

SA credit amnesty: consumer liabilities

By [Michelle Dickens](#)

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The recent announcement from Cabinet on the approval of a credit information amnesty has been a controversial topic in the South African financial arena. Although many financial institutions objected to the amnesty due to its negative effect on their capability to evaluate risk, as well as it sending the wrong message to an already over-indebted public, it appears that the amnesty will go ahead regardless of the surrounding controversy.



Michelle Dickens

In short, the amnesty appears to approve the removal of paid-up adverse and judgement information from the credit bureaus as a once-off and thereafter on-going process. There will be another month for public consultation, following which there will be clarity on whether the amnesty will further apply to adverse and/or judgement information for which debt is still outstanding.

The amnesty applies to deleting adverse and judgement information on the credit bureau. What the amnesty does *not* mean is that the obligation to settle any unpaid debt falls away. On the contrary, you will still be held 100% liable for any monies still owed.

Stay credit healthy

It is widely agreed that consumer spending drives the economy; credit healthy, credit active consumers should be encouraged. But there's a difference between healthy credit and avoidable or expensive credit.

For example, taking out a loan for an appreciating asset, such as a house enables the consumer to buy now, pay off at lower interest rates and enjoy the benefit of the value of the property increasing over time. In contrast, taking out a R100,000 loan for an overseas holiday would be considered as avoidable credit.

Build a healthy profile

One does need to have some form of credit in order to have a discernible credit profile.

If you approach a credit provider and they can see no credit history (good or bad) on your profile, it makes the job of assessing how likely you are to repay the loan a lot more challenging and might even result in the rejection of your application.

You can build a healthy credit profile by responsibly paying off credit. Late or missed payments will impair the your personal credit profile, potentially making you an unattractive candidate for credit lenders. Debit and checking accounts are unlikely to have any impact on your credit profile.

Be aware of the terms

It is vital to understand the terms of your credit: Different types of credit carry different sets of responsibilities.

Lending is conducted in the form of secured, unsecured, short-term and incidental credit. Each category has a maximum prescribed interest rate, as set out by the National Credit Act. As these rates can differ vastly - from around 8.5% up to 60% per year - it is important that you're aware of the rate applicable to your lending option before signing a credit agreement. Different lenders will charge different interest rates, depending on individual cases, up to the maximum.

You should also be aware of what exactly minimum repayment amounts are, and when they're due as late or short payments can have serious consequences to your credit profile.

Just because you qualify for a certain amount of credit, it does not mean you should take out the full amount. To a credit provider, the amount of credit access granted to you on your profile is important, not how much of it you actually use. In fact, taking out the maximum amount of credit available is the reason why so many South Africans are over-indebted at the moment.

Irresponsible credit culture

Consumer credit health in South Africa has been deteriorating steadily, and the country's consumers have developed a worryingly irresponsible credit culture. As the number of impaired accounts rises, we need to be aware of the consequences of impaired credit health and take steps to rectify the situation.

The all-too-common 'instant gratification' mentality is largely to blame for the high levels of indebtedness, and we need to take a more informed, restrained approach to credit consumption.

Only take out credit when you're 100% sure you can handle the payments, with any and all monetary eventualities that may arise taken into account.

We're experiencing the best possible interest rates at the moment, and they will only rise in the coming years. Make sure you've gotten to grips with responsible credit behaviour now to avoid serious problems later.

Emotional impact

Indeed, debt can be a debilitating situation for many people, not only financially, but mentally and emotionally as well.

People who are drowning in debt often experience social stigma, as well as prolonged and damaging emotions such as panic, fear, anger, depression, denial and stress. You could even go so far to say as it ruins lives - imagine losing your family home due to a judgement against you, or having to spend your kids' education funds on repaying creditors.

Rather avoid this potentially devastating situation, and take practical steps to get your personal finances into a stable

position. It may seem daunting, but with discipline and planning it is possible to get out of financial debt and regain a healthy credit profile.

ABOUT THE AUTHOR

Michelle Dickens is the founder and managing director of registered credit bureau, TPN.

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