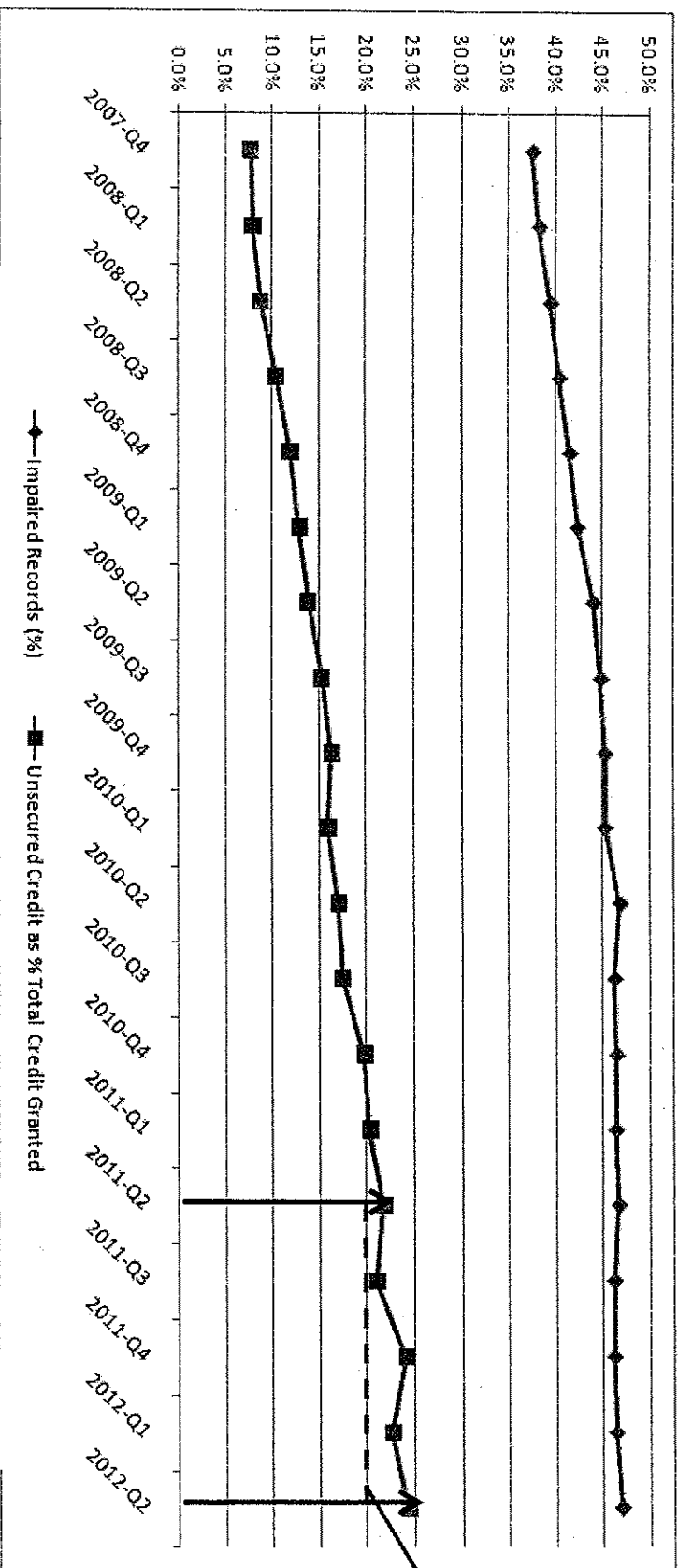
**2. PRE-MARIKANA
INVESTIGATIONS**

3. MARIKANA

**4. DEBT
COUNSELLING**

CREDIT ANALYSIS

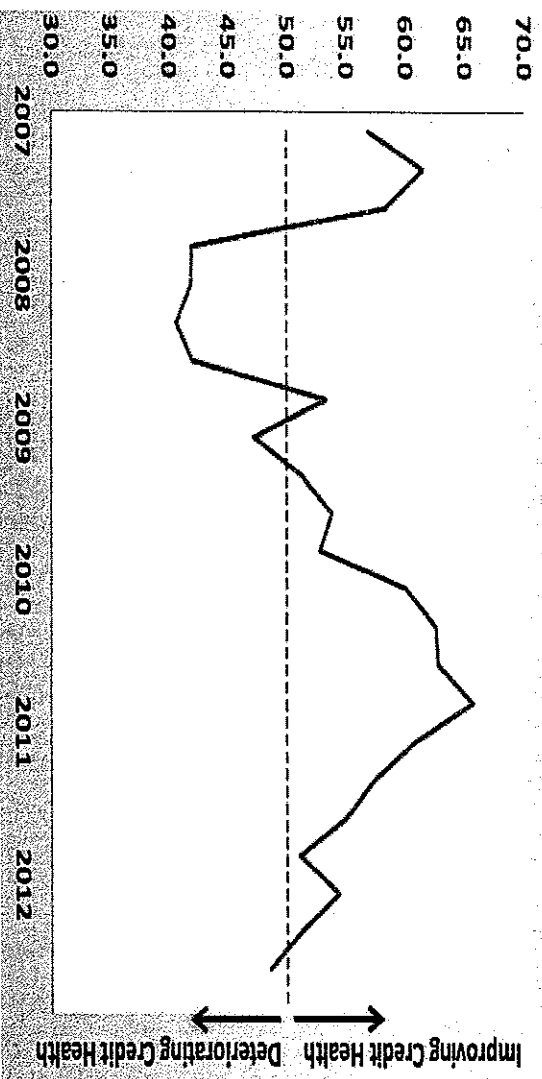
Impaired Records and Growth in Unsecured Credit Granted



