

**ANALYSIS OF THE SOCIO ECONOMIC IMPACT OF CREDIT BLACKLISTING IN
SOUTH AFRICA**

by

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Declaration:

I, Klaas Mokaba, Student Number 703444, registered for a Masters of Management in Public Policy (MMPP) with the Wits School of Governance at the University of the Witwatersrand, do hereby solemnly declare that this research report is my original work and to my personal knowledge, this has never been submitted to any tertiary institution before for the purpose of completion of an academic qualification and that all the sources have been accurately reported on and acknowledged.



Klaas Mokaba

4 October 2017

Date

Dedication:

I wish to dedicate this work to the Almighty GOD without whom I would not have had the strength and knowledge to complete this report. My further dedication goes to my mother and all my siblings, for the love and support and for staying together under the good principles that we have been taught. To everyone who has assisted me with all the sources and information for reference purposes that form the basis of this research report. I will forever be indebted to you.

Lastly, let me also dedicate this to the memory of my late father, Mr Lesiba Abram Mokaba, who has showed me love and support throughout my studies. Even though he is no longer with us, I know his spirit lives on. May his soul rest in eternal peace.

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Abstract

Even though South Africa is living in what is referred to as a constitutional democracy which is defined within the context of its Bill of Rights contained in Chapter 2 of the Constitution of the Republic of South Africa Act, 1996 (the Constitution) which is advocating for promotion of human rights, the country still finds itself in a situation where the ideals and objectives of this Constitution are still often regarded as unachievable by ordinary citizens.

The Bill of Rights seeks to promote and protect full enjoyment of the rights contained in the Constitution and requires the state to realise this by developing progressive legislation and other reasonable measures for the achievement of the above, within the backdrop of the social and economic transformation purpose of the Constitution. The success and therefore the benefit of the Bill of Rights can only be calculated within the prism of policies and legislation developed in line with this Constitution and how these are implemented by those who have been mandated to do so.

The 2017 Budget Speech delivered by the Minister of Finance Mr Pravin Gordhan, MP, on 22 February 2017 has highlighted the importance of how transformation can play a pivotal role in ensuring that the ideals embedded in the Constitution can be realised by all South Africans. According to the Minister, the level of economic growth that South Africa is experiencing currently will not be sufficient in order to reduce levels of unemployment, inequality and poverty.

The increase of the financial services, real estate and business services sector (of which credit is a part of) at 2.1% of the Growth Domestic Product (GDP) in 2016, was declared as the largest contributor to the economic growth in comparison with other sectors.

Having said the above, credit access becomes one of the basic human rights that every South African citizen is bound to enjoy by application of the Constitution through the Bill of Rights and as part of the social and economic rights contained in this chapter.

The question arises as to whether the promulgation of the National Credit Act 34 of 2005 (the NCA), as amended provides sufficient intervention necessary to ensure that the social and economic rights relating to access to credit are realised. In addition, it is imperative to note that any mechanism or measures that seek to defeat and hinder the objective of this legislative mandate must be greatly scrutinised.

This research seeks to uncover the importance of credit access in South Africa, its key contribution towards the growth of the economy and the socio-economic impact that may arise as a consequence of non-accessibility of credit due to credit blacklisting. The research will further seek to provide alternatives both from a policy and legislative perspective in order to ensure that the ideals of the Bill of Rights are realised. This research will seek to establish whether all policies and legislations developed by South Africa are in sync with its Constitution and whether same do support international agenda on the promotion and protection of basic human rights.

Overall, the research report should be in a position to make a valuable contribution to the empirical literature in the field of this study and to provide recommendations through which further research on the same subject can take place.

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CHAPTER 1: INTRODUCTION

1.1 Introduction

By the end of 2012, a report released by the National Credit Regulator (the NCR) through its Credit Bureau Monitor indicated that approximately 9.34 million consumers in South Africa were found to have impaired credit records, a number which constituted 46.8% of all credit active consumers in the country (Credit Bureau Monitor, December 2012). This means that such consumers were not able to access credit from various credit providers, which raised serious concerns especially to those who were in the realm of government in the position of power. Parliament of the Republic of South Africa, as the supreme legislative making authority in the country, was irked by the report and statistics therein, especially the fact that half of the number of those who are entitled to credit extension may not be able to access such credit in future.

Parliament raised concerns regarding consumers whose credit worthiness has been impaired and cannot engage in commercial transactions even after settling their debts. That was the case notwithstanding the fact that there was a credit amnesty granted in 2006/2007.

Consequently, the Select Committee on Trade and International Relations commissioned the Department of Trade and Industry (the dti) to look in the matter and requested that a report be tabled before it at the end of February 2013. A team of officials from the dti was quickly assembled and consultations and engagement with the Banking Association of South Africa (BASA), Credit Providers Association (CPA), Micro Finance South Africa (MFSA), Consumer Goods Council of South Africa (CGCSA), National Clothing Retail Federation, Credit Bureau Association (CBA), Registrar of Banks and NEDLAC ensued.

At the same time, the dti together with the NCR engaged the services of an independent consumer credit consultant and lawyer to investigate and report on the following:

- The proposed data removal exercise;
- Possible affordability assessment guidelines;
- Credit literacy initiatives; and
- Additional measures to assist consumers.

The NCR appointed Matlotlo Group (Pty) Ltd, an independent firm of actuaries and analysts to conduct an impact assessment on the likely impact of various data removal scenarios, including:

- Number of consumers impacted by adverse credit information;
- Degree to which consumers will be impacted by data removal;
- Credit acceptances;
- Risk to credit providers' portfolios

A tentative impact assessment report on the proposed removal of adverse credit information was received by the NCR and the report contained the following findings in the event the credit amnesty is sanctioned by Parliament:

- The removal of judgment information may also benefit credit impaired consumers;
- The removal of adverse information under R10,000 would assist some credit impaired consumers to obtain home and micro loans;
- The removal of adverse information under R10,000 would benefit 86% of people earning less than R15,000;
- The removal of dormant information would not significantly benefit credit impaired consumers.

This preliminary report, known as the Credit Amnesty Project Feedback Report, was tabled before the meeting of the Select Committee on Trade and International Relations in Cape Town on 13 February 2013. Table 1.1 below indicates a total number of all credit active consumers as at the end of December 2012, per a quarterly report issued by the NCR's Credit Bureau Monitor (Credit Bureau Monitor, December 2012). The statistics in terms of the number and percentage of consumers who have impaired records is reflected as 9.34 million and 46.8 % in the last columns of rows 5 and 6 respectively.

These statistics on the number of impaired records comprises three categories: records reflecting accounts that are 3+plus months in arrears; records with adverse credit listings; and records reflecting accounts wherein judgment and administration orders were taken against the affected consumers. As can be seen in Table 1.1 below, the number of consumers with 3+plus months in arrears has increased from 17.2% in March 2010 to 20.1% in December 2012. Records with adverse credit listings have decreased from 15.0% in March 2010 to 12.7% in December 2012. Lastly, those consumers against whom judgments and administration orders were obtained by the courts of law saw the number rise from 13.75 to 13.9%.

The statistics show that the number of impaired credit records of consumers rose from 46.0% in March 2010 to 46.8% in December 2012, and this includes all consumers from across the board, from the poor to the elite.

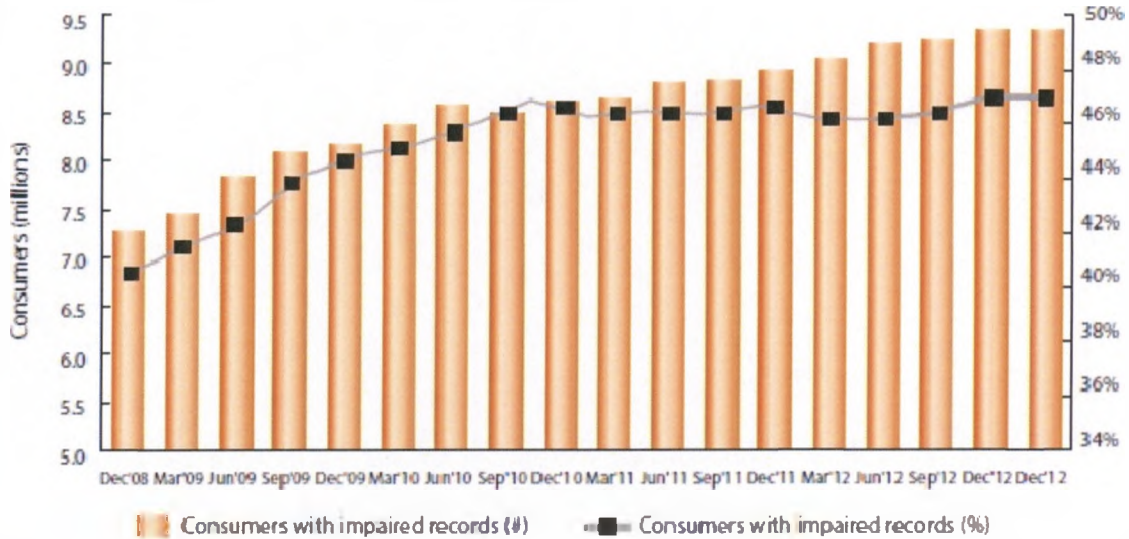
Table 1.1: Credit standing of consumers

	Mar 10	Jun 10	Sep 10	Dec 10	Mar 11	Jun 11	Sep 11	Dec 11	Mar 12	Jun 12	Sep 12	Dec 12
Good standing (#)	9.84m	9.73m	9.86m	9.90m	9.97m	10.04m	10.27m	10.41m	10.44m	10.58m	10.45m	10.62m
Good standing (%)	54.0%	53.1%	53.7%	53.5%	53.6%	51.3%	53.8%	53.8%	53.6%	53.0%	53.0%	53.2%
Current (%)	39.3%	39.2%	39.9%	39.2%	33.1%	39.1%	39.6%	39.1%	38.6%	38.5%	38.8%	38.0%
1-2 months in arrears (%)	14.3%	13.9%	13.8%	14.3%	14.5%	14.2%	14.2%	14.7%	15.0%	14.1%	14.1%	15.2%
Impaired records (#)	8.37m	8.57m	8.49m	8.61m	8.63m	8.80m	8.33m	8.93m	9.05m	9.22m	9.25m	9.34m
Impaired records (%)	46.0%	46.9%	46.3%	46.5%	46.4%	46.7%	46.2%	46.2%	46.4%	47.0%	47.0%	46.8%
3+ months in arrears (%)	17.2%	17.3%	17.0%	17.8%	17.7%	18.5%	18.7%	19.0%	19.9%	19.5%	19.7%	20.1%
Adverse listings (%)	15.0%	15.6%	15.4%	14.6%	14.4%	13.9%	13.2%	12.9%	12.3%	13.3%	12.9%	12.7%
Judgments and administration orders (%)	13.7%	13.9%	13.9%	14.1%	14.3%	14.3%	14.3%	14.3%	14.2%	14.2%	14.3%	13.9%
Credit-active consumers (#)	18.21m	18.32m	18.35m	18.51m	18.60m	18.84m	19.10m	19.34m	19.49m	19.60m	19.69m	19.97m

Source: Credit Bureau Monitor, 2012

Figure 1.1 below also indicates a total number of all consumers with impaired credit records in terms of number and percentage.

Figure 1.1: Consumers with Impaired Records



Source: Credit Bureau Monitor, 2012

This information was released by the Minister of the dti, Honourable Dr Rob Davies, MP in the Annual Report of the dti on March 2013. This has prompted government through parliament to introduce intervention to address what was seen as a very despicable situation. The promulgation of regulations on the Removal of Adverse Consumer Credit Information and as well as Information relating to Paid-up Judgments to by the dti on 26 February 2014 has thus relatively painted a critical scenario relating to credit and its usage in South Africa. Amongst other things, these regulations required credit bureaus to remove the following information stored on the database as of 1 April 2014:

- All adverse credit information on consumer behaviour.
- All adverse credit information on any enforcement action taken against the consumer by the credit provider.
- All adverse credit information on consumer behaviour and enforcement action taken against the consumer by the credit provider which is contained in the payment profile of the consumer.

Furthermore, this has also highlighted some of the challenges and gaps that are present within the credit regulatory space. Objectively, the promulgation of these regulations further suggest that South Africa needs to be very focused and bold in its policy formulation and legislative development processes as part of its responsibilities to address certain public policy issues.

1.2 Problem Statement

The issue surrounding accessibility of credit is not unique to South Africa but one that has gathered attention worldwide. It is a matter that has received tremendous focus in both developed and under-developed countries. This is so because credit is vital for social development and therefore an effective instrument in the fight against poverty, whether it is extended to individuals for daily livelihood or small businesses for economic development purposes (Hossain, 1988). There is no doubt that the economies of the world do recognise and acknowledge the role that access to credit plays in their economic development. It is believed that many households and businesses in developing countries do require credit in order to enable them to undertake investments in various economic enhancing activities which will also be beneficial in the fight against poverty (Dohemer & Abdulai, 2012:163 – 177).

Whilst it is true that people cannot ordinarily sustain their livelihoods through credit provision especially on daily household needs, it makes sense to say that there are other products that people could only afford once credit has been granted to them, for example home loans or mortgage bonds (Melzer, 2007).

It is therefore important that for this to happen, credit must be made available to those in need. Any mechanism, therefore, that seeks to exclude certain categories of people or that creates barriers to the access to credit in any credit market can be construed as interfering with the opportunity for consumers to access credit. Therefore, this research seeks to establish the nature and level of any social and economic impact that is occasioned by the refusal to grant credit to those consumers who are adversely listed at the credit bureaus.

1.3 Research Study Objectives

It has always been said that the objective of the research remains a critical element for conducting a research as same helps in determining the possibility of conducting the study. The objective of any research should be to discover answers to questions through the application of scientific methods or means (Kothari, 2004).

In any research study, research objectives must be seen as declarative statement that will mainly focus on the identification and the description of variables or concepts and sometimes determine the relationships of variables. Variables are defined as qualities, properties or characteristics of persons, things and situations that are manipulated or measured in a research. In this research study, the main focus is to analyse how and the extent to which negative information that is recorded with various credit bureaus in South Africa may impact the social and economic well-being of an individual and therefore of a society as a whole.

As already mentioned above, one of the main goals of the NCA is to create a regulatory framework which will promote a fair and non-discriminatory marketplace for access to consumer credit. This implies a regulatory framework that ensures that consumers should access credit and not be discriminated against in any way.

Further, the same regulatory framework must not introduce any other mechanisms or rules that may create impediments, and thereby defeating the overall objectives of the legislation. This research into the analysis of the socio-economic impact of credit blacklisting will also seek to uncover whether the public policy objective behind formulation of this credit regulatory framework and make necessary recommendations to the findings

In short, the main objectives of this research report are the following:

- Establish whether adverse credit listing does have any impact on the lives of consumers in South Africa, both on a social and economic level.
- Determine the nature and extent of such impact.
- Establish a case for other alternatives methods (other than blacklisting) that government can introduce to deal with consumers who do not conduct their credits.

1.4 Motivation of the Research Study

The Credit Amnesty granted by government in 2006/207 financial years as well as another granted almost seven years later in 2014 almost send certain undertones with regard to credit and its regulation in South Africa. As if there was not enough, the Portfolio Committee on Trade and Industry undertook during 216 to look into the possibility of making regulations to deal with what is referred to as debt forgiveness. This process is still on course.

The researcher is compelled to believe that in spite of our credit regulatory regime through the NCA that is being viewed as effective and efficient, government will still find out a way to intervene where the application of the said regime seem to interfere with another fundamental human right that is protected by the supreme law of the country. To a large extent, government has realised that people should be given another opportunity to participate in the economic transactions of the country, which they will not otherwise due because of them being financially excluded as a result of negative credit information at credit bureaus.

The researcher is therefore motivated to explore the socio-economic impact that credit blacklisting has on consumers in South Africa as well as on small and medium enterprises.

1.5 Framework of the Research Report

Chapter 2 focuses on the structure of the economy of South Africa and with much emphasis on the role that credit in general plays in the economy. It further indicates how credit accessibility as well as non-accessibility impacts on economic growth in South Africa.

Chapter 3 gives the historical background relating to credit regulation in South Africa and the current credit regulatory regime, but also looking back at other legislations that have been previously implemented towards credit regulation in South Africa.

Chapter 4 looks at the key stakeholders in the credit industry such as credit providers and credit bureaux and explores the roles they play within the credit regulation space. This will also include roles they play in influencing a credit blacklisting against consumers.

Chapter 5 looks at a comparative desktop study with other international jurisdictions on how credit is regulated (including statutory regulation) in their countries and how these jurisdictions deal with any issues relating to credit blacklisting. The benchmark includes one country from Africa, one from Europe, one from the continent of Asia; one from South America and will also include the United States of America as well as Australia.

Chapter 6 explores how consumers from various sectors of the population use credit they have obtained and look at various data from different sources as well as information obtained from various consumers as collected from distributed questionnaires.

Chapter 7 establishes various mechanisms and avenues that are available in South Africa through which consumers as well as business are able to get credit from the credit providers and such methods that are used in the assessment of application sent through for credit.

Chapter 8 examines processes that are employed when a person's credit information is finally blacklisted, and also looks at the types of consumer credit information that are. It also looks at the different roles that are played by both credit providers and credit bureaux in the credit blacklisting processes.

Chapter 9 talks to the main core of the research report and seeks to identify and highlights issues that are specific to the subject matter that have emerged from questions raised during the interviews held with different stakeholders or through distributed questionnaires. Particular attention will be paid to those issues that relates specifically to credit blacklisting and analysis of socio-economic impact that could have occurred as a result of any such blacklisting.

Chapter 10 offers findings derived from the research and provides conclusion on the subject. It also offers suggestions and recommendations pertaining to the problematic issues identified in this research which also includes proposals on the review of the current credit regulatory regime and provides suggestions on any further areas of research study on the subject matter.

