

# RESEARCH BY THE REGULATOR - The Current Credit Landscape

There has been a growth focus over the past six months on the state of the credit industry in South Africa. In particular, much attention has been given to the increase in the provision of unsecured credit to consumers by credit providers, the state of indebtedness in the country and the unlawful collection methods used by credit providers.

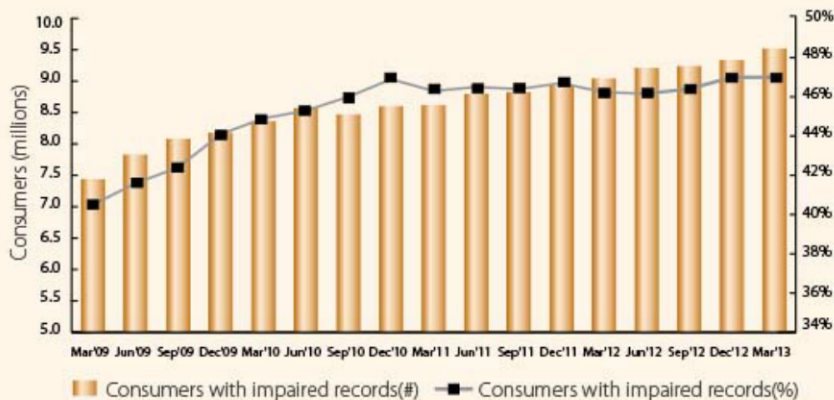
In its quest to increase knowledge and understanding of the credit industry and of the consumer market, the NCR conducts research to keep abreast of consumer trends and leading patterns in the market. Presenting a paper at the CIPC Regional Doing Business Conference on 18 April 2013, Ms Louisa Hetisani, Manager: Credit Information and Research, focused on the current consumer credit landscape in South Africa and consumer protection.

Hetisani began by outlining the consumer rights guaranteed under the National Credit Act, as many consumers are not aware of the extent to which they are protected by the Act. These include rights associated with applying for credit, to receive documentation in the language of the consumer, confidentiality and the right to access and challenge information held by the bureaux.

In her assessment of the current credit landscape, she referenced figures indicating that, by the end of December 2012, there were 19.97 million credit active consumers, of which 53% (10.62 million) were in "good standing". The flip side of this picture, of course, is that 46.8% are not in good standing, or as it is termed in the industry, have "impaired records".

The percentage share of mortgages granted, against total credit granted, fell from 51.8% in

Consumers with impaired records



December 2007 to 23.9% in December 2012, while unsecured credit increased from 7.8% to 24.4% over the same period. The current maximum interest for unsecured credit is 31% per annum vs a maximum rate of 16% per annum for mortgages.

This state of affairs is an ongoing concern about the deterioration of consumer health. A further indication of the pressure of debt on consumers at present is that more than 390,000 consumers have applied for debt counselling, with an average of 6,200 applications for debt counselling every month. This is also evidenced by the number of complaints received by the NCR – more than 13,000 since inception, and

on average 3,000 calls per month – largely involving complaints around debt counselling or general credit agreements. The upside is that 98% of these complaints are resolved, with approximately R9 million in refunds and balance adjustments disbursed to consumers.

Given this state of affairs, the NCR announced its plans to issue affordability assessment guidelines in terms of the NCA, to assist credit providers to conduct proper assessments of the consumers' affordability in relation to credit applications. It is hoped that these measures will help to combat consumer over-indebtedness as well as reckless lending.

Credit standing of consumers:  
DECEMBER 2012