**** 49 % indicates a y-on-y Unsecured Credit increase of 49%
IMPAIRED CONSUMERS INCREASED BY 47% Y-ON-Y**

STATISTICS

- Source: Transunion
- Improving credit health of consumers untill Q2 2012
- Deteriorating credit health in Q3 2012
- Distressed household borrowing remains a concern



The index comprises four key components: two derived from TransUnion data, which make up 50% of the index, and two derived from public domain data and proprietary data analytics of public domain data, comprising the remaining 50% of the index.

CREDIT ANALYSIS

- Gross Debtors Book (GDB): Increased by 11% y-on-y to R1.36 trillion; Unsecured Credit (UC) constitutes 9.6%;**
- Unsecured Credit Increased by 49% y-on-y;**
- Value of GDB for UC reported as “current” decreased from 73.8% to 72.5% to 70.7% from Q4-2011 to Q1-2012 to Q2-12;**
- Increase in consumer with impaired records by 47% y-on-y;**
- 60% ito value of UC targeted at people earning <R15,000/mth.**

NCR INTERVENTIONS

- Proposal for amendment of the Act;
- Introduction of Repayment Multiple;
- Affordability Assessment Principle based Guidelines;
- Consumer Education – to encourage healthy consumer behaviour;
- Monitor level of unsecured lending against consumer indebtedness;
- Proactive Compliance Monitoring & Investigations to continue.

PRO-ACTIVE INVESTIGATIONS

RAIDS (UNANNOUNCED)

- Conducted in N/Cape, E/Cape, KZN, N/West provinces
- Focused at pension payout points targeting micro-lenders
- Collaboration with SAPS and SASSA

FINDINGS: Bank/pension cards, pin codes and IDs seized

ENFORCEMENT ACTION:

- Arrests made
- Criminal cases opened

- Ongoing raids in other provinces at regular intervals.

INVESTIGATIONS

OTHER ONGOING INVESTIGATIONS

RECKLESS LENDING:

- ATM loans
- Multiple loans (multi-loans)

COST OF CREDIT:

- Excessive interest and fees
- Credit life insurance

INVESTIGATIONS

PRO-ACTIVE INVESTIGATIONS IN MARIKANA:

- Affordability assessments
- No proper disclosure on the cost of credit
- Pre-agreement quotes
- Provision of contracts
- Interest and fees
- Retention of bank/pension cards, pin codes and IDs
- Compliance with Section 129 of the National Credit Act ('the Act')
- Registration
- Blank process documents signed by consumers

ENFORCEMENT ACTION:

- Referrals to the National Consumer Tribunal (NCT) for fines and refunds
- Arrests made and criminal cases opened for retention of cards and pins

DEBT COUNSELLING

CHALLENGES:

- 800 active debt counsellors (DCs)
- Delays and bottlenecks in the courts:
 - Postponements
 - Backlogs
 - Expertise and experience
 - Forum shopping
- Legal fees
- Lack of cooperation by credit providers

DEBT COUNSELLING

VOLUNTARY DEBT MEDIATION SOLUTION (VDMS):

Contraventions of the National Credit Act:

- VDMS basically a disguised and unregulated form of debt counselling
- Designed to cover-up reckless lending
- Three (3) DCs selected and paid by credit providers to participate
- Listing consumers at the credit bureaus
 - ❖ Instructed NDMA and BASA to stop VDMS
 - ❖ Instructed participating credit providers and debt counsellors to withdraw from VDMS and support statutory debt counselling

PROPOSED SOLUTIONS TO CHALLENGES

1. Amendments to the Act (examples):

- Prevent termination of debt reviews pending in Magistrates Courts
- Include in debt review credit agreements where section 129 notices were issued.

DEBT COUNSELLING

2. ENGAGEMENT WITH MAGISTRATES:

- Establishment of specialized dedicated debt counselling
- Training of magistrates and debt counsellors using a senior magistrate
- Introduction of debt counselling circuit courts
- Identify NGOs and other organisations that can provide free legal services to deserving consumers under debt review

**Thank
You**