CHAPTER 2: UNDERSTANDING CREDIT AND THE ECONOMY OF SOUTH AFRICA

2.1 Introduction

In order to fully understand the rationale behind this research report, it is very important for one to understand the economy of South Africa, the structure thereof, how the economy functions and the role that is played by credit therein. It will also suffice to highlight the status of the economy before 1994 dating back to the apartheid era regime under the leadership of the then National Party and to also indicate the status of the present day economy under a democratic dispensation led by the African National Congress.

To a greater extent, this chapter seeks to highlight the relationship that exists between economic growth and credit, any interdependencies between the two and to put into perspective how one influences the other.

2.2 The Economy of South Africa

In simple terms, the term economy refers to the state relating to the production and consumption of goods and services as well as distribution and trading of such goods and services with other trading partners. Many economists right through the world have expressed their own views in terms of what constitutes a good economy. Grant (2010) defines a good economy as that economy that has a strong labour market and which is further characterised by lower inflation backed by more economic growth and has a strong currency. Most economists believe that the classical optimisation assumptions like rationality and dynamic consistency are necessary ingredients for a good economic model (Gabaix & Laibson, 2008).

The Minister of Finance Mr Pravin Gordhan, MP indicated in his 2017 Budget Speech that economic growth of South Africa has been very slow for the past 25 years, recording just under 1% per year in Real Per Capita terms and this has been considered a figure that is below that of three of the BRICS member countries, Brazil, China and India as well as other countries such as Turkey and Indonesia. Generally, this type of growth is considered weak to have a positive impact in the creation of jobs for a country like South Africa that is struggling with unemployment, inequality and poverty. Economic growth has been accepted by many countries as the most powerful instrument for reducing poverty and improving the quality of life for those who are living in developing countries.

In terms of the annual economic growth projections released by the International Monetary Fund (IMF) in January 2017, the economy of the world is expected to grow by about 3.4% in 2017 and an improvement of 3.6% expected growth in 2018.

Table 2.1 below indicates the economic growth projections of both the developed and developing economies of the world as well as the economies in the Sub-Saharan Africa as released by the International Monetary Fund which has been projected until 2018.

Table 2.1: IMF Growth Projections

IMF growth projections				
Region/country	GDP projections			
Percentage	2015	2016	2017	2018
World	3.2	3.1	3.4	3.6
Advanced economies	2.1	1.6	1.9	2.0
United States	2.6	1.6	2.3	2.5
Euro area	2.0	1.7	1.6	1.6
United Kingdom	2.2	2.0	1.5	1.4
Japan	1.2	0.9	0.8	0.5
Emerging markets and developing economies	4.1	4.1	4.5	4.8
Brazil	-3.8	-3.5	0.2	1.5
Russia	-3.7	-0.6	1.1	1.2
India	7.6	6.6	7.2	7.7
China	6.9	6.7	6.5	6.0
Sub-Saharan Africa	3.4	1.6	2.8	3.7

Source: IMF World Economic Outlook Update, January 2017

Of particular interest for the purpose of this research and as highlighted by the Minister of Finance Mr Pravin Gordhan, MP is the fact that the financial, insurance, real estate and business services sector is the major contributor to the economic growth of South Africa, standing at 2.1% of GDP. Table 2.2 below indicates the individual contribution to the GDP by various sectors of the economy which also include financial, insurance, real estate and business services sector. Credit and other related services fall under this sector. The financial, insurance, real estate and business services sector is then followed by expenditure from general government with construction coming in the third place.

Table 2.2: Sector Growth Trends

Sector growth trends						
Percentage	2011	2012	2013	2014	2015	2016 ^a
Agriculture, forestry and fishing	2.0	1.8	3.6	6.9	-6.9	-7.0
Mining and quarrying	-0.7	-2.8	4.0	-1.4	3.2	-4.1
Manufacturing	3.0	2.1	0.8	0.1	-0.3	0.7
Electricity and water	1.5	-0.4	-0.6	-1.3	-1.0	-2.9
Construction	0.4	2.6	4.6	3.6	2.0	1.4
Wholesale and retail trade	4.1	4.0	1.9	1.4	1.4	1.1
Transport and communication	3.5	2.4	2.8	3.1	1.4	-0.1
Finance, real estate and business services	4.3	3.0	2.5	2.4	2.8	2.1
Personal services	2.5	2.1	2.2	1.7	1.1	1.1
General government	4.7	3.0	2.9	2.7	0.7	1.7
GDP	3.3	2.2	2.3	1.6	1.3	0.4

Source: IMF World Economic Outlook, 2017

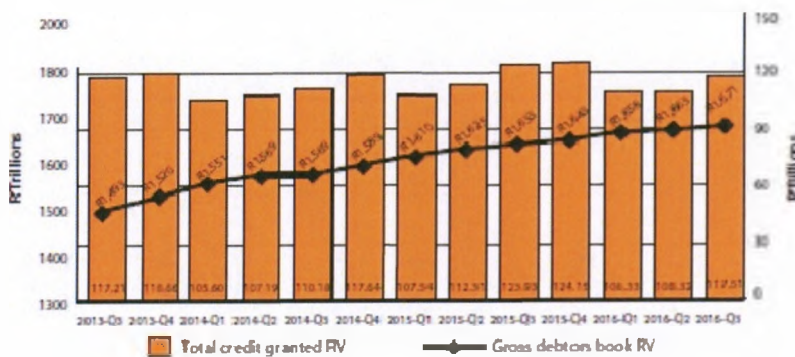
As indicated above, the financial sector of which credit forms a part of, plays a very key role in terms of economic growth in South Africa. In general, the contribution that is made by credit to the country's gross domestic product can never be ignored. Bond (1998) acknowledges the fact that "credit is an extremely fluid means of allocating capital to where it is highly rewarded."

According to the Consumer Credit Market Report (2016) which was released until the end of September 2016, the total outstanding gross debtors' book of consumer credit for the quarter ended September 2016 was R1.67 trillion, representing a quarter-on-quarter growth of 0.50%. This figure represents total credit that has been extended by the credit providers in favour of consumers and covers a number of credit facilities that includes mortgages loans, vehicle finance, personal loans, credit cards etc.

In terms of this report, the number of accounts decreased by 1.78% for the quarter ended September 2016. The total credit that has been extended for the mortgages for the purchase of immovable properties that include houses accounted for R867.25 billion (51.88%).

Therefore the amount of credit that is granted by credit providers to consumers in respect of mortgage transactions is the highest compared to other credit transactions. Secured credit agreements accounted for R379.05 billion (22.68%), whilst credit facilities that include products such as credit cards and store cards accounted for R217.91 billion (13.04%). For this period, unsecured credit has accounted for R163.17 billion (9.76%) and developmental credit accounting for R41.34 billion (2.47%) and lastly, short-term credit for R2.83 billion (0.17%) of the total gross debtors book. These figures are represented by Figure 2.1 (Consumer Credit Market Report, September 2016) below:

Figure 2.1: Total Credit Granted and Gross Debtors Book at September 2016



Source: Consumer Credit Market Report, September 2016

Table 2.3 shows the number of credit agreements that were granted by credit providers, covering Quarter 3 in 2015 until Quarter 3 in 2016.

Table 2.3: Credit Granted – Number of Agreements

Agreements	2015-Q3 000	2015-Q4 000	2016-Q1 000	2016-Q2 000	2016-Q3 000	% Change (Q3/Q2)	% Change (Y/Y)
Credit transactions	3,489	3,704	2,814	2,419	2,584	6.79%	-25.94%
Credit facilities	2,289	1,711	1,960	2,090	2,077	-0.60%	-9.25%
Total	5,778	5,415	4,774	4,509	4,661	3.37%	-19.33%

Source: Consumer Credit Market Report, September 2016

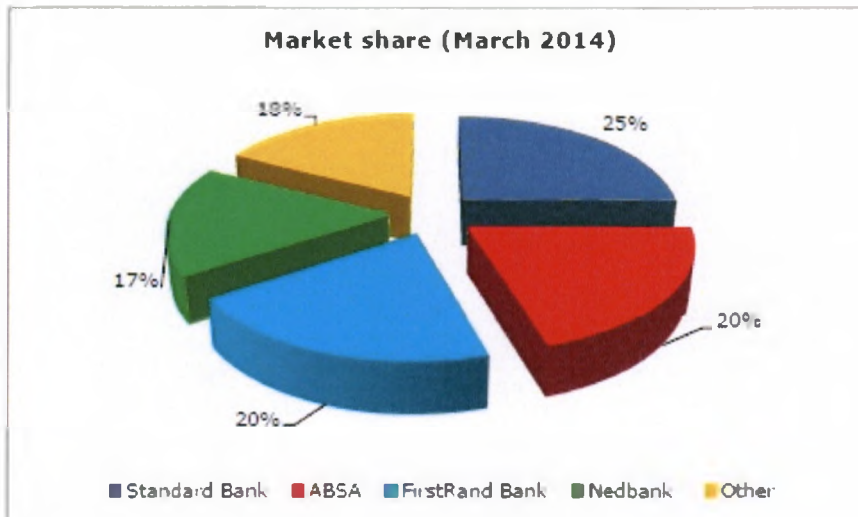
South Africa boasts the second largest economy in Africa after Nigeria, and accounts to 24% of the Gross Domestic product (GDP) of the continent of Africa as a whole. Economic data seems to suggest that the country's GDP has actually tripled to around R400 billion calculated since 1996 after a period of 12 years during which the country was subjected to international sanctions (Statistics South Africa, 2016).

For the 2014/2015 fiscal year, statistics reveal that South Africa achieved 1.5% economic growth in 2014 and hit 1.3% for the 2015 financial year. In 2016, an economic growth rate of 0.6% was forecasted whereas for the 2017 financial year, an amount of 1.1% was forecasted. Statistics further reveal that in 2011, a total of 26.2% of the population lived below the poverty line.

Of the sectors such as mining, agriculture and manufacturing that contribute to what is commonly referred to as the tertiary economy, financial and business services is also considered to have played a pivotal role in the country's gross domestic output. Statistics issued during the first quarter of 2013 indicated that financial, real estate and business services have contributed an amount of R422.850 billion to the gross domestic output.

The financial services sector which includes provision of credit to consumers largely relies on the banking services provided by the banking industry which is largely dominated by four major banking institutions such as the First Rand Limited (FNB), Nedbank Limited (Nedbank), the Standard Bank of South Africa Limited (Standard Bank) and ABSA Bank Limited (ABSA). These institutions largely offer services that include retail and investment banking services. Statistics issued by the South African Reserve Bank in March 2014 indicates the following, as per Figure 2.2 below:

Figure 2.2: Banks' Market Share – March 2014



Source: South Africa Reserve Bank, 2014

2.2.1 South African Economy- Pre 1994

For a considerable number of years, the economy of South Africa suffered extreme economic exclusion from the international community which was as a result of the apartheid regime before 1994. In most cases, the economy was highly decorated with economic sanctions from by the international communities and heavily imposed with trade and investment restrictions. This has seriously hindered South Africa from participating in the international trade and thereby competing with global markets, resulting in the economic growth suffering tremendously.

Socially, South Africa was gripped by high levels of poverty and unemployment (where the average annual growth rate for employment during the period from 1980 to 1993 was recorded as 1.1%). Furthermore, the era resulted in limited access by the historically advantaged to both public health and education facilities. It should also be mentioned that South Africa operates in a country where there is a lot of differences in terms of its income and wealth. It has been established that many Black people in South Africa still live in abject poverty compared to the Coloureds, Indians and Whites. According to Statistics South Africa (2002 – 2009), estimated figures in 2002 have showed that a total of 62% of Black people compared to 29% Coloureds, 11% Indians and 4% White people lived below the poverty line.

Compared to the economy post 1994, the economic growth before 1994 under the apartheid regime led by the National Party experienced slower growth and consequently had a negative impact on certain sectors of the economy.

Table 2.4 below indicates that the average annual growth rate in respect of the Gross Domestic Product was around 1.4% between 1980 and 1993, compared to a figure of 2.9% which growth was experienced from the period 1994 to 2000. Due to economic sanctions imposed on South Africa and restrictions on international trade, exports averaged around 2.2% during the same period, whereas a figure of 5.5% was recorded by the country from the period 1994 to 2000. Imports recorded an annual growth rate of 1.4% during the period 1980 to 1993, whilst 6.6% was experienced during the period from 1994 to 2000.

Table 2.4: Average Annual Growth Rates (% of growth p.a.)

Average annual growth rates (% growth p.a.)				
	1980 - 93	1994 - 2000	2001 - 07	2008 - 12
Gross Domestic Product (GDP)	1.4%	2.9%	4.3%	2.2%
Gross Fixed Capital Formation	-2.2%	4.4%	9.5%	3.4%
Capital Stock	1.9%	1.1%	2.1%	3.8%
Exports	2.2%	5.5%	4.1%	-1.4%
Imports	1.4%	6.6%	9.6%	1.9%
Employment	1.1%	0.5%	1.0%	-0.4%

Source: South African Reserve Bank, 2013

The extent to which credit has been a contributing factor in the economy of South Africa pre 1994 can be noticed within the context of consumer spending, driven by consumer demand as well. A notion expressed that credit propels consumer spending still applies here as well. As can be in Table 2.5 below, consumer spending for the period from 1980 to 1989 has been recorded as 2.7% of the expenditure on gross domestic product. This figure has somewhat slowed down to 0.4% calculated for the period 1990 to 1993.

Compared to the average annual growth recorded for the period 1994 to 2003 and 2004 to 2007, the figures have been recorded as 4.1% and 7.2% respectively. This seems to suggest that consumer spending during the apartheid era was lower to post 1994, and a number of economic factors could be attributable to that situation.

Table 2.5: Expenditure on Gross Domestic Product (average % of growth p.a.)

Expenditure on Gross Domestic Product : (average % growth p.a.)				
Sector	1980-89	1990-93	1994-07	2004-07
Consumer spending	2.7	0.4	4.1	7.2
Government spending	3.9	1.9	2.7	5.3
Fixed investment	-2.4	-4.4	5.5	11.4
Exports	1.5	3.1	4.2	6.2
Imports	-0.4	2.4	6.1	13.8
GDP	1.6	-0.8	3.4	5.1

Source: South African Reserve Bank, 2009

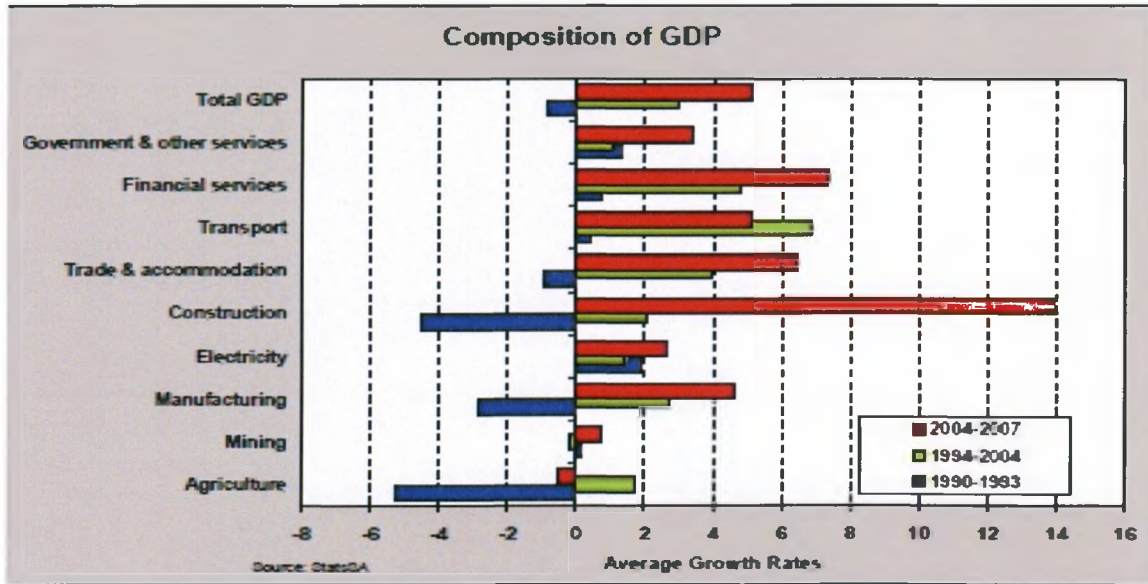
2.2.2 South African Economy- Post 1994

There was no denying of the fact that the period of international exclusion from mainstream economy as a result of apartheid regime and laws has done South Africa more harm than good. One of the greater challenges faced by the new government under the leadership of President Nelson Rolihlahla Mandela and the African National Congress in dealing with the economy of the country was bringing back the South African economy into a volatile global economy during the period where different forces of globalisation were accelerating (Harmse, 2006).

