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With a large portion of credit-active consumers having impaired credit records, [South Africa](#) needs a new approach to combat over-indebtedness.



Doing your best to live within your means, making provision for emergencies, saving for important purchases and future expenses like your children's education is the best way of avoiding debt in the first place, but seeking help as soon as you think you are becoming over-indebted is also critical.

This is according to the National Debt Mediation Association (NDMA).

According to the latest Consumer Credit Market and Credit Bureau Monitor reports of the National Credit Regulator (NCR) of 76.5 million accounts, 12 million or 18 percent are three or more instalments behind and 50.7 million or 74 percent are in good standing.

While nine million consumers have impaired records, not all these consumers are necessarily over-indebted.

About 6.2 million of these have a combination of some impaired and unimpaired accounts as well as some adverse listings.

"It is these consumers that have a better chance of rehabilitation if they act in time," says NDMA chief executive officer, Magauta Mphahlele.

Of the 6.2 million consumers with impaired records, 2.3 million have an adverse listing, which means that their account has been handed over to the legal department for collection or the debt has been written off and possibly sold to third parties for collection.

Another 3.8 million are three and more months behind with some of their accounts.

It is this category of consumer that is subject to or most vulnerable to legal action and would most probably be receiving section 129 notices, which if not responded to within 10 business days of delivery will be followed by a summons to appear in court and then judgment.

Once a judgment is obtained, this gives the credit provider the right to [auction](#), repossess or garnishee a consumer's salary.



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“One of the problems is that consumers are not aware that if they do not take up the options outlined in the section 129 notice their chances of redress become limited and more expensive,” says Mphahlele.

The sooner they communicate with their credit providers or approach the NDMA for advice, the better, says Mphahlele.

Other than legal action, there needs to be a range of effective and cheaper options in the credit market to help debt-stressed consumers, she says.

With the support of the banking industry and other credit providers, a major focus for the NDMA in 2012 is to find ways to reduce the cost and complexity of rehabilitating over-indebted consumers.

This will entail making credit providers more approachable and consumer friendly as well as alleviating the burden on the courts.

She says the high rate of borrowing, coupled with a general slow-down in the economy, increased cost of living and unavoidable life events such as sickness, death and divorce has hit some consumers' pockets.

"When you start borrowing to pay off other creditors or to cover basic costs such as food, utilities as well as rates and taxes, it should sound the alarm bell."

Mphahlele says it takes just one month of unpaid bills to start slipping into serious arrears and to become vulnerable to legal action.

It is then much more difficult to negotiate restructuring one's repayments with their credit provider.

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The NDMA aims to provide effective and cost-efficient consumer debt rehabilitation solutions; improvements to the debt review process and a free debt mediation service for debt counsellors and consumers.