

Summit reviewed indebtedness in South Africa

Yesterday, 24 October 2012, the National Debt Mediation Association (NDMA) and the Credit Ombudsman held a joint summit in Johannesburg to address current issues and considerations around the prevailing state of credit and over-indebtedness in South Africa.

The event attracted independent legal, research and academic experts on credit and consumer law, consumer behaviour, self-regulation and credit.

Since January 2011, the two organisations have dealt with more than 4500 debt counselling complaints. The Credit Ombud also dealt with an additional 4529 credit information disputes and non-bank credit disputes. Because of their work, the two offices have identified trends relating to market conduct, consumer behaviour and legal issues that require broader discussion and agreement on how to address some of the worrying trends.

CEO of the NDMA, Magauta Mphahlele, says the event comes at a time when there are concerns about increased consumer debt servicing vulnerability, unfair market practices and legal uncertainties in applying the National Credit Act and other related laws.

"Various reports show growing concerns about lending patterns, debt enforcement procedures and practices, debt rehabilitation and consumer vulnerability in the context of a sluggish economy that is under even more pressure due to the recent labour crisis is of major concern. The debt-to-disposable income ratio, which was on the decline, is also beginning to climb upwards again, indicating that households are experiencing financial pressure."

Credit Ombud, Manie Van Schalkwyk says there is also a call for a general credit bureau amnesty. "It is important to understand the ramifications of such a call both from the point of view of removing barriers to employment, consumer rehabilitation and prevention of reckless borrowing and lending."

The dti is conducting a policy review of the National Credit Act (NCA) and van Schalkwyk says he is hopeful that the Summit will raise some issues that can feed into the policy review. "The roles of self-regulation and industry dispute resolution schemes have been in the spotlight recently."

Major change

Both the NDMA and Credit Ombud are operating in a context of major change - from both a local and global perspective.

"The credit and debt review environment is an exciting and challenging space in which to operate and contribute to and we will continue to meet and bring inspired people together in forums such as this to ensure that our mandates remain at the cutting edge and relevant to our stakeholders," adds van Schalkwyk.

The Summit covered topics to address the status of the credit industry and the situation of over-indebtedness in South Africa, including lending patterns and the state of South African households; market practices and their role in contributing to over-indebtedness; as well as debt remedies and alternative dispute resolution. It also investigated self-regulation and codes of conduct, with requirements for effective self-regulation.

"As the NDMA and the Office of the Credit Ombud we are always reviewing the context in which we operate in order to continuously improve our ability to meet our goals and mandates," says Mphahlele.