It is believed that South Africa was able to sustain its economic growth since 1994 by introducing and implementing various macroeconomic policies, strategies and programmes which were focused at growth, employment, creation of wealth and distribution of wealth for the citizens of South Africa (Hanival & Maia, 2015). Programmes such as the Reconstruction and Development Programme (RDP), Growth, Employment and Redistribution (GEAR), Accelerated and Shared Growth Initiative for South Africa (ASGISA), Expanded Public Works Programme (EPWP),

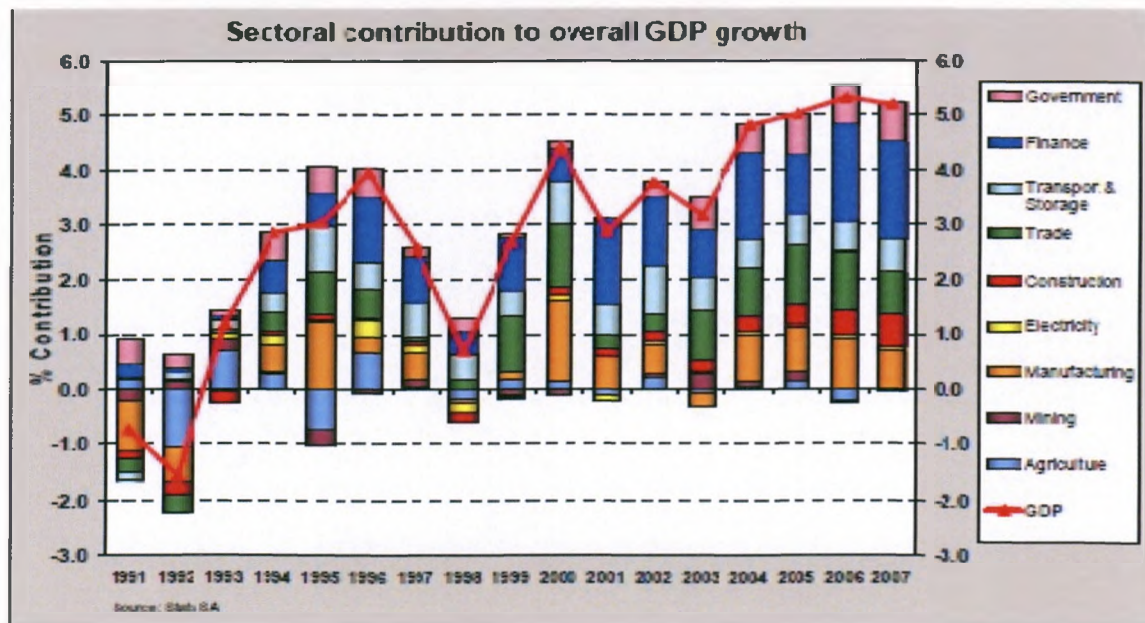
Joint Initiative for Priority Skills Acquisition (JIPSA) and the New Partnership for Africa's Development (NEPAD) have played a key role as macroeconomic interventions intruded by the South African government to specifically deal with the challenges specified above. Figure 2.3 and Figure 2.4 below generally represents the extent of contribution to GDP of various sectors in South Africa.

Figure 2.3: Composition of GDP



Source: Statistics South Africa, 2008

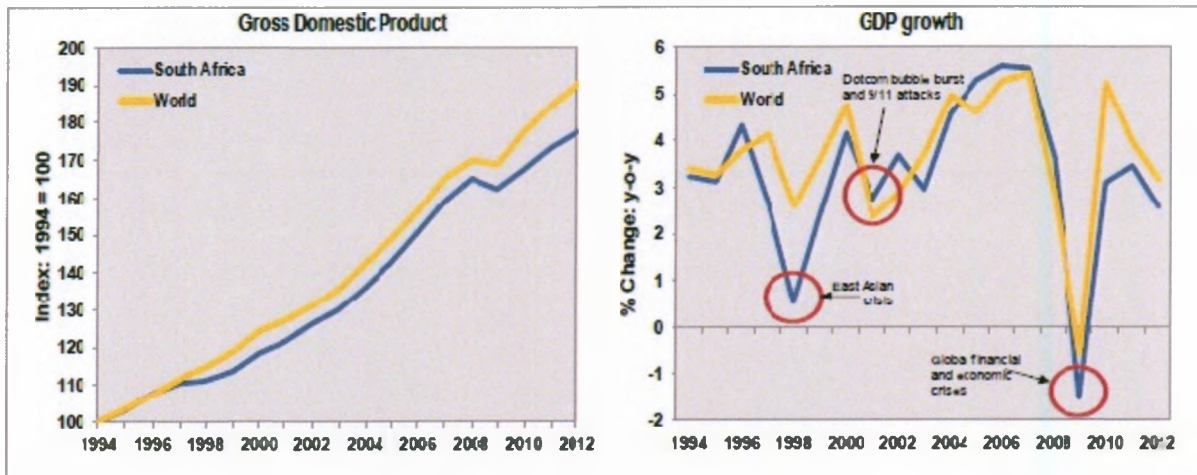
Figure 2.4: Sectoral contribution to overall GDP growth



Source: Statistics South Africa, 2008

There is data available that showed that since the dawn of a new democracy, the economy of South Africa has experienced growth of around 3.3% in real terms during the period from 1994 to around 2012 (IDC, 2013). This has been compared to the annual growth rate of around 1.3% which was calculated from 1980 to 1993, which is essentially a period during apartheid. These figures seem to suggest that South Africa did well under the new democratic government compared to the apartheid era. Figure 2.5 below illustrates economic growth in South Africa between the periods 1994 to 2012.

Figure 2.5 GDP performance trends of the domestic and global economies



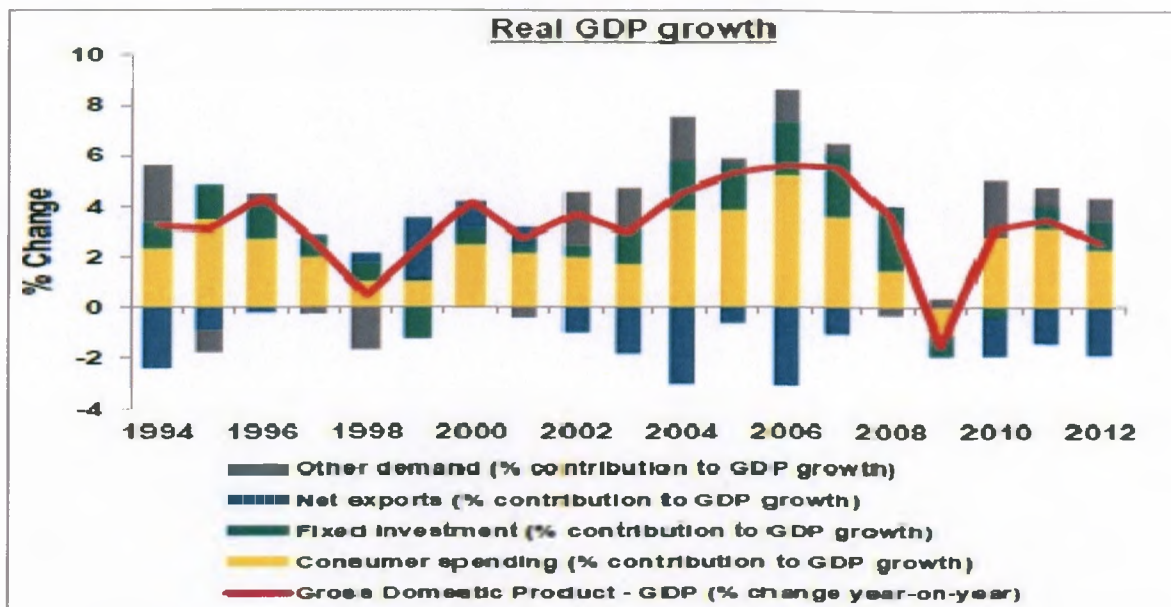
Source: Statistics South Africa, 2013

Available statistics shows that the economy of South Africa has recorded what is believed to be the fastest growth rates since the 1960s calculated over a period from 2004 to 2007 with a real GDP of around 5.2% per annum. Central to this position is the fact that this economic growth was further elevated by household consumption expenditure, which also include credit obtained by consumption from various credit providers in that span.

Figure 2.6 below shows that consumer spending plays a pivotal role in the fuelling of economic growth, which spending could happen by hard earned cash or through credit obtained from credit institutions. Generally, the figures indicate that consumer spending ranges from 1% to 5% as a percentage contribution to GDP growth.

Overall, the report indicates that the largest contribution to the overall economic growth of South Africa calculated from the period 1994 to 2012, resulted from household spending, with an average annual contribution to the overall economic growth of 74.8%.

Figure 2.6: Real GDP Growth



Source: Statistics South Africa, 2013

Most importantly and within the context of this research report is the fact that ease of access to credit has been sighted as one of the favourable economic conditions that has propelled consumer spending in South Africa, and therefore contributed to the growth of the economy in South Africa. Statistics show that a lot of consumer spending on household goods has largely been financed by credit. Therefore, the notion that credit spurs consumer spending which in turn stimulates economic growth, probably holds water in the circumstances. The enactment of the NCA has played a vital real in terms of responsible credit lending and efficient control and management of debts solely aimed at protecting consumers. On the other side, one needs to also take into account the role that is played by interest rate which is charged on any loan or credit that is extended to consumers. During 1990, the Usury Act, 1968 (Act 73 of 1968) was amended in order to encourage consumers in the microfinance sector to obtain credit.

It makes sense to suggest that many consumers are likely to fall behind on their debt obligations if the interest rate is too high. In the mid-1998, interest rate rose by 7% within two weeks, resulting in many lenders crashing out due to non-payment as many were not able to afford the repayment as the interest rate was very high.

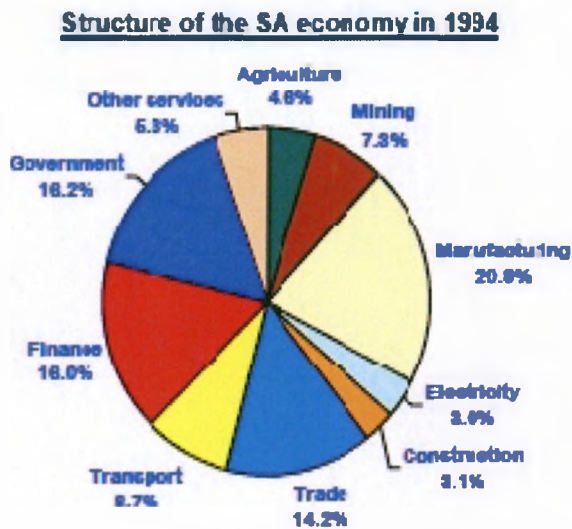
It should also be mentioned here that the dramatic rise in interest rate during 2008 may also have been one of the major factors in the soaring rate of non-payment of credit that was extended to consumers.

2.2.3 The Structure of the Economy of South Africa

South Africa currently operates under the upper-middle-income as ranked by the World Bank alongside other countries such as Gabon, Mauritius and Botswana. Originally, due to the influence by the Dutch, French and Germans, South Africa was running commercial farming economy which was ultimately dominated by the agriculture. The discovery of diamonds fields in Kimberley and gold deposits in the Witwatersrand areas around 1870 and 1886 respectively transformed the said areas as mining zones, attracting a lot of people seeking employment in those areas.

To date, the South African economy is dominated by the agriculture, mining and manufacturing which also include sectors such as electricity, construction, trade and accommodation, transport, financial services and government services and other services all of which serve as a composition of the country's gross domestic product. The manufacturing sector contributed a total of 20.9% of the economy of South Africa's gross domestic product followed by government services at 16.2%. The finance sector (of which credit is a subset of) appears to be the third largest in terms of its overall contribution, posting a gross domestic product contribution to the economy at 16.0%, as in Figure 2.7 below.

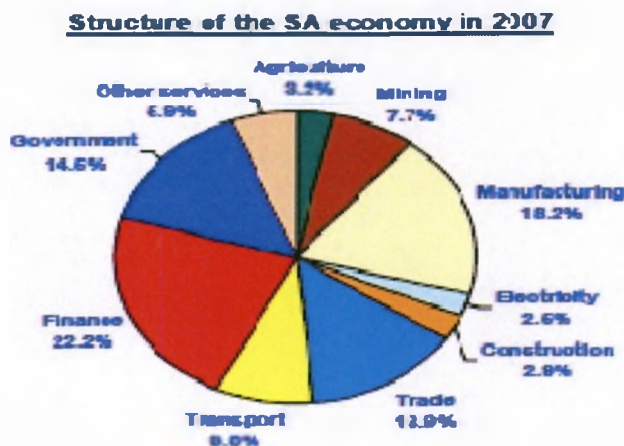
Figure 2.7: Structure of the South African Economy in 1994



Source: Statistics South Africa (Stats SA), 2007

For the year 2007, statistics indicated that the finance sector has grown tremendously to the top of all sectors, which an average of 22.2% of its contribution to the country's gross domestic product (Figure 2.8).

Figure 2.8: Structure of the South African Economy in 2007



Source: Statistics South Africa (Stats SA), 2007

Hanival and Maia (2015) are of the view that consumer spending has played a major role as a key of driver of economic growth in terms of its role within the financial services sector of the economy.

Furthermore, statistics indicate that consumption expenditure by consumers including household spending on items such as household furniture, motor vehicles electronic services has accelerated by 8% on a quarterly basis in the third quarter of 2006, which was its highest growth rate since 1995. In this context, economists are of the view that the ease of accessing credit probably played a significant role in the size of the financial serves sector, which in turn became a major contributor to the gross domestic product of the economy of South Africa where large portions of household spending has been financed by credit.

2.3 Analysing the Relationship Between Credit and Macroeconomic Policy

It is my view that a relationship needs to be established and analysed between credit and the application of macroeconomic policy or any macroeconomic strategy in South Africa. Once such relationship has been identified, same will assist in giving a broader understanding on the importance of the extension of credit to consumers.

By its very nature, macroeconomic policy is used by government as a set of rules and regulations which are primarily utilised to either control or stimulate aggregate factors of an economy, which include but not limited to economic growth rate, national inflation rate, unemployment and interest rate. In broad terms, macroeconomic policies aim to achieve sustainable level of economic growth and therefore enhance high standards of living within a society. For example, in order to complement its political liberation after few under an apartment regime and to open its doors to international trade, South Africa needed a macroeconomic-policy framework that will put it in a position to influence economic growth (Khamfula, 2004).

In the research conducted on the roles of money and credit in macroeconomic analysis, Friedman (1981) came to the conclusion that the relationship between credit and non-financial economic activity is just as regular and stable as it is of the relationship between money and economic activity. Friedman (1981) further concludes by saying that during this analysis, evidence has rather showed that there is no more empirical justification for using money as the intermediate target than there is for using credit as the intermediate target.

Monetary policy is usually used as a strategy to regulate the supply of money in an economy. It is often referred to as credit policy as it is related to banking institutions and deals largely with interest rate management. Through the application of the monetary policy as one of the macroeconomic policy instruments, the South African government attempts to bring the South African Reserve Bank (SARB) as a central bank of the country under its control and supervision in relation to the management of the interest rate in the country. It is the SARB that controls the repo rate of loans advanced to banking institutions, and this in turn has an impact in terms of the interest rate that banking institutions have to impose to credit applied for by the consumers (www.resbank.co.za).

It therefore suffices to say that one of the major characteristics of the relationship that exists between credit and macroeconomic policy lies in the fact that macroeconomic policy through the application of monetary policy can influence the rate of interest that consumers have to pay in relations to their credit products, such as mortgage loans, vehicle financing, personal loans and other credit facilities. Low interest rates allow credit to be affordable. High interest rates at any given point in time discourage accessibility to credit products due to the fact that they are expensive. Therefore high interest rates affect credit extension and therefore slow economic growth as participation in the economy is reduced.

2.4 The Role of Credit in the South African Economy

According to Gilchrist & Zakrajsek (1995), the role of credit extension in what is referred to as monetary transmission mechanism can be divided into two separate phenomena, one being the credit channel of monetary policy and the other being the financial accelerator. Bond (2013) pointed out that credit expansion was a factor that was responsible for a 5% GDP growth that was recorded in South during most of the year 2000s. Van Der Walt & Prinsloo (1995) expressed a view that the extension of provides a vital role in the transmission of mechanism which relates information on the changes that are necessary in the monetary policy to changes that are there in terms of the demand of the total demand of goods and services by consumers and the general level of economic activity of a country.

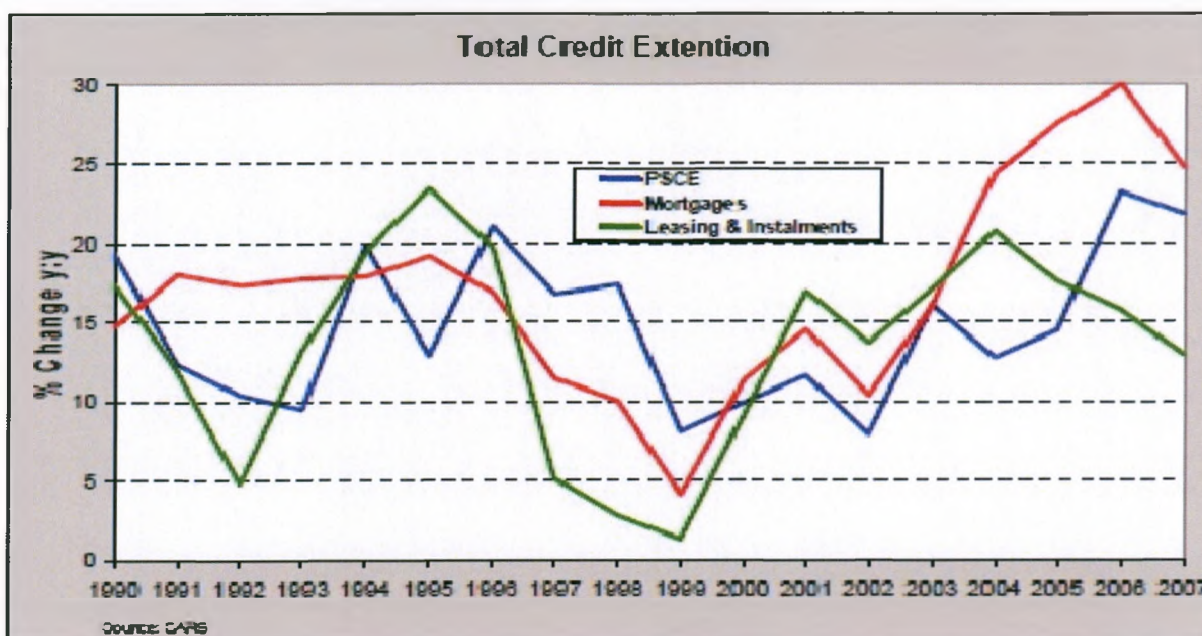
Credit is regarded as a central element of the welfare as well as well-being of many people in a country and it is also regarded as the effective management of the economy in high- and low-income countries (Hudson, 2009). Credit is a key enabling mechanism for investment and development, the absence which may have negative effect on the economy of a country as a whole. A failure to facilitate widespread access to credit often results in significant opportunity cost to entrepreneurs and the wider economy.

