

R600m to be paid to funders of legacy African Bank

As part of a larger restructuring process involving the former African Bank, funders of the legacy African Bank are set to receive an extraordinary payment of R600m.



Source: Supplied. African Bank chief executive officer, Kennedy Bungane.

This payment looks set to be handled by Residual Debt Service (RDS) and follows in the wake of 2014 when the original African Bank, also known as African Bank Investments Limited (ABIL), faced financial troubles and was placed under curatorship by the South African Reserve Bank.

It focused on unsecured loans for low-income individuals but struggled with bad debt and lending practices. After restructuring, a "new" African Bank, African Bank Limited (ABL), emerged two years later with renewed capital and a sustainable business model.

RDS' payment to holders of the subordinate stub instrument, brings the total paid out to funders of the original African Bank to R8.45bn.

Curator of RDS, Craig Du Plessis notes the indemnity provided to the new African Bank of R500m expired on 4 April 2024 and there were no claims under such. Thus, R500m is now available for distribution to holders of the subordinate stub instrument.

In addition, the curator has reduced the operating float from R300m to R200m, resulting in a further R100m available for distribution. Therefore, a total distribution of R600m will be made to the subordinated stub holders on 24 April 2024.

Du Plessis adds that in November 2022, the revamped African Bank and RDS reached an agreement to reduce the indemnity and indemnity reserve from R3bn to R500m.

The curator of RDS also reduced the operating float from R500m to R300m, which resulted in R2.7bn being available to fully repay the senior unsecured stub instrument holders of RDS, and make a first part repayment to the subordinated stub instrument holders.

Stable distribution signals progress

The curator intends to continue to make six-monthly distributions of the surplus funds collected to the holders of the subordinated stub instruments, in accordance with the terms of such instruments. Following this payment scheduled for 24 April 2024, senior unsecured and subordinate stub holders will have received R8.45 bn in total.

African Bank Group chief executive officer, Kennedy G Bungane says, "We are delighted that we have been able to reach this point where the indemnity has expired, allowing a further payment to be made to subordinate stub holders of RDS."

Du Plessis says, "We are pleased to be in a position to make a further payment to the subordinate stub holders.

"The ongoing collaboration between RDS and African Bank - since the restructuring concluded in April 2016 - is commendable. The book continues to be managed well and with strong collections, it has resulted in another milestone achievement that has further benefited stub instrument holders and the new African Bank."

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