

National Credit Act

Please visit the National Credit Regulator for the detailed act at www.ncr.org.za

Over-Indebtedness

What is Debt?

Debt may arise from the financing of property / movable assets by financial service providers such as Banks. Consumers enter into finance agreements with financial service providers wherein they promise to purchase and pay the asset acquisition price inclusive of transaction costs over a fixed term. There are two types of debt - good and bad debt.

Good debt is when the financed asset is within the payment capabilities of the individual, and individuals are able to pay it on time. This builds a good credit record.

A bad debt is when individuals are unable to pay instalments timeously, and there are minimal surplus funds available to live on. This in turn has an adverse effect on an individual's credit record.

What is Over-Indebtedness?

An individual is over-indebted when he/she is not able to pay all his/her financial obligations timeously, as per finance agreement/s. This could be due to financial circumstances which may have changed, or because the individual has more financial and other obligations than he/she actually earns.

In these instances, the debt becomes a major burden for the individual, which contributes negatively to his/her life.

What Should Over-Indebted Individuals Do?

If individuals find that they can no longer meet their financial obligations, it is important not to ignore the problem, as it will not go away!

The first step would be for individuals to contact their respective finance provider/s in order to discuss the available options in terms of deferred payments or restructuring of their debt obligations. In certain instances, finance providers may restructure the obligation or tailor the remaining payments to suit an individual's circumstances taking into account his current financial means and prospects.

Over-indebted individuals should reduce spending on luxury items such as entertainment, or even downgrade to a more affordable motor vehicle or house. The

surplus funds arising out of this downgrade should be used to pay the existing obligations.

Should all of the above fail, over-indebted individuals are entitled to contact a debt councillor who aims to assist individuals who are over-indebted. The debt

councillor will assess the financial circumstances of the individual. Once it is determined that the individual is over-indebted, the Debt councillor will engage with the respective finance providers of the individual and negotiate reduced payment arrangements.

Knowing Your Financial Status

It is important for each individual to be educated and informed regarding their respective financial status such as how much money one can make, spend, and owe, as well as to whom and, at all times know how their performance in respect of payments affect their credit profile.

Individuals are allowed to obtain a free annual credit report from any of the 14 regulated credit Bureaus.