Credit spurs consumer spending, a key driver of economic growth. Inaccessible or expensive credit hinders growth. Access to a sustainable credit market is essential to all development goals. Therefore access to credit is critical to ensure that the above is realised and as well as to sustain the lives of ordinary consumers.

Figure 2.9 below is an illustration of the total extension of credit to consumers which includes private sector credit extension, extension of credit for mortgages as well as credit that has been extended to consumers for leasing and instalments, calculated during the period 1990 to 2007. As can be seen on the figure, credit that has been extended to consumers for mortgage transactions tops all other forms of credit extension.

In my opinion, the rationale is rather obvious. Few people have cash money to buy properties such as residential dwellings. Mostly largely relies on credit as a means to afford the buying of these properties.

Figure 2.9: Total Extension of Credit to Consumers, 1990 - 2007



Source: South African Reserve Bank (SARB), 2008

In the same breath, Ross (2015) examines the role that is played by credit in the economic boom or bust cycles in as far as credit extension is concerned. Ross (2015) discovers that, to a greater extent, governments and central banks have made borrowing of money by way of credit extension too easy and too cheap.

He is of the view that most investors, businesses and speculators incorrectly bid up the price of assets and thereby overleveraging themselves which may ultimately lead to a bursting of asset bubbles.

On the other hand, Jones (1993), in his analysis of the bank credit crunch in the early 1900 to 1992, discovered that the cut-off in the supply of credit by depository institutions as introduced early in the 1990 – 1992 period, had set in motion what he referred to as progressive deterioration in the demand for credit that was felt in full later that year.

Credit growth remains one of the most focal points in terms of the work that is done by the SARB. On several occasions, the SARB has expressed concerns on how slow credit growth in South Africa has a negative impact to the growth of the economy as a whole. According to the SARB, South Africa has experienced a weak economic growth since the 2010 global economic crisis. The SARB has reported that growth in total credit to households has averaged 4% in 2014 and 2015 which is regarded as very low. In a statement issued by the Monetary Committee of the SARB through the Governor of the Reserve Bank Mr Lesetja Kganyago on 28 January 2016, it was indicated that credit growth remained very low despite increase in credit extension to mortgages and general loans. It was further indicated that the introduction of the affordability assessments guidelines issued in terms of the NCA as amended by the dti in September 2016, will have a constraining effect on the demand of credit extension especially to households.

2.5 Conclusion

To a greater extent, a case has been established that seems to strengthen the notion that there is a strong relationship that exists between economic growth and the availability and/or extension of credit to consumers in South Africa. The SARB's monetary policy does support credit extension on account of its role in the economy of South Africa. Statistics that have been issued by the SARB over time bear witness to this assertion.

However, it is crucial to mention that, whilst credit extension availability for consumers plays an important role in the driving of the economy, it is also important to emphasize that such credit extension should be done responsibly and not recklessly. To ensure that this happens, the dti has already promulgated regulations in terms of the National Credit Amendment Act that contain affordability assessment guidelines which became effective on. These regulations are aimed at ensuring that credit providers mandatorily conduct an affordability assessment test so as to encourage responsible credit extension to consumers and protect them against reckless credit lending.

CHAPTER 3: CREDIT REGULATION IN SOUTH AFRICA

3.1 Introduction

It has already been established above that the financial sector constitutes a larger component of the various sectors constituting this economy. As indicated in Chapter 2 above, the financial sector in 1994 constituted 16.0% of the total economy, second after the manufacturing sector that was sitting tops at 20.9% of the economy. In 2007, the financial sector was tops at 22.2%, followed by the manufacturing sector at 18.2% of the economy.

In this chapter, the legislative regulatory framework on credit will be explored, with specific reference to the policy framework and the current legislation in the form of the NCA. The chapter will make reference to the policy objective of the framework surrounding credit regulation in South Africa and what was primarily envisaged by this framework.

3.2 Constitutional Mandate Regarding Credit Regulation

One of the critical highlights that came about with the inauguration of the new democratic government was the development of a new constitution, which underpins democracy and all its values for the citizens of the Republic of South Africa.

The Constitution of the Republic of South Africa is revered globally, and it is considered as one of the most important achievement of all time that has come out of South Africa in its constitutional democracy. The Constitution was seen as a document which was primarily aimed at the preservation and protection of human rights and dignity, especially to the masses of the black nation that were politically ostracised from the society during the apartheid era. Furthermore, the Constitution was also seen as an instrument in terms of which practical recognition to the injustices of the past could be given by building a future for South Africa that was based on equality and social justice, which Constitution was seen as a text that embodied the nation's highest aspirations (Mandela, 1996).

Part of the rationale for the respect accorded by international community could be attributed to the Bill of Rights, which is contained in Chapter 2 of the Constitution and highly inspired by the Freedom Charter. The Freedom Charter, which was adopted at the congress of the people at Kliptown in Johannesburg on 25th and 26th June 1955, provides that the country of South Africa will only be free and prosperous if all people therein live in brotherhood and enjoying equal rights and opportunities.

Amongst other things, the Freedom Charter strived to ensure that everyone enjoys equal human rights and make sure that all other industry and trade are controlled efficiently for the well-being of all generation (Dugard, 2008).

Chapter 2 of the Constitution provides the Bill of Rights as contained in the chapter, forms the basis or cornerstone of democracy which must be protected and promoted at all times for enjoyment by all the citizens of South Africa. Through the promulgation and application of the Constitution as a supreme law of the country and in accordance with the Constitution's preamble, South Africa seeks to address all the injustices of the past by establishing a society that is based on democratic values, social justice and fundamental human.

Social justice is defined as fair and proper administration of laws confirming to the natural law that all persons, irrespective of ethnic origin, gender, possessions, race, religion etc. are to be treated equally and without prejudice (www.businessdictionary.com). Chipkin and Meny-Gibert (2013) argue that social justice is associated with the idea that rights, benefits and burdens in the economic, political and social spheres should be allocated fairly. The Bill of Rights makes provision for equality before the law, emphasizing that there should be equal protection and benefit before the law. Over and above the right to dignity, the Bill of Rights further stipulates that no person must be punished in a cruel, inhuman or in a manner that is degrading. The Bill of Rights goes further to say that everyone has a right to a just administration action and such person is should be allowed in terms of enacted legislations to request for reasons of a adverse administrative action against them.

Credit regulation is part of a consumer protection, which has been listed in Part A of Schedule 4 of the Constitution as a functional area which is of a concurrent national and provincial sphere of government competence. This means that both the national and provincial spheres of government have been given the legislative mandate to deal with this area. However, in terms of the actual application of this provision, the national government has been given exclusive authority to develop legislations and policies on the regulation of credit. Hence, there is only one piece of legislation in South Africa dealing with credit regulation, which is the NCA and administered nationally by the dti (www.thedti.gov.za).

3.3 Policy Framework on Consumer Credit Regulation in South Africa

The Policy Framework for Consumer Credit was a credit policy review initiative which was inspired by the Reconstruction and Development Programme in 1994 and subsequently followed by the Macroeconomic Reform Strategy by the then President of South Africa Mr Thabo Mbeki in 2002 (www.thedti.gov.za).

The amendments and repeal of the Credit Agreements Act 75 of 1980 and the Usury Act 73 of 1968 were introduced by the dti in a revised policy on credit regulation entitled "A Policy Framework for Consumer Credit: Making Credit Markets Work" in 2002. These two legislations have been in operation for a period of 30 years and were therefore outdated, inefficient and no longer in line with best practice international jurisdictions. Consequently, it was important for the government to introduce a legislative reform in respect of consumer credit to ensure that it is harmonised with the best practice international jurisdictions as indicated above.

Both the Credit Agreements Act 75 of 1980 and the Usury Act 73 of 1968 have been identified to be responsible for limiting access to credit amongst the black working class in the period 1960s and 1980s. This lack of access to credit resulted in many black people being unable to make investment in housing, education and other economic opportunities as well.

For example, during that period, it was estimated that of the R2.3 million residential properties that were located in urban areas in the name of black South Africans, between 5% and 10% of these black people had mortgages registered. This scenario was an example of lack of access to credit for black people which was especially needed for capital investments.

Amongst other things, it was the intention of the government to introduce a policy framework that will deal with economic transformation and at the same time give policy direction in terms of the regulation of consumer credit market in South Africa. Generally the belief around the consumer credit markets that work is motivated by the fact that such markets are able to assist people to accumulate and therefore grow the economy.

During 2002, it was estimated that the credit market was worth R362 billion and that this market was actually providing credit to a total of R15 billion people. Without credit, it is obvious that many people will not be able to afford payment of certain services and purchasing of certain goods. This is also true about payment of university, which most of us will not be in a position to afford. It therefore makes perfect sense that credit plays a vital role in the unlocking of various opportunities for consumers.

On the flip side, it should be acknowledged that the credit market is an industry full of many risks that can lead to over-indebtedness if the opportunities for the access of credit are being abused. As a result, it is important that there should always be a balance between credit access and responsible credit lending. Between 1960 and 1980, it was alleged that many black people were negatively targeted by credit bureaus in terms of handling their credit bureaus information and that the financial institutions like banks and other credit providers were not eager to extend credit especially to those areas that were regarded as black settlements. With the above practice, credit bureaus were seen as institutions that were reinforcing discrimination against black people instead of ensuring that there is proper flow of credit information that was necessary to facilitate access of credit.

Generally the period during the apartheid system of government marked a period where it was difficult for credit to be extended to those who have been historically disadvantaged.

It is within this context that the Policy Framework for Consumer Credit (2004) looked to introduce some provisions that will specifically deal with issues relating to discrimination and facilitate access to credit to every citizen, irrespective of race, colour, creed and gender. Furthermore, the framework also provided for any consumer whose credit application has been refused to be supplied with reasons regarding refusal of such credit.

On a general note, it has been contended that Credit Agreements Act 75 of 1980, the Usury Act 73 of 1968 and the Usury Exemption Notice of 1999 have created a number of regulatory inconsistencies in the credit access market and that has led to a number of difficulties in terms of compliance with the standards as set out by those various pieces of legislation. This is due to the fact that each piece of the legislation stated above will apply to different credit transactions and as such created uncertainties for the credit market.

It is within that context that it was necessary for a new dispensation to be introduced in South Africa that will offer proper regulation of credit for the credit industry and for consumers. It was suggested that by introducing a single piece of legislation, distinct from the three pieces of legislations that were applied in the old dispensation, it will bring certainty in the credit industry and that the new legislation will be applied to all credit transactions and will bind all credit providers.

3.4 The Introduction of the National Credit Act 34 of 2005

As highlighted above, before the promulgation of the NCA, credit agreement transactions were regulated in terms of the Credit Agreements Act 75 of 1980 and the Usury Act 73 of 1968.

The Credit Agreements Act was promulgated in order to repeal the Higher Purchase Act 36 of 1942. In terms of its application to credit agreements transactions, the Usury Act 73 of 1968 was regarded to be of limited application similar to the Usury Act 37 of 1926 (Moorcroft, 2014). There has been a general feeling that both the Credit Agreements Act 75 of 1980 and the Usury Act 73 of 1968 did not offer much protection to consumers and so there was justification for review of these pieces of legislation (Roscoe, 2008).

The NCA was promulgated pursuant to A Policy Framework on Consumer Credit (2004), thereby repealing both the Credit Agreements Act 75 of 1980 and the Usury Act of 1973. The National Credit Act 34 of 2005 in 2003 was primarily promulgated in order to establish a credit market that will be accessible by everyone in the country, especially those who were previously marginalised by the apartheid system of government. Against this background, it is my contention that one of the primary objectives surrounding the NCA was to ensure and encourage an environment where the credit market industry will ensure availability of credit for consumers. As already been indicated above, statistics have indicated that the majority of people can only be able to afford certain products and services through access to credit.

In the same breath and in line with the spirit of the NCA, it is of vital importance that in order to make the credit market s to work, there is an obligation on the credit providers to grant credit to consumers in an equitable and responsible manner. Therefore the NCA presupposes a credit market that will be accessible to those who can and that credit availability will be done in a responsible manner.

3.5 Credit Extension in the Old Dispensation

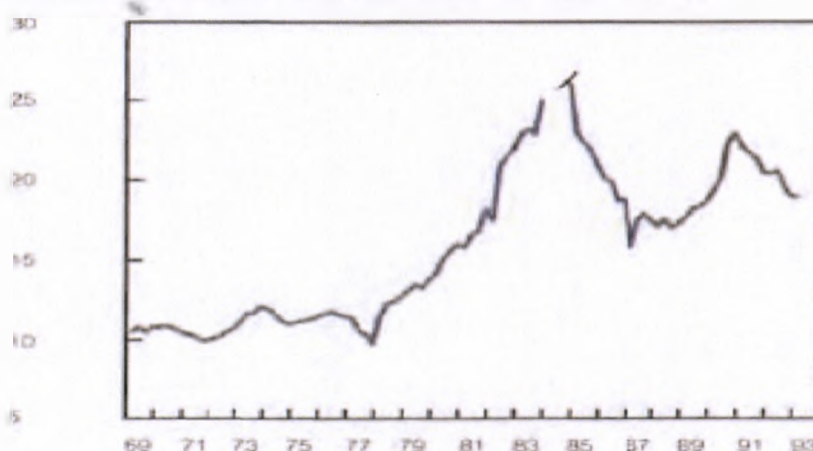
For a long time, South Africa as a country had to deal with issues of a political nature which included the extension of credit to the majority of the black people as a result of past apartheid regime with its segregation laws that were in force prior to 1994. Credit extension was largely done in terms of the Credit Agreements Act.

According to Van Deer Walt and Prinsloo (1995), the then Minister of Trade and Industry Dr Alec Erwin declared the Credit Agreements Act was a legislation through which credit purchases in general will be regulated and that consumers will be protected in terms of incurring to large a burden of indebtedness.

Mainly, this legislation dealt with credit in the form of mortgage advances and consumer credit, and the latter included personal loans, credit card facilities, lease transactions and instalments sale agreements to least a few. Van Der Walt and Prinsloo (1995) have indicated that during the 1970s, credit extended to consumers amounted on average to 22% of total credit that extended to the private sector by banks and other financial institutions. Figure 5 below illustrates in percentages the total consumer credit that was extended by banks and other institutions between the periods 1969 to 1993.

Figure 5: Consumer credit granted by banks as % of total private sector credit

Graph 1. Consumer credit granted by banks as percentage of total private sector credit



Source: South African Reserve Bank (SARB), 1994

On the flip side, there has been strong contention from those in the political opposition circle of the ruling party that the Credit Agreements Act of 1980 was purely founded on apartheid laws and that its intention was only to serve who belong to the white race.

According to many people, the Credit Agreements Act was never meant to allow extension of credit to the black people. It was inconceivable that black people would stand to be beneficiaries of consumer credit under these laws until they were either amended and reviewed to make them more inclusive of other races as well.

CHAPTER 4: CREDIT INDUSTRY AND ROLE-PLAYERS

4.1 Introduction

As a point of departure, it is very important to understand all the role-players within the credit industry as well as comprehending the various roles that they play in the credit space. In the same breath, one needs to also comprehend the regulatory structure or institutions that government has put in place in terms of the statutory framework by way of the National Credit Act 34 of 2005.

4.2 National Credit Regulator

The NCR was established as an independent body in terms of Section 12(1) of the NCA and is tasked with the responsibility of regulating the credit industry in South Africa as well as generally ensuring that this legislative framework is effectively implemented. The NCR replaced the Micro Finance Regulatory Council (MFRC) as a structure regulating credit in South Africa. The NCR is an agency of the Department of Trade and Industry and reports annually to the Minister of the dti, Dr Rob Davies. It is the responsibility of the NCR to register all the credit bureaus and credit providers that are extending credit to consumers as well as businesses.

In general, the NCR foresees the registration of banking institutions, micro-lenders, retailers in the clothing and furniture industry, as well as all businesses, private companies, close corporations and individuals who do business on credit, provide loans or charge any interest in respect of accounts that are overdue. Amongst other things, the NCR is required by operation of the law to conduct investigation of complaints, conduct research in the credit industry, initiate education and awareness programmes for consumers and to contribute in the policy development of the credit regulatory framework (www.ncr.org.za)

One of the key functions of the NCR was to make sure that the credit market is developed and made accessible to everyone, especially to persons who have been disadvantaged historically as well as to those people with low earnings including those people who are staying in remote and densely populated communities.

4.3 National Consumer Tribunal

The National Consumer Tribunal (the Tribunal) has been established in terms of Section 26(1) of the NCA. The Tribunal is mandated to hear all cases brought to it by and against the NCR and the National Consumer Commission (NCC) in terms of both the National Credit Act and the Consumer Protection Act.

The NCA empowers the Tribunal to adjudicate in relation to any application brought forward for its attention or any allegations of a prohibited conduct to determine whether indeed the prohibited conduct has happened as well as granting an order for costs in terms of Section 147 of the NCA or any to exercise any other power conferred to it by operation of the NCA. The Tribunal is responsible for implementing the provisions of both the NCA and the Consumer Protection Act (CPA) by listening to such cases brought before it and make a impose sanctions, ranging from cancellation of registration of either a credit provider, credit bureau, debt counsellor etc., suspension of registration of credit provider, credit bureau, debt counsellor, issuing of fines and providing any redress to consumers where it deems fit (www.thenct.org.za).

4.4 Credit Bureaus

The value and rationale of credit bureaus within the credit lending space warrants a discussion on its own. Jappelli and Pagano (2005) are of the view that the practice relating to the sharing of credit information of consumers between credit bureaus and the credit institutions such as banks and other credit providers has a major effect on credit market activity in the sense that this improves the knowledge of these lenders of the characteristics of the borrowers in the lending of credit and allows the credit

providers to make accurate calculations on the ability of the borrower to repay per obligations attached to the lending agreement.

