

Credit bill aims for debt forgiveness

By [Linda Ensor](#)

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The National Assembly has given the trade and industry portfolio committee its unanimous go-ahead to develop a bill amending the National Credit Act to provide indebted consumers with debt relief.



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The aim of the bill would be to provide capped debt relief in the form of debt forgiveness to help heavily indebted consumers and promote change in borrowing and spending habits.

The proposed bill would also provide for simpler and more vigorous enforcement of the act, the criminal prosecution of lenders who contravene the law, legal certainty on the application of the in duplum rule and effective debt counselling for low-income consumers.

The proposed bill is supported by the department of trade and industry, which is considering its own debt-forgiveness measures.

"These new provisions will have the effect of providing great relief to the overindebted in SA and further limiting the widespread abuse of consumers by unscrupulous lenders," the committee's report to the National Assembly read.

By the end of June 2016, 9.67m of the 24-million active credit-active consumers, had impaired records. These included

being in arrears by three months or three payments, having an adverse listing with credit bureaus or having had a court judgment or administrative order against them.

Retrenchments have worsened the situation, as has continued reckless lending by credit providers, the report said.

The committee plans to do a socioeconomic impact assessment of its proposals to determine how best to intervene.

The report acknowledged that debt-relief measures would affect access to credit and cost of credit, but the economy would benefit in the long term.

Committee chairwoman and ANC MP Joanmariae Fubbs, who supports the proposal, said credit providers were acting with impunity in extending loans to indebted consumers.

However, DA trade and industry spokesman, Geordin Hill-Lewis said before any amendments were discussed, the powers in the act needed to be used to their full potential.

African Christian Democratic Party MP, Steve Swart agreed with Hill-Lewis and warned that debt relief could encourage irresponsible borrowing.

The EFF, Inkatha Freedom Party and other opposition parties supported the proposed bill, calling for indebtedness to be addressed with urgency.

Source: *Business Day*

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