

# Students limited by poor credit records

Every year thousands of students join tertiary institutions and take the first step towards shaping their future. With this, comes their entry into the credit world, enabled by a student card and proof of registration at a tertiary institution.



Asanda Vuzane got her first credit card when she started university. Vuzane, now 29, from Orlando West, is now sinking in debt and needs help.

She says she got too used to having a credit card and could not stop buying - even though her parents were no longer helping her pay the bills.

Manie van Schalkwyk, the Credit Ombud, says students are able to open a student cheque account and get their first credit card by using their student card and proof of registration, along with other documents as required by legislation.

"The credit cards are generally issued based on proof of income, which comes in the form of regular allowance deposits into their bank accounts, but for students, parental consent suffices," says Van Schalkwyk.

"It is reasonable and responsible for students to have bank accounts as these accounts can be used for saving. What our youth needs to be wary about is accessing credit which they may not be in a position to handle responsibly."

## Millions of accounts

According to the National Credit Regulator's statistics, there are currently 69.53m consumer accounts. All that is required is for the student's parent to confirm that the student gets an allowance and they could be eligible for an account, with some limits ranging from R500 to R1.500, Van Schalkwyk says.

"A student card also enables its holder to open more accounts and juggling accounts often becomes too much for students and they land up having bad credit records at credit bureaus," Van Schalkwyk says.

"Herein lies a big danger. Prospective employers check credit profiles as part of their security checks and young, newly qualified professionals may lose out on jobs because they acquired a bad credit record as students as a result of mismanaging their accounts," he says.

Acquiring negative listings as a student not only places youth at a disadvantage when it comes to employment, but will limit, if not prohibit, access to credit in the future, he says.

## **Effects of bad credit ratings**

"The office of the Credit Ombud recently dealt with a case of a consumer who was newly graduated. She was declined when she tried to open an account, based on negative credit information on her credit profile while she was a student. "In this instance, our decision went against the consumer as she was listed correctly and fairly," says van Schalkwyk.

"When dealing with such cases, we have observed that students have a false perception that credit providers will not hold them fully accountable when they do not honour their repayments as they are still students," he adds.

Van Schalkwyk says June is traditionally Youth Month in South Africa and is used to highlight issues facing the youth of this country.

In commemorating Youth Month, Parliament hosts the Youth Parliament in which young people from all nine provinces meet to debate issues affecting young people.

This year, the Youth Parliament's theme is "Youth at the centre of economic opportunities".

"Access to opportunities and gaining economic freedom starts with managing your finance responsibly," says Van Schalkwyk.

Source: Sowetan via I-Net Bridge

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