Further, Jappelli and Pagano (2005) believe that this reduces the borrower's probabilities of being exposed to over-indebtedness.

The importance and relevance of these institutions can always be seen within the context of them being part of a legislative regulation framework, as most of them have been incorporated in various legislations in different countries. In South Africa, any person or institution running the business of a credit bureau is required in terms of the NCA to register and be regulated through the office of the National Credit Regulator.

Section 43(1) states that any person who is involved in the business of receiving reports of credit applications, credit agreements, payment history or patterns or consumer credit information must be registered as such in terms of the NCA. Further, the NCA also stipulates that any person who compiles and maintains data from consumer credit reports and issue reports concerning consumers on information or data concerning consumer credit information must be registered as a credit bureau.

Credit bureaus may not divulge information without advising the consumer. Consumers are entitled to challenge the accuracy of the information and credit bureaus are required to investigate any such challenge. In terms of the Act, a credit provider is obliged to entertain each and every application for credit; to furnish a consumer with reasons for its decision not to advance credit; and to treat all credit information confidentially and not disclose such information to third parties.

According to information released by Asia Focus (October 2011), a periodic newsletter issued by the Country Analysis Unit of the Federal Reserve Bank of San Francisco in the United States of America, credit bureaus have served as an important tool that has helped to reduce credit risk and the number of defaults and bankruptcies.

As such credit bureaus are said to have contributed to effective credit risk management practices which has had a positive impact in the safety and soundness of the banking system in all of Asia.

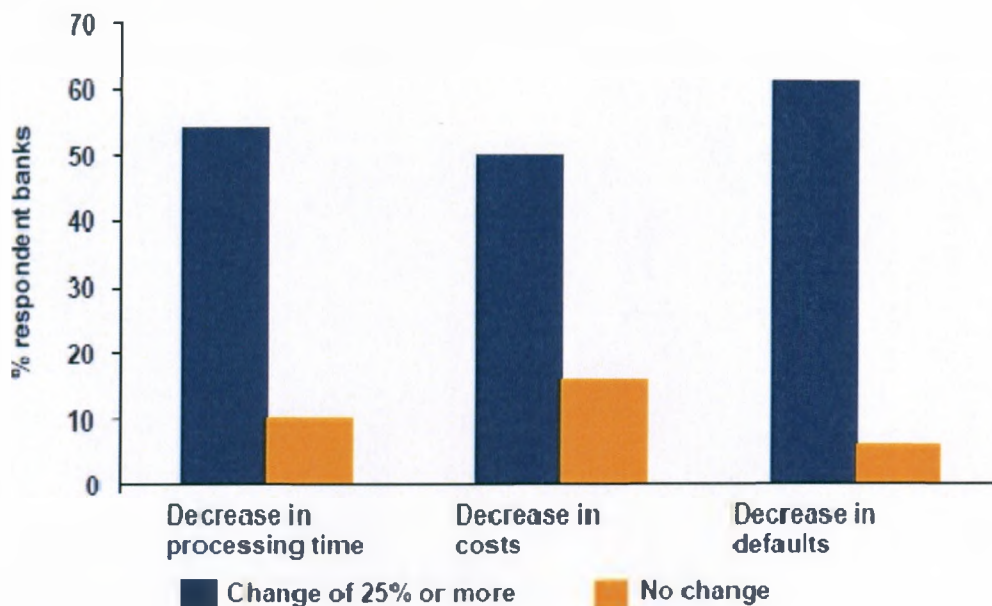
The newsletter also went further to indicate that the World Bank Study Report (2011) showed that a total of three Asian economies of Hong Kong, Malaysia and Singapore have ranked amongst the top ten economies in the world in terms of ease of getting or accessing credit due to the depth of coverage of consumer credit information.

In the same breath, the report on the Global Credit Reporting Program by the World Bank Group in 2011 emphasizes that the key role that is played by the credit reporting service providers in financial markets is quite essential in decreasing the levels of information asymmetries that exist between the borrowers of credit as well as credit providers (World Bank Group, 2011). Such is very important in ensuring that credit providers are well informed on the credit status of the credit borrower before any credit can be extended.

Again, credit reporting service providers are able to make a correct and accurate evaluation of possible risks involved and this has the ultimate benefit of improving the quality of information in different portfolio. At the same time, they help in easing any adverse selection problem which has the benefit of lowering costs associated with credit lending in favour of borrowers with good credit standing. Overall, credit reporting service providers play a very important part in the credit lending market by increasing credit volume with the ultimate effect of improving access to credit mostly for the benefit of borrowers.

Figure 4.1 on the bank assessments of the impact of credit registries below seems to suggest that availability of information such credit records assist credit providers as credit providers are likely to process application for credit within a short space of time. At the same time, such information has the benefit of reducing costs relating to the transaction itself, which is quite beneficial for both the credit providers and the borrowers.

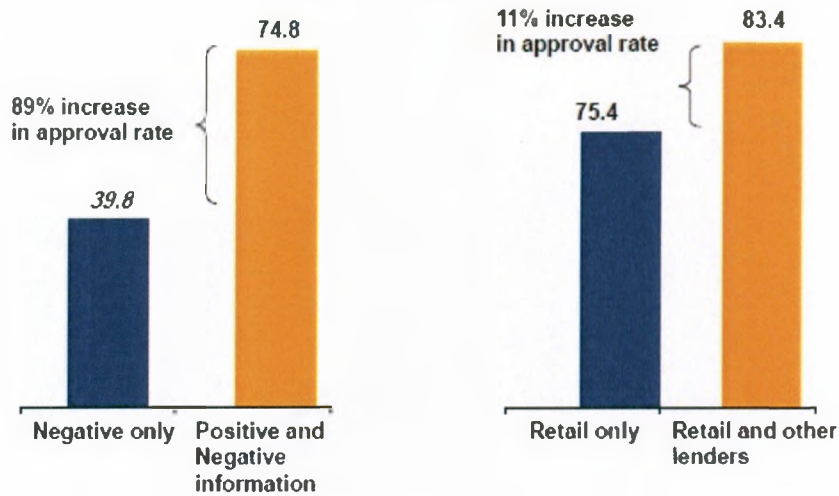
Figure 4.1: Bank Assessments of the Impact of Credit Registries



Source: Doing Business, World Bank Surveys (2004)

As has already been stated above, the operation of credit institutions serve to help both consumers and business in accessing the credit they require. Figure 4.2 below illustrates that with the availability of both positive and negative information of businesses and consumers held by credit bureaus, 74.8% of loan applicants are able to obtain loan at an approval rate which has increased by 89%. Only 39.8% of the borrowers will get the loan applied for if the credit bureau has negative information of the borrower only.

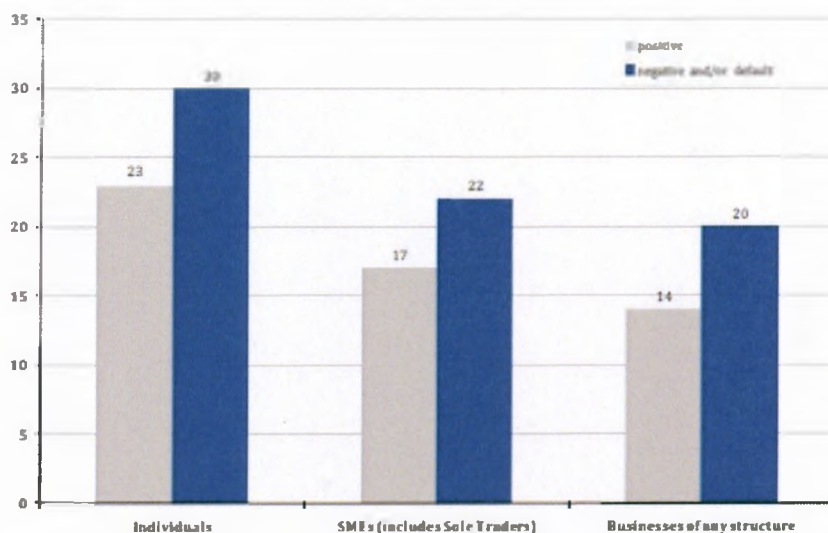
Figure 4.2: Percentage of applicants who obtain a loan



Source: Barron and Staten (2000)

Compared to South Africa and other international countries, Europe views the collection of negative information or data of debtors or consumers that are indebted to their creditors or credit providers as the basic activity of consumer credit bureaus (Rothmund & Gerhardt, 2011). This data includes both positive and negative data which is stored by credit bureaus for both individual consumers, small medium enterprises (SME) and businesses of any structure. Figure 4.3 below shows the number of countries in all of Europe and the information on consumers, small medium enterprises and other businesses that are stored on their credit bureau databases.

Figure 4.3: Storage of Positive and Negative Data (Credit Bureaus)

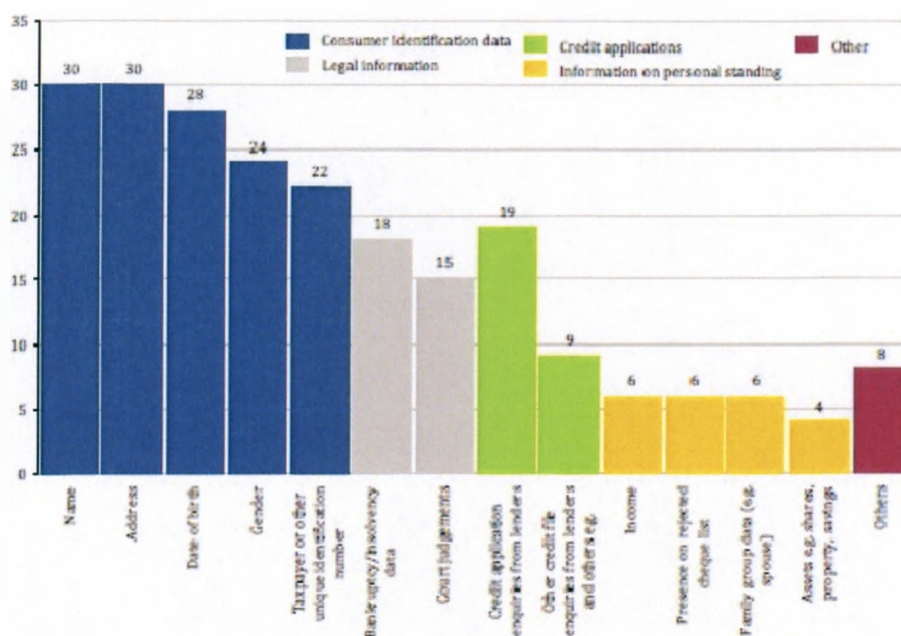


Source: Associates of Consumer Credit Information Suppliers (ACCIS) Survey, 2010

Figure 4.4 below indicates the type of data or consumer information that is stored on the consumer credit bureaus database that is essentially used as references by credit providers in the assessment of credit applied for only by individual consumers in Europe. Amongst other things, it is indicated that data stored reveals information on loans granted to consumers, home mortgages, credit cards, store cards, overdraft facilities and retail credit. Other information that is available at the credit bureaus includes the following:

- Original amount of credit.
- Duration of repayment of credit facility.
- Outstanding amount.
- Periodicity of repayment.
- Interest rate.
- Payment and account relationship.

Figure 4.4: Data stored on the consumer (Credit Bureaus)



Source: Association of Consumer Credit Information Suppliers (ACCIS) Survey 2010

4.5 Credit Providers

Credit lending in South Africa is only permissible by credit providers who should be registered as such in terms of the National Credit Act 34 of 2005 (NCA), as amended. Section 40 of the NCA (2005) makes provision for registration of credit providers. A credit provider is defined by the NCA as any party who lends money or provides credit under a credit agreement. A credit agreement is further defined as an agreement in terms of which a credit provider sells goods or lends money to a consumer. The definition of consumer follows in paragraph 4.6 below.

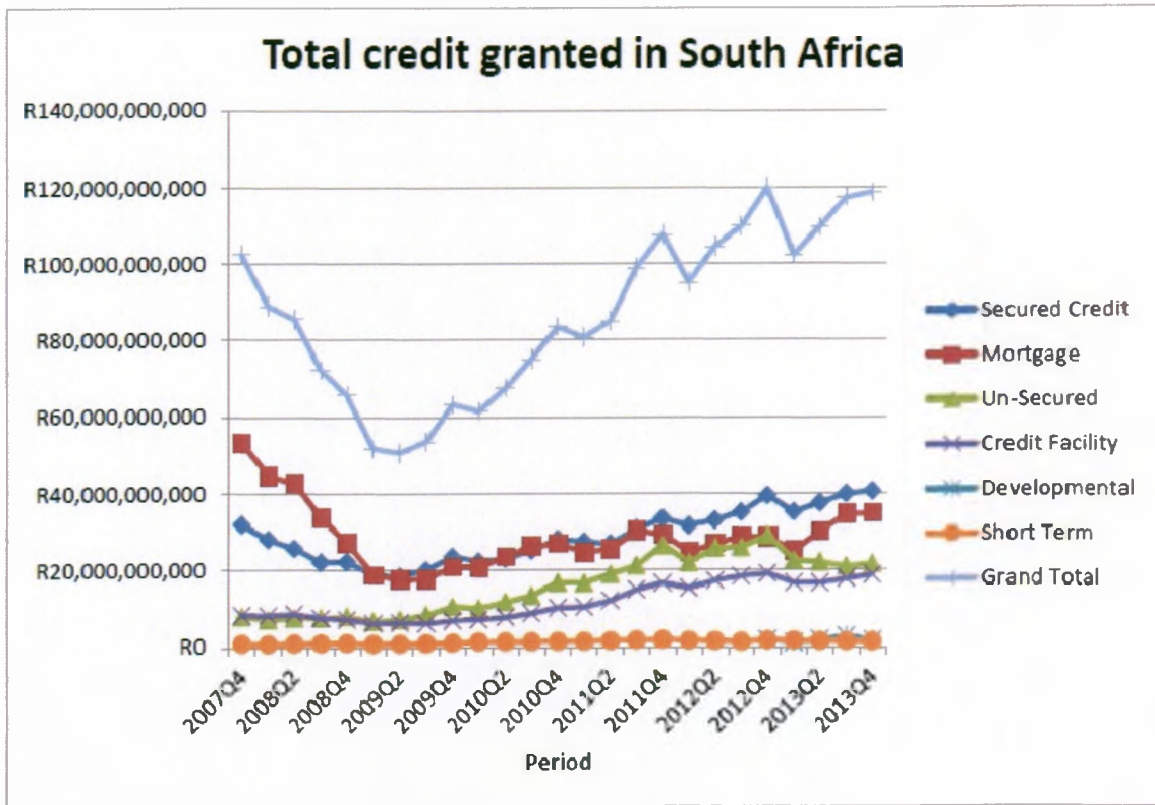
Credit is offered mainly by credit providers in respect of the following credit facilities:

- Secured credit
- Mortgage loans
- Unsecured credit
- Credit facilities
- Developmental credit
- Short term credit.

Most of the credit is advanced by banks which are registered in terms of the Banks Act dominated mainly by the first Rand Bank, Standard Bank of South Africa Limited, Amalgamated Banks of South Africa (ABSA) and Nedbank Limited.

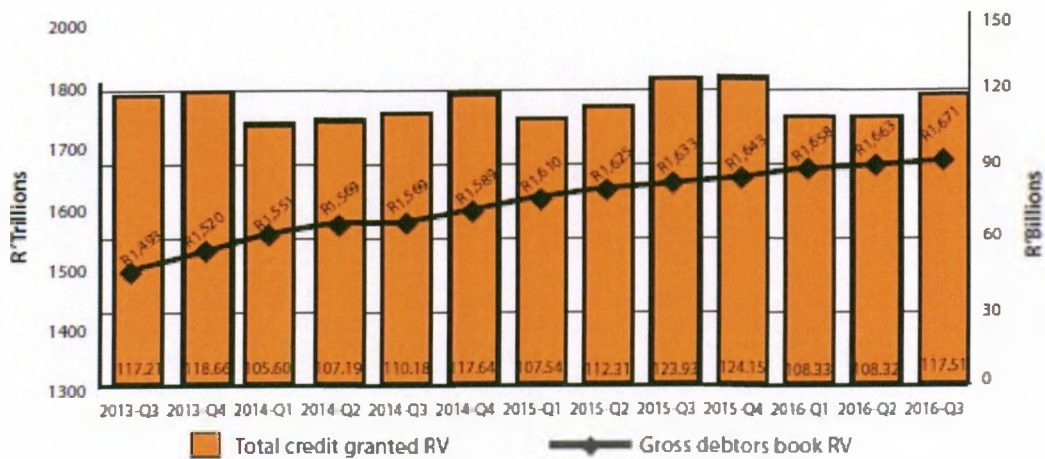
As can be seen under Figure 4.5 below, statistics released for the period 2007 until 2013 indicates a total of approximately R120 000 000 million in credit lend to consumers in South Africa by credit providers for various types of credit facilities. The statistics released by the NCR from 2008 to 213 showed that banks is accountable to more than 80% of all the credit that was advanced to consumers whilst the remainder is actually split between retailers, non-bank financiers and other credit providers. Other credit providers consists primarily of pension backed lenders, developmental lenders, micro loan lenders, agricultural lenders, insurers, non bank mortgage lenders and securitised debt.

Figure 4.5: Total credit granted in South Africa from 2007 - 2013



Source: Consumer Credit Market Report, 2013

Figure 4.6: Total credit granted and gross debtor's book



Source: Source: Consumer Credit Market Report, September 2016

Table 4.1: Credit granted – per industry

Agreements	2015-Q3 R000	2015-Q4 R000	2016-Q1 R000	2016-Q2 R000	2016-Q3 R000	2016-Q3 % Distribution	% Change (Q3/Q2)	% Change (Y/Y)
Banks	94,640,969	96,524,792	81,463,176	83,895,115	88,338,117	75.17%	5.30%	-6.66%
Non-bank vehicle financiers	10,293,565	11,089,597	8,924,954	10,115,317	10,586,568	9.01%	4.66%	2.85%
Retailers	4,539,449	3,687,792	2,938,713	2,972,729	4,255,821	3.62%	43.16%	-6.25%
Other credit providers	14,460,802	12,844,851	15,004,364	11,337,116	14,332,301	12.20%	26.42%	-0.89%
Total	123,934,786	124,147,032	108,331,207	108,320,278	117,512,808	100.00%	8.49%	-5.18%

Source: Consumer Credit Market Report, September 2016

4.6 Consumers

The definition of consumer in terms of the NCA is premised from the meaning of a credit agreement. In terms of this Act and within the definition of a credit agreement, consumer refers to a party to whom credit has been granted, a borrower under a secured loan has been made and party to whom a mortgage loan has been granted under a mortgage agreement. Section 60 until Section 65 of the NCA (2005) has outlined different rights that consumers of credit enjoy in terms of this Act. The NCA provides that consumers have right to apply for credit and to have access to information that is contained in the transactions between the consumer and credit providers. Consumers also a right to confidential treatment of information that is held by the credit bureaus and that can challenge any such credit information records. Protection to these consumer rights is provided for in line with the provisions of Section 66 of the NCA.

As rights and obligations arise by virtue of the agreement entered into between the parties to it and in this case a credit agreement, consumers are also obligated to give full and truthful information to the credit provider when concluding agreement for access to credit.

The statistics released by the Credit Bureau Monitor of the NCR at the end of March 2016 showed that there were a total of 23.88 million credit-active consumers in South Africa, with about 48.83 million individual credit records held at the bureaus.

CHAPTER 5: COMPARATIVE RESEARCH STUDY OF INTERNATIONAL JURISDICTIONS ON CREDIT REGULATION: BENCHMARKING ON CREDIT, CREDIT EXTENSION AND ECONOMIC IMPACT

5.1 Introduction

Zhao et al (2008) indicates that in this day and era, educators and policymakers have become aware of the importance of understanding the fundamental practices which are characteristic of many a nation for a number of reasons, which include amongst other things, the opportunity to understand own weaknesses and strengths relative to the other nations with the purpose of identifying other areas for potential improvement on what they have. In another comparative study done to look at the international academic rankings of universities, it is averred that increasing market-based orientation and international character that is enjoyed by institutions of higher learning around the world have resulted in many students, universities and governments from taking interest in knowing the position that other centres, universities or other institutions of higher learning have in comparison with other entities (Buela-Casal et al, 2006).

In a way, comparative research studies are helpful and could become meaningful if areas on similarities and dissimilarities can be identified which could be used to effect improvements on other jurisdictions. According to Spata (2003), any comparative research study has the ability to uncover and also examines any similarities and differences that are there between variables of a study.

In this chapter, a comparative research study will be conducted to indicate how credit is regulated in other international jurisdictions and how such jurisdictions deal with credit information, whether negative credit information or positive credit information including negative listing of a consumer 's credit information with the credit bureaus. Where possible, the research will also highlight how any blacklisting affected the social lives of the consumers and the economy of the respective jurisdiction.

The study will also indicate any similarities and differences that exist between those jurisdictions in this area, and what is currently provided by the South African position. Any areas where the differences have been identified could make a case for inclusion in the recommendations of this research report or possibly areas for possible future studies.

In the main, this comparative study will briefly focus on the international jurisdictions in different continents which will include one African country, being of Kenya and other jurisdictions of India, Germany, Australia, the United States of America and Brazil.

As can be seen in Table 5.1 below, an illustration of the contribution of credit as a percentage of Gross Domestic Product in many international countries, including South Africa, has been highlighted, covering the period 1980 to 2011.

Table 5.1. Domestic Credit provided by the Banking Sector

(% of GDP)								
Country/ Region	1980	1990	2000	2005	2008	2009	2010	2011
Brazil	43.0	87.6	71.9	74.5	96.9	95.8	95.2	98.3
China	53.3	89.4	119.7	134.3	120.8	145.1	146.3	145.5
Euro area	93.6	97.0	119.4	127.3	142.8	152.6	156.0	153.6
India	37.0	50.0	51.4	58.4	67.7	70.4	73.0	75.1
Japan	185.7	255.3	304.7	317.6	302.4	329.8	329.0	340.9
Russia	-	-	24.9	22.1	23.9	33.7	38.4	39.6
South Africa	76.4	97.8	152.5	178.5	173.8	184.2	182.4	167.0
South Korea	43.4	51.9	74.7	88.3	109.4	109.4	103.1	102.3
UK	36.2	118.2	130.2	161.9	213.5	229.2	222.6	213.8
US	120.2	151.0	198.4	225.4	222.0	234.9	232.9	233.3
World	93.5	130.6	158.9	162.1	154.7	169.1	167.4	165.3

Source: RBI, Working Paper on the Financial Structure and Economic Development in India, 2013

5.2 Africa: Kenya

As a point of departure, it is of cardinal importance to understand the financial sector and its regulatory framework in the Republic of Kenya. Amongst other things, and of quiet relevance to this research report, is that the Republic of Kenya has 2 credit reference bureaus, 1 mortgage company, 7 representative offices of foreign banks, 5 development finance institutions that are providing finance on a medium and long-term basis as well as 9 deposit taking micro-finance institutions.

Beck and Fuchs (2004) is of the view that the Republic of Kenya boasts a financial system which is well developed for a country of its income level. In support of this viewpoint, Christensen (2010) has also hailed the Kenyan economy as a frontier market economy as one of the most advanced economies in Africa, in relation to other strong African economies of Nigeria, Egypt and South Africa. In 2008, the government administration of the Republic of Kenya launched a developmental blueprint called Kenya Vision 2030, similar to South Africa's Vision 2030 framework. The main strategic objective of this developmental framework is generally to transform the economy of Kenya and make it to be globally competitive and thereby improving on the lives of its citizens. According to Mwegu (2014), one of the main objectives that gave rise to the Kenya Vision 2030 is to address lack of and high cost of credit especially to small medium enterprises. From the report that flowed from the implementation of the first five year Medium Term Plan of the Kenya Vision 2030 covering the period 2008 – 2012, it was indicated that for that period, Kenya Vision 2030 has yielded positive results as interventions introduced in the financial services sector has improved credit access by reducing the costs of obtaining credit in Kenya.

Furthermore, regulations relating to credit reference bureaus were introduced which led to the registration or licensing of two credit referenced bureaus. What seems to be of interesting to this research is the fact that the introduction of those regulations have led to these credit referenced bureaus recording a total of 3.5 million credit requests from banks and 53 000 requests from individual consumers. A total of 12 851 inquiries which were prompted by adverse actions by institutions were recorded.

In general terms, accessing credit in Kenya is too expensive especially for poor people in low income communities and remote rural areas. This is substantiated by the information obtained from different sources in Kenya is represented by Tables 5.2 , 5.3 and 5.4 underneath, covering use of financial services in terms of gender and physical location in Kenya. Table 5.2 below indicates both the inclusion and exclusion of formal and informal financial services by the adult population in Kenya, which has been recorded between 2006 and 2013.

Table 5.2: Financial Inclusion and Exclusion in Kenya, %

	2006	2009	2013
Formal	27.4	41.3	66.7
Informal	33.3	27.2	7.8
Excluded	39.3	31.4	25.4

Source: Financial Sector Deepening Kenya, 2013

Table 5.3 below indicates the use of formal and informal financial services in terms of gender, distinguished between the male and female population in Kenya, which has been recorded between 2006 and 2013

Table 5.3: Financial Inclusion in Kenya by Gender

	2006		2009		2013	
	Male	Female	Male	Female	Male	Female
Formal Financial Institutions	34.3	21.0	49.3	34.4	71.1	62.7
Informal	27.0	39.2	19.8	33.9	4.7	10.8
Excluded	38.7	39.8	31.0	31.8	24.2	26.6

Source: IBID, 2013

Table 5.4 below indicates the use of formal and informal financial services in terms of location in Kenya and this has been distinguished between urban and rural areas and has been recorded between 2006 and 2013. From this information, it is obvious that rural areas seem to be lagging behind in terms of accessing both formal and informal financial services in Kenya.

Table 5.4: Financial Inclusion in Kenya by Location

	2006		2009		2013	
	Rural	Urban	Rural	Urban	Rural	Urban
Formal Financial Institutions	24.6	35.7	35.5	63.1	59.6	80
Informal	37.0	22.2	30.0	16.8	9.8	4.4
Excluded	38.4	42.0	34.5	20.1	30.6	15.6

Source: IBID, 2013

In Kenya, it has been established that one of the factors leading to unavailability or extension of credit or credit that is too expensive and unaffordable – beside high costs relative to credit extension- was the fact that many consumers who applied for credit did not have credit history upon which potential credit providers can make their assessment before extending credit to consumers in question. It has been mentioned that other financial institutions like banks were not able to provide credit in those circumstances as the situation was not attractive to them.

From the above, one can make an assertion that a person's credit history plays a key role in determining whether such a person qualifies for credit or not, on the strength of a person's credit history – obviously with reference to whether such information is positive or negative credit information. It is against this background that the Kenyan government introduced the Banking or Credit Reference Bureau regulations in 2008 and gazetted revised regulations in January 2014 which allows the sharing of a consumer's positive and negative information.

5.3 Asia: India

It is very important to mention at this stage that worldwide, credit plays a very important role relative to its contributions towards economic growth. Statistics released in India during the Third Quarter (Q3) of 2004 have indicated that India was servicing a large consumer market comprising of almost 300 million consumers (Chakravarti and Chea, 2005) which includes consumer lending for credit facilities and loans. According to Chakravarti and Chea (2005), financial reports that were issued indicated that consumer finance has increased at a compounded rate of 29% in a period of three years and that it was evident that consumer lending has also increased by an alarming 40%.

The statistics further indicated that markets involving credit card facilities, property mortgage loans and loans in respect of auto mobiles have also increased and that nearly 10 million credit cards were issued during that period. The economic benefit on the above was that such loans that were issued for consumers accounted to 3% of India's Gross Domestic product.

As can be seen in Table 5.5 below, the statistics indicate levels of growth in respect to credit in India and its impact to the country's Gross Domestic Product, covering a period of 5 decades, between 1960 and 2000. The statistics indicate that the extension of credit to consumers has been growing constantly from 43.0% in the 1960 to 64.5% in 2000s. The total contribution to Real GDP growth grew from 4.0% in the 1960s to 7.2% in the 2000s.

India's financial system sector is made up of commercial banks, insurance companies, non-banking financial companies, cooperatives, pension funds, mutual funds as well as other small financial entities. In terms of the market share, the sector is dominated by the commercial banks, which accounts to more than 60% of the total assets that flows in the financial systems. In the main, the financial sector in India is regulated by the Reserve Bank of India (RBI), which is an equivalent of the Reserve Bank in South Africa.

However, provision has also been made where there are specific product regulators in India, such as the Government of India (GoI) which is responsible for the regulation of small savings products and the Securities and Exchange Authority of India responsible for mutual funds and equity markets.

Table 5.5: Financial Development – Select Indicators, India

Table 1: Financial Development - Select Indicators					
Item	1960s	1970s	1980s	1990s	2000s
Private Credit/Total Credit (%)	43.0	58.4	59.0	56.6	64.5
Private Credit/GDP (%)	9.5	18.8	28.7	28.6	43.0
Total credit/GDP (%)	22.2	32.0	48.8	50.6	66.2
Market Capitalization/GDP (%)	-	-	8.8	35.8	58.7
Per Capita Real GDP Growth (%)	1.6	0.5	3.2	3.7	5.4
Real GDP Growth (%)	4.0	2.9	5.6	5.8	7.2

Source: RBI, Working Paper on the Financial Structure and Economic Development in India, 2013

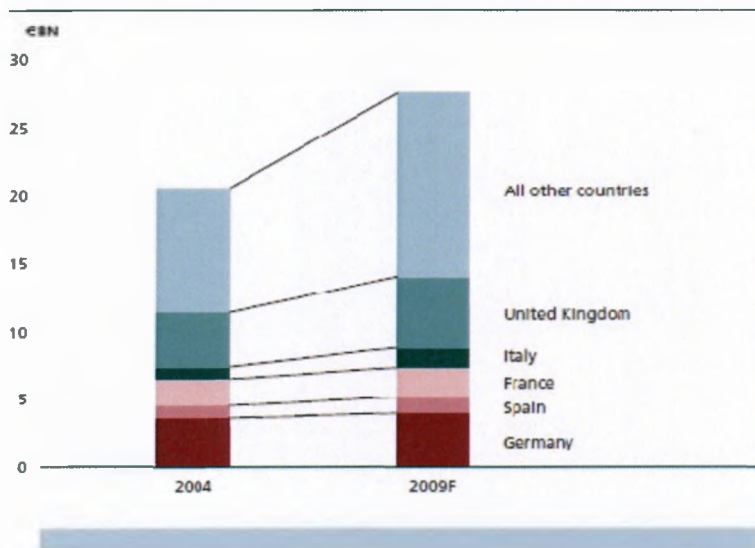
5.4 Europe: Germany

In this paragraph, the desktop comparative study as regards credit and its accessibility in Germany will largely focus on the European Union which has got a lot of literature relating to credit and credit accessibility in the European Union member states, which include Germany. Policis (2007) has expressed his view that in Germany, the consequences of financial exclusion within the area of credit granting are very devastating and negative as most of the people who cannot access credit through traditional methods often resort to informal borrowing.

Consumer credit has since 2005 been viewed as one of the fastest and certainly the most profitable sector in the European financial services, which has grown by more than 7% reaching around 19 billion Euros in profits made by the sector and 900 billion Euros of outstanding in 2004 (Wyman, 2005). This statement suggests the enormous role and impact that consumer credit has an impact to the economy of a country. By the year 2005, Germany has been considered as one of the five largest consumer credit markets in Europe, together with other countries such as the United Kingdom, France, Italy and Spain.

Figures released by the European Credit Research Institute (ECRI) at the end of 2004 indicated that these five countries took almost two thirds of the total volumes of the credit market. Figure 5.1 below illustrates the total profits made by the five largest consumer credit markets, with Germany enjoying a bigger slice of the profits.

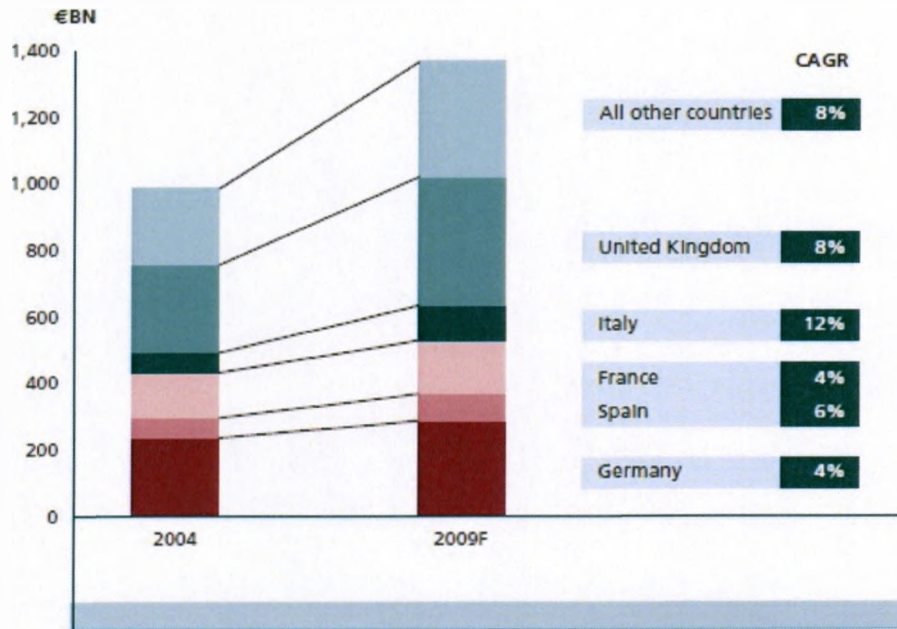
Figure 5.1 European Consumer Credit Profits



Source: European Credit Research Institute (ECRI) Annual Reports, 2004

Figure 5.2 illustrates the total consumer credit outstanding of the five largest consumer credit markets and all the other countries. As can be seen, Germany further, together with France, enjoys the lowest consumer credit loan outstandings at 4%, amounting to a little over 200 billion Euros.

Figure 5.2 European Consumer Credit Outstandings



Source: European Credit Research Institute (ECRI) Annual Reports, 2004

Distinct to the position in the United Kingdom and the Netherlands where consumer credit advanced by specialist credit providers' amount to 50% of the providers, Germany represents a country where most of the credit that is accessed through to consumers is granted by banks, amounting to 80% of the credit market. Banks therefore played a bigger role in the financial sector of Germany, given the high figures of the credit that is granted to consumers, compared to other category of credit providers.

Credit in Germany is regulated through a legal framework that has been developed and adopted by the European Union. Consequently, Germany is currently implementing a credit regulatory policy that has been aligned with the framework of the European Union. Germany has been a member country of the European Union since 1 January 1958 and has become a member of the Eurozone on the 1 January 1999.

Previously, the European Union adopted Council Directive 87/102, whose objective was to create an efficient market and competitive single consumer credit market which will allow consumers to enjoy adequate protection.

This directive was later replaced by Directive 2008/48, which provides that member states of the European Union must ensure that before any credit agreement can be concluded between a consumer and a credit provider, it is essential that the credit provider must run a creditworthiness of the consumer from the relevant credit database before granting the required credit to the consumer. This implies that the credit provider must have regard to any information, including negative credit information of the consumer that could appear on the relevant database.

Ferretti (2015) argues that reliance by credit providers on the information on credit bureaus, especially negative information, on the prevention of possible over-indebtedness on the consumer is rather questionable.

According to Ferretti (2015), there exist other situations such as divorce, death, loss of employment or any other poor economic conditions of a country affecting consumers that may affect the consumer from discharging his repayment obligations in terms of the credit agreement with the credit provider.

It is within that context that these situations cannot be resolved by credit bureaus and the exchange of such this information.

Germany is also not immune from the challenges relating to financial exclusion, which has a negative effect to the economic and social lives of the German people. According to Forster and Mira d'Ercole (1995), financial exclusion is closely related to social exclusion and that greater access to credit facilities does have a major effect in the integration of the contemporary German society.

In other instances, it has been stated that credit impairment in Germany has resulted in affected consumers delaying payment of their utility bills in order to inject flex into their budgets.

Table 5.6 below is an illustration of the population of Germany that is affected by poverty or social exclusion, which data has been sourced for the period 2008 to 2012.

Table 5.6: Living Conditions, Poverty in Germany

Socio-demographic order		2008	2009	2010	
2011	2012				
Population that is affected by poverty or social exclusion – share in percentage					
Total		20,1	20	19,7	19,9
19,6					
Women		21,6	21,2	20,9	21,3
21,1					
Men		18,5	18,8	18,6	18,5
18,1					
Under 18 years		20,1	20,4	21,7	19,9
18,4					
Women		19,5	18,3	21,4	
21,5	19,2				
Men		20,7	22,1	21,9	18,6
17,6					
18 to 65 years		21,5	21,1	20,8	
21,3	21,2				
Women		23,1	22,8	22,1	
22,4	22,7				
Men		19,7	19,3	19,4	20,1
19,5					
65 years and older		15,5	16	14,8	15,3
15,8					
Women		18,2	18	16,8	17,4
17,5					
Men		12,6	13,8	12,6	13
13,9					

Source: EU-SILC, Leben in Europa (2013)

5.5 Australia

Australia essentially relies on its credit reporting system as a way to give guidance to credit providers when they consider applications for credit from various consumers. This system also plays an important role in the determination of the price of credit that is to be given to a qualifying consumer. Statistics issued in Australia around 2011 has revealed that a total of 181 000 adults in Australia were excluded from access to financial products which also include credit. A total of 2 859 000 were severely excluded from the access of finance (Centre for Social Impact for National Australia Bank, 2014).

Table 5.7 below illustrates the level of financial exclusion, which also includes provision of consumer credit, in Australia which was released in 2013.

Table 5.7: Extent of Financial Exclusion in Australia 2013

Transaction Account	Credit Card	General Insurance	% of population	Category
Yes	Yes	Yes	40.2%	Included 40.2%
Yes	Yes	No	2.6%	Marginally excluded 42.9%
Yes	No	Yes	39.9%	
No	Yes	Yes	0.4%	
Yes	No	No	15.0%	Severely excluded 15.9% ⁵
No	Yes	No	0.1%	
No	No	Yes	0.8%	
No	No	No	1.0%	Fully excluded 1.0%

Source: Roy Morgan Research, 2013

In a study conducted by PERC Results & Solutions and Dun & Bradstreet in Australia and New Zealand titled “Credit Impacts of More Comprehensive Credit Reporting in Australia and New Zealand”, recommendations based on findings were made which also seek to bring legislative reforms in the area of credit reporting in Australia. Part of the recommendations included moving to a more comprehensive system which is believed will have the positive benefit of accommodating those consumers who have had previous defaults with their credit providers. Originally, Australia subscribes to a negative only reporting system where it was established that many borrowers who have had serious credit mistakes will not be able to access credit for a number of years in the future. This was another form of financial exclusion happening in Australia.

The recommendations sought to implement what is referred to as a fair file data system which will improve access to credit for those consumers who have had a bad credit record or what is referred to as previous bureau derogatory as follows:

- Acceptance rises from 0% to 60% at 4% default rate.
- Acceptance rises from 103% to 28% at 6% default rate.

In other words, the proposed legislative reforms made provisions for the addition of positive information on the credit data of consumers at credit bureaus because same assist in increasing opportunities for greater credit access which covers the underprivileged as well.

5.6 North America: United States of America

In the United States of America, the consumer credit system is heavily and most efficiently regulated due to the fact that consumer credit is one of the important elements of the United States economy.

The practice of blacklisting of consumers has been a thorny issue that has been criticized by many, including authors and researchers (Perez, 2002). Cases have been established where persons were actually blacklisted for minor slip-ups which cost them dearly when transacting in the future.

Reporting of consumer credit information to consumer reporting agencies is specifically regulated by the federal Fair Credit Reporting Act (FCRA) of 1970. Whilst many states in the USA have their own legislation that are enforced with regard to consumer reporting, many of them still use the FCRA for the reporting of consumer credit information.

The legislation is founded under the following fundamental rights:

- You must be told if information in your file has been used against you.
- You have the right to know what is in your file.
- You have the right to ask for a credit score.
- You have the right to dispute incomplete or inaccurate information.
- Consumer reporting agencies must correct or delete inaccurate, incomplete, or information that cannot be verified.
- Consumer reporting agencies may not report outdated negative information.
- Access to your file is limited.
- You must give your consent for reports to be provided to employers.
- You may limit “pre-screened” offers of credit and insurance you get based on information in your credit report.
- You may seek damages from violators.
- Identity theft victims and active duty military personnel have additional rights.

CHAPTER 6: USES OF CREDIT IN SOUTH AFRICA AND CREDIT BLACKLISTINGPROCESS – A SOUTH AFRICAN PERSPECTIVE

6.1 Introduction

Van Der Walt and Prinsloo (1995) argue that one of the indications that show that consumer credit is indeed growing is the fact that the total outstanding consumer credit keeps on rising. The Finscope Consumer Survey that was done in South Africa in 2015 shows that credit rakes in 17% as one of the activities that drives banking. In terms of its role to other formal products (non-bank products), credit rakes in 74% while it rakes in 7% for informal products.

The ability to access credit is regarded as a form of financial inclusion. The Finscope Survey South Africa 2015 indicates that credit increase in South Africa has been as a result of unsecured lending which is mainly driven by short term consumption such as food and transport. This seems to suggest the importance of credit and perhaps a justification that it should be made accessible without a barrier.

Worldwide, it is generally accepted that many households are largely using consumer credit as a way of bridging the deviation that exist between the income that they earn and everything that they demand in terms of consumer goods. To a very large extent, the availability of this consumer credit assists many consumers to be able to afford those households goods that they could never afford if they solely rely on their income.

The implication of this scenario is therefore that the need to access credit will always continue to rise as long as consumers cannot afford other households goods if any purchase is required to be made from their income which is expensive or unaffordable.

6.2 Understanding the Basic Consumer Rights within the Prism of the Consumer Credit Policy in South Africa

Consumer credit policy in South Africa has been founded within the backdrop of fundamental human rights in relation to access to services and products, which rights are entrenched in Chapter 2 of the Constitution as well as the Universal Declaration on Human Rights. The policy is also aligned to the Microeconomic Reform Strategy (MRS) which was aligned by the former president of South Africa M^r Thabo Mbeki in 2002 which sought a clear work programme in order to address all the priority microeconomic interventions for South Africa (Microeconomic Reform Strategy 2002).

Amongst other critical issues and which relates to the consumer credit policy, these strategies involved achieving a greater social and economic integration and for the improvement on basic services and infrastructure in favour of economic citizens.

Consumer credit rights and the protection thereof should be understood within the premise that rights create obligations, and as such, these rights should be exercised with due care and caution and never be abused. Kelly-Louw & Stoop (2009) discovered that the unprecedented number of individuals and businesses who became indebted during the global economic boom in the last two decades was as result of the fact that it was easy for credit providers to grant credit and for consumers and businesses to access credit.

Credit extension is a vital requirement that is likely to have an economic benefit to consumers and businesses as a whole. Van Der Walt and Prinsloo (1995) believes that credit extension to both consumers and business serves as a vital link that relays changes in the monetary policy which is associated with the general level of activities in the economy. The availability of credit to households makes it easier for them to spend.

Credit availability serves as an empowering tool that make it possible for achieve certain things, like investing on business and kick starting certain projects, all of which is often impossible if we did not have access to credit (Van Der Walt and Prinsloo, 1995).

Within the credit industry, South Africa recognises five fundamental consumer rights that are protected in terms of the Constitution and the National Credit Act, and those being:

- The right to apply for credit
- The right to protection against discrimination in respect of credit.
- The right to reasons for being refused of credit
- The right to information in an official language
- The right to receive documents.

6.3 Uses of Credit in South Africa

Access to credit has been viewed as essential to various aspects of a person's daily life, which means that credit has now become the main financial tool that is used to access other goods and expenditures that are over the size of a person's monthly budget (Lammermann, 2014).

Van Der Walt and Prinsloo (1995) argues that the need for access to credit by consumers is largely influenced by factors such as changes that happen in the expenditure that are made by private households on consumer goods. Van Der Walt and Prinsloo (1995) goes further to say that private consumption expenditure is also influenced by aspects relating to current and anticipated disposable income of such households, the cost of credit and any other factors that may influence availability of credit for the consumers. It is within this context that credit providers play a very important role in facilitating availability of credit, therefore enabling consumers to access consumer credit.

Jones (1993) is of the view that many consumers are left off in the cold and in a stage of no choice and unable to find other alternative sources of non-bank credit in those cases where banking institutions tighten their credit terms as well as conditions or if they terminate any new loans transactions. Without any doubt, the reliability to consumer credit by financial institutions for the benefit of consumers is unquestionable.

Rasmussen (2002) has conducted an analytical study on the access to credit by the lower income groups and has produced evidence that suggests that access to the finance or credit has actually assisted households from falling deep into poverty. It therefore makes sense to say that those who cannot access credit by reason of blacklisting are more likely to be subjected to the harshness of poverty as they will not be in a position to afford their household needs.

This analysis was supported by Ardington et al, (2004) who indicate that the lack of access to finance has increased the vulnerability of poor households and has actually forced them into difficult times, which included some of the poor households selling some of their assets to stay above water. Appleyard (2013) discovers that some of the households are heavily dependent on borrowing or requesting credit as this has an effect of meeting any fluctuations that occur in their income, and this means that to such households, credit is a means or a mechanism for financial survival.

Generally, the granting and accessibility of microcredit or microfinance in developing countries was encouraged in order to fight poverty. Within the European context, microcredit was extended for the creation and development of microenterprises, or to assist people in creating or expanding income-generating and job creation activities.

In the European Union, it was discovered that 63% of credit providers in the microfinance industry engaged in such business in order to create jobs, whilst 62% indicated that their main aim was to promote social inclusion and assist in poverty reduction (Jayo et al. 2010).

The study conducted by Nunez et al., (2008) on the Access and Use of Credit by Households, especially by low income groups has indicated that credit received in the form of loans has been used for the following purposes:

- House Construction and Improvements
- Funerals
- Traditional Ceremonies and Celebrations
- Family Obligations
- Marriage Transactions
- Education

Another study conducted by Daniels (2001) has indicated that credit accessed through loans has been utilised for the following:

- Food
- Furniture
- Household Consumables

A report released on Credit Extension to Households (Hawkins, 2006) has shown that there has been a considerable increase in credit extension that was made to households, which could have been as a result of low interest rates as well as the new entrants in the credit card market. The report further indicates that majority of the credit that has been extended by banking institutions has gone to households other than private businesses or private sector.

Ellison et al (2011) conducted a study research to establish the common use of credit by people on low incomes, the reason why these people would choose the credit they use and any problems they encounter with the credit that is available for them to spend. The findings of this study research revealed that most people on low incomes rely on credit in order to manage on their daily households needs as most of them are not able to make it with the income they earn.

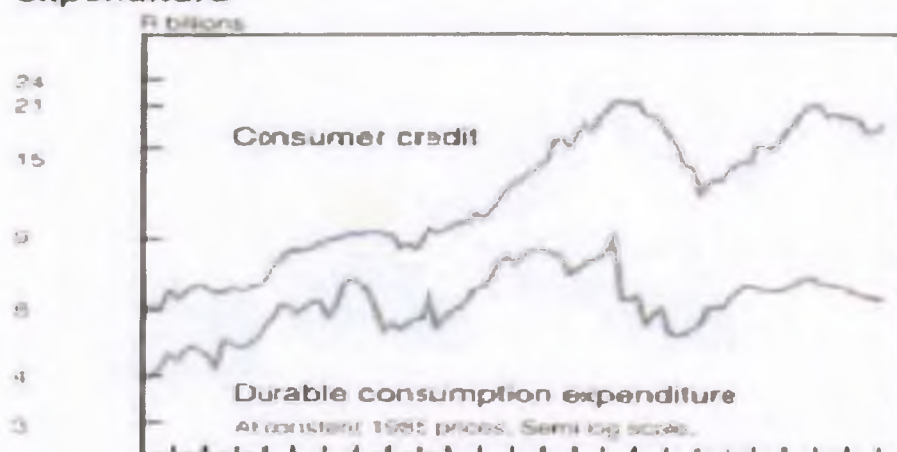
Statistics in that research study showed that 69% of low-income households and that a total of 10.55 billion low –income individuals were classified as credit users. The study further revealed that a total of 68% of the low-income households do not have savings facilities where they are able to tap in some cash for emergency purchases. In fact, the research revealed that most of these low income individuals will not be able to raise £200 to £300 in cases of emergency. Highlighting further statistics in this research, it was shown that individuals in the low income brackets that use overdraft facilities is around 3.3 million whilst payday loan users amounted to about 1.3 million consumers (Ellison et al, 2011).

My personal assessment on the findings of the research by Ellison et al (2011) is that majority of these people will not be able to survive in meeting their personal and households necessities if they were automatically excluded from access to credit by reason of their blacklisting.

Statistics released between the periods 1969 to 1993 by the South African Reserve Bank's Bank Supervision Department Annual Report (2015) seems to suggest that the availability of various credit instruments for consumers serves a very important aspect of enabling consumers to use such credit to be able to purchase those household goods that are highly priced and are therefore unaffordable for most consumers if consumers are going to rely solely on their income to purchase such household goods. Credit activates consumer spending, which is required to spur economic growth. Figure 6.1 below further demonstrates the relationship that exists between consumer credit and private consumption expenditure.

Figure 6.1: Consumer Credit and Private Consumption Expenditure

Graph 5. Consumer credit and private consumption expenditure



Source: South African Reserve Bank (SARB)

The National Credit Act Review Policy Framework published by the Department of Trade and Industry in Government Gazette No.36504 on 29 May 2013 acknowledged that credit touches the lives of many consumers, and in this respect referred to a total of 19.69 million consumer who were credit active as on September 2013.

The framework further acknowledged that not only does credit have the potential to create opportunities for many individual in the form of access to goods and services start their own businesses, or obtain education as well as improving once personal living standards, but that credit can also come handy when a person experiences some financial hardship at a certain point in their lives.

The framework further cautions that credit, whilst it can have positive consequences for those who are accessing it, it can also have negative impact on the financial security of such persons as well. The importance of credit and its different uses can also be understood within the context of a research study conducted by Wright (2008) on what society perceived as socially perceived necessities.

This study was conducted during 2008 as part of the Department of Social Development's Social Policy Analysis Programme in South Africa to profile poverty using the Socially Perceived Necessities approach.

As can be seen in Table 6.1 below, people were required to indicate items which they consider to be essential for their everyday life. When you look at most of the items identified, it becomes clear that most of these items and services identified can only be purchased through credit facilities.

A total of 90% people have indicated that having a strong house is very essential in order for them to enjoy an acceptable standard of living. However, it is clear that not all of these people in the focus group are able to afford the house on a cash basis. 49% considered having a car as an essential in their lives, which is most affordable when people get vehicle finance for it.

So, to a large extent, the study conducted in that regard shows a relationship that exist the possibility to enjoy a particular life style with the possibility to access credit to be able to afford the items or services so desired.

N.B. For the purpose of interpreting the data in the research report by Wright (2008), I have only randomly selected few socially perceived necessities and not used all the necessities as contained under Table 6.1 below.

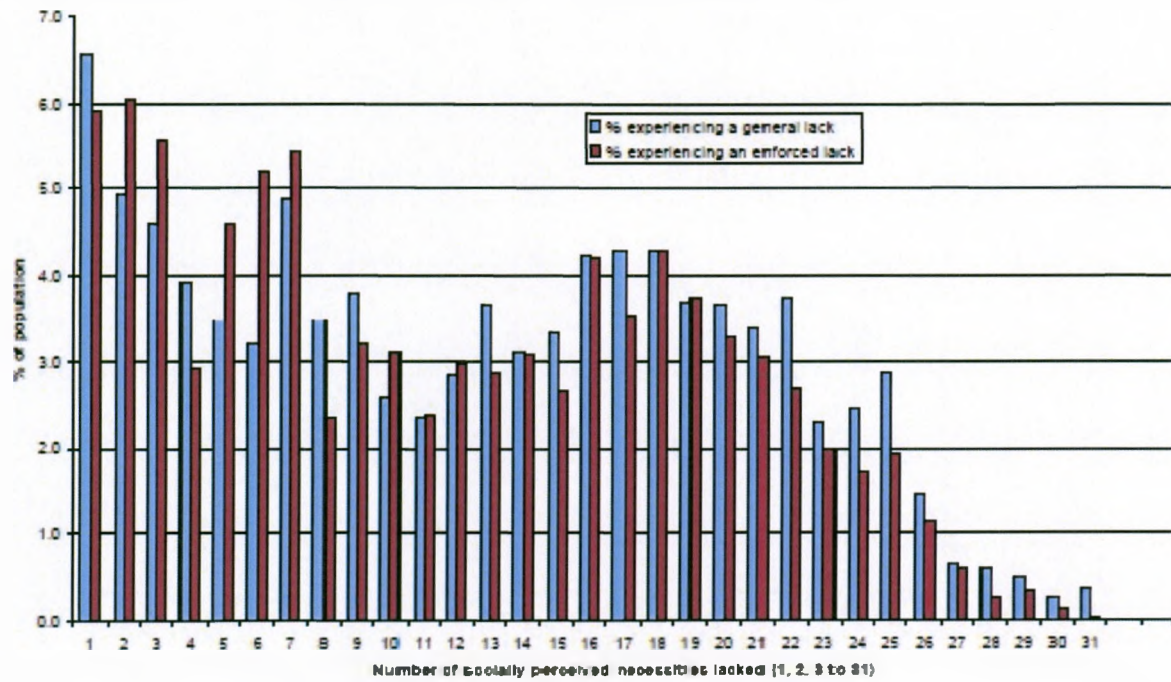
Table 6.1 Percentage of people defining an item as essential

Item	% of All saying essential
A house that is strong enough to stand up to the weather e.g. rain, winds etc.	90
Clothing sufficient to keep you warm and dry	89
A fridge	86
Ability to pay or contribute to funerals/funeral insurance/burial society	82
Television/ TV	69
A cell phone	63
Some new (not second-hand or handed-down) clothes	55
A sofa/lounge suite	54
A car	49
A landline phone	48
A small amount of money to spend on yourself not on your family each week	42
Having enough money to give presents on special occasions such as birthdays etc	41
A DVD player	27
A computer in the home	26
Satellite Television/DSTV	19

Source: South African Social Attitudes Survey, 2006

In Figure 6.2 below, Wright (2008) tries to illustrate the distribution in terms of the proportion of the population who do not have some of the socially perceived necessities, as highlighted in Table 6.1 above.

Figure 6.2: Percentage of people lacking socially perceived necessities



Source: Source: South African Social Attitudes Survey, 2006

The information reflected under Table 6.2 below further explains what has been illustrated by Figure 6.2 above. In this case, information of those people who do have one or more of the socially perceived necessities has been shown in percentages.

Table 6.2: Percentage of respondents lacking socially perceived necessities

Number of SPNs lacked	% of respondents reporting a lack of SPNs	% of respondents reporting an enforced lack of SPNs
1 or more	96	91
2 or more	89	85
3 or more	84	79
5 or more	76	71
10 or more	57	50
15 or more	42	36
20 or more	22	17
25 or more	7	4
30 or more	1	0

Source: Source: South African Social Attitudes Survey, 2006

6.4 Credit Blacklisting Process in South Africa

Credit bureaus are generally defined as institutions involved in the business of receiving reports about a person's credit information, credit applications, old and existing credit agreements as well as the person's payment history. Within the South African context, a credit bureau is a company that gathers information and regularly updates each consumer's credit history based on the consumer's latest transactions which may also contain information on new credit transactions concluded and other payments made by the consumer in relation to his debts (www.cba.co.za).

Just like credit providers and debt counsellors, credit bureaus are required to be registered in terms of the National Credit Act 34 of 2005, as amended. The business of credit bureaus therefore include making available records of consumer credit information to potential credit providers that include retail stores, banks etc. In general, consumer credit bureaus have been established in order to manage credit related data of a consumer. Credit bureaus are not allowed in terms of the National Credit Act to enlist any information that may be construed as discriminatory such as information relating to a consumer's race, sexual orientation, political affiliation and medical status.

Section 71 of the National Credit Act in South Africa establishes credit bureaus. According to Chapter 3 of the National Credit Regulations, 2006, the type of information that could be listed with credit bureaus includes the following:

- Information on any civil judgements taken against the consumer;
- Information relating to any administration orders, sequestrations or rehabilitation orders against the consumer;
- Information on whether a person is a slow payer, has absconded or that person cannot be contacted as it;
- Information on whether a person has been through a debt restructuring process; and

- Information relating to a person's debt being handed over for collection or recovery or debt has been written off.

The table below illustrates the categories of consumer information and the duration during which such information can be retained by the credit bureaus, and include changes brought about by the introduction of the Removal of Adverse Consumer Credit Information and Information Relating to Paid-up Judgements Regulations (2014) and the legislative amendments of the NCA by the National Credit Amendment Act (2015):

Categories of Consumer Credit Information	Period of Retention
Details and results of disputes lodged by consumers	Eighteen months
<p>Enquiries The number of requests made on a consumer's record, including the name of the company or the person who made the request for a consumer's record (and the contact person, if available).</p>	Two years
<p>Payment profile Factual information on the payment profile of the consumer. This includes the details of any credit provided, the payments received and whether any payments were late.</p>	Five years
<p>Adverse information Subjective classification of consumer behaviour: This includes classifications such as 'delinquent', 'default', 'slow paying', 'absconded' or 'not contactable'.</p>	One year
Debt restructuring	Until a clearance certificate is issued
<p>Civil court judgments A judgment granted by a court in a civil dispute between individuals or companies (including default judgment).</p>	Five years or until the judgment is withdrawn by a court or abandoned by the credit provider in terms of section 86 of the Magistrates' Courts Act 32 of 1944
<p>Administration orders An order granted by a civil court in which the management and disposal of the assets of a withdrawn insolvent person (someone who cannot pay up his debt) is given to a legally appointed person to administer until that person has paid all his debts.</p>	Ten years or until order is withdrawn by the court
<p>Sequestrations To take legal possession of assets until debts have been paid or other claims have been met.</p>	Ten years or until rehabilitation order is granted
<p>Liquidations To legally place the property of a bankrupt person in the hands of a third party (trustee) for division among creditors.</p>	Unlimited period
<p>Rehabilitation orders An order granted by a civil court restoring the financial standing or reputation of a person who was insolvent (to restore to a former condition).</p>	Five years

Essentially, credit blacklisting largely deals with the way a consumer's credit information is handled between the credit provider and the credit bureau. Regulation 16 read together with Section 26 of the National Credit Act deals with the handling of a consumer's credit information. In short, credit blacklisting is all about information.

Galt (2014) says that credit blacklisting has the effect of resulting in the consumer having no opportunity to be extended with credit by the credit provider on the basis that the consumer can't establish a guarantee to service the new debt upon it being granted if the same consumer was not able to pay for the previous debt. Such a consumer is classified as a high risk and as such credit extension to such is undesirable. According to Gait (2014), the issue lies with the fact that even if the debt has been settled by the consumer, such a consumer's credit profile has been tainted, meaning that the consumer may not be able to access credit in future.

On the other hand, Ziady (2015) wrote in her article that the Deputy Credit Ombudsman has rejected the term blacklisting as a misnomer, saying that the term was used many years ago by people who have been turned down by credit providers when they applied for credit. Information relating to the type of information that will be recorded by the credit bureaus will also be highlighted. Reference will also be made of what specific provisions in the National Credit Act deal with the issue relating to credit blacklisting. As indicated elsewhere in this research report, credit bureaus have been established by law in order to deal with the management of consumer credit information of consumers and to regularly update such information.

In general terms, credit providers will usually get reference from the credit bureau of the consumer's credit information when a consumer applies for credit or any other credit facility. The credit provider will then use this information to make a decision whether or not to grant credit so applied for, having satisfied itself as to whether the consumer meets or satisfies the standards of the credit provider in question. It is therefore the decision of the credit provider to either rejects or approves the application, and not the decision of the credit bureau. Therefore, as a general standard, credit bureau are not supposed to influence in whatever way the decision of a credit provider to either rejects or approves credit to a particular consumer.

6.5 Credit Extension and Poverty

In an attempt to try to conceptualise the definition of poverty, May (2001) offered his definition by providing three approaches as follows:

- Poverty is conceptualised as the inability to attain a minimum standard of living reflected by a quantifiable and absolute indicator applied to a constant threshold such as minimum income line that separates the poor from the rich.
- Poverty is further conceptualised as being the lack of resources, usually financial resources in order to attain or afford the type of diet for a particular lifestyle that is socially acceptable.
- Poverty is also conceptualised as being constrained choices, unfulfilled capabilities and social exclusion.

In analysing the three approaches as suggested by May (2001), one gets an impression that the ability to afford by reason of having sufficient resources play a very important role in addressing poverty. In other words, as long as a person does not have resources to satisfy a particular standardised and socially acceptable lifestyle and further such a person cannot get the opportunity to access resources in order to satisfy a particular life-style, one will remain affected by poverty.

To a large extent, poverty is associated with the lack of resources and in this case, financial resources make sense than any other type of resources. The sentiments expressed by Lipton (1997) with regard to the conceptualisation of poverty actually support arguments that have previously been raised that money is commonly but not always the means of indirectly translating inputs into human development

Somehow, there seems to be a relationship that exists between extension of credit to other consumers and business and poverty. A similar relationship exists between poverty and the economy of a country.

Poverty is one of the social issues that present a problem to many countries, resulting in different policies and strategies put in place by countries to deal with. The same can also be said of economic development, which has become central to the priorities of many countries, especially those that are currently classified as developing countries. In a seminar of the Economic Development and Social Equity held in Rio de Janeiro, Brazil from 3 – August 2005 between India, Brazil and South Africa, known as the IBSA Dialogue Forum, various interventions were put to the fore that could be introduced by these countries in order to fight poverty in their respective jurisdictions (Department of Social Development, 2005).

As part of the recommendations made by the Forum especially in the area of economic development, it was recommended that strategies for the access to finance by way of micro credit must be developed as it was discovered that there is insufficient micro-credit available in both Brazil and South Africa. For example, In Brazil, it was established that 2% of all the credit that was extended went to micro finance where only 6% of all credit extended went to borrowers.

In a briefing paper prepared for the Centre on Household Assets and Savings Management (CHASM), Appleyard (2013) highlighted the economic challenges that also persuade many people who are low income earners to resort to credit facilities. Most of these challenges revolve around poverty. Statistics have shown that around 2012 and 2013, a total of 10 million people on low income earning bracket in the United Kingdom use credit facilities, compared to high income earning bracket. By definition, low incomes refer to those households that are in the lowest 50% of household incomes for the purpose of credit accessibility and extension (Ellison et al, 2011).

Viewed within the backdrop of South African history and all its shameful social and economic past, government introduced a new strategy in the form of the National Development Plan whose vision is meant to be achieved by the year 2030, which primarily aims at addressing socio economic issues which includes eradicating poverty and reducing levels of inequality in South Africa.

In my opinion, the National Development Plan seeks to operate as a mechanism that create opportunities and make them accessible to every citizen of South Africa with greater emphasis to participation of women and the youth in economic development in South Africa. Somehow, the National Development Plan envisages creating a climate where access to credit and finance will be largely facilitated through the intervention by government. The National Development Plan also envisages creating a strong economy for South Africa that will be dynamic and inclusive in which the fruits of growth are shared more equitably.

In his article on Money, Credit and Banking in Pre-Colonial Africa – The Yoruba Experience, Adebayo (1994) highlighted the importance of credit in relation to the plight of poverty that Africa has been facing for long. In his message, he indicated and urged colonialists that their focus should not only be to what goes into their pockets alone, but should also look into investing in Africa in order to fight poverty. Microcredit can be used to address social challenges that include poverty and lack of education and public health services (Lammermann, 2014). Lammermann (2014) further says that credit obtained by way of microfinance or microcredit can be a very effective tool that could be used in the fight against poverty and financial exclusion.

CHAPTER 7: THEORETICAL FRAMEWORK AND LITERATURE REVIEW: CREDIT ACCESSIBILITY BY CONSUMERS AND BUSINESS IN SOUTH AFRICA

7.1 Introduction

This chapter will look at the likelihood of both consumers and businesses in South Africa accessing credit from credit providers and financial institutions, and what requirements are necessary for such credit or finance to be obtained. The chapter will also focus on the role that is played by the credit bureaus in assisting either credit providers or financial institutions from making assessment on applications for such credit or finance before extending credit that is so required by the respective applicants.

The Human Resource Development Report for South Africa that was issued by the United Nations Development Programme in 2003 has shed light that the small and medium enterprise sector plays a vital role in the South African economy by addressing sustainable development. Rwigema & Karungu (1999) further highlighted the fact that 90% of all formal enterprises in South Africa are small medium and micro enterprises and this sector has been considered as one of the largest contributors to the South African economy in terms of the creation of new job opportunities and contributed to absorption of those people who have been retrenched either from the public sector or the private sector.

Recently, the statistics issued by the South African Reserve Bank have shown that extension of credit to the household sector in recent years have been very weak due to South Africa's bad economic conditions as well as some of the changes that were effected to the National Credit Act. There has been a lot of retailers and other credit providers who have expressed their concerns with regard to the introduction of the Affordability Assessment Guidelines and how negatively their business has been impacted as a result of the implementation of these regulations to the extent where many of them contemplated taking legal action against the dti.

Several surveys conducted on micro enterprises have shown that the lack of accessibility to finance has remains one of the main challenges and constraints facing small and medium enterprises and that most banks in South Africa are very reluctant to give funding to small and medium enterprises due to what is perceived as high level risk and a weak expected return (Pretorius & Shaw, 2004). Smit and Watkins (2012) are of the view that financial resources are some critical success factors for small and medium enterprises.

According to a report that was published by the World Bank in 2011 on doing business in a particular country, South Africa was ranked as number 2 in the world in terms of the easiness of getting access to credit which is essentially due to the strength of the culture of legal rights as promoted by the Bill of Rights in the Constitution and the depth of a consumer's credit information at the credit bureaus.

Table 7.1 below is an annual report issued by the World Bank in 2011 showing the ranking of South Africa in the world in terms of doing business.

Table 7.1: World Bank Doing Business Report, 2011

South African Rating	
Getting Credit (rank)	2
Strength of legal rights index (0-10)	9
Debt of credit information index (0-6)	6
Public registry coverage (% adult)	0
Private bureau coverage (% of adults)	54.9

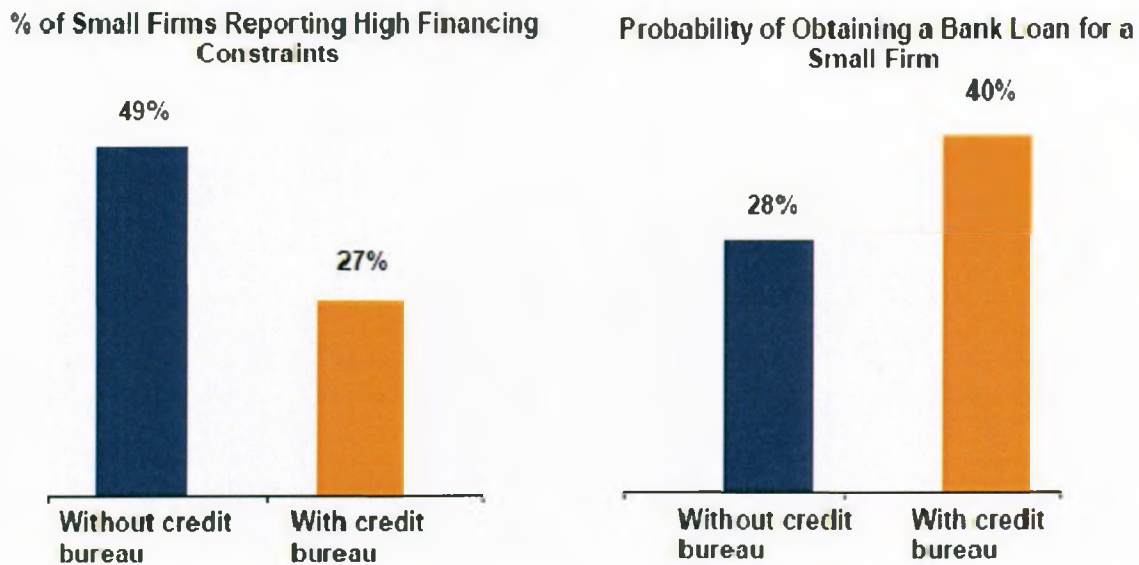
Source: World Bank, 2011

According to a report on the Global Credit Reporting Program (GCRP) released by the World Bank in January 2015, credit bureaus are also essential for the well-being of small firms which also include the small medium enterprises. In this case, credit information of these entities at credit bureaus is considered to be beneficial to these firms.

As with ordinary consumers, credit bureaus also record positive and negative information of corporate trading entities, and use this as part of the criterion for the award or decline of credit in future.

As highlighted by Figure 7.1 below, the Global Credit Reporting Program report states that the probability for a small firm from obtaining a loan or credit from the bank without information from a credit bureau is 28% which is compared to a 40% probability of the same firm from obtaining a loan where there is information about the same firm at the credit bureau. Again, the percentage of small firms reporting high financing constraints with any credit bureau information or data is 49%, which is compared to 27% of the same firms reporting the constraints with data or information from the credit bureaus.

Figure 7.1: Estimates based on data of 5000 firms in 51 countries



Source: Love and Mylenko (2003)

7.2 Theoretical Framework

By definition, the theoretical framework refers to a conceptual framework as it describes all concepts and theories that will be addressed in that research. Simon & Goes (2011) are of the view that theory and logic are but two concepts that contribute to the building up of a really good theoretical framework in a research study.

On the other hand, there is another school of thought that there are mainly two domains in research, being theory and observation (Trochim, 2006).

With the release of quarterly statistics on credit by the Credit Bureau Monitor (CBM) of the NCR in March 2013, it was found that South Africa had 20.08 million credit active consumers from a total population of 50.2 million. This means that 40% of the entire population of South Africa were having credit accounts which were registered with the various credit bureaus in the country. The statistics further showed that of that number, 9.53 million had impaired credit records, estimated at 50.4% of the credit active records registered at these credit bureaus.

In simple terms, 9.53 million of those people may not be able to access credit in future should they attempt to apply for it as the credit bureaus has entered negative information on those credit records, possibly as a result of slow payment of the accounts, accounts being handed over for collection or possibly default judgments or administration order taken by the credit providers against the account holders. With credit blacklisting, adverse credit information is kept at the credit bureau for a certain period of time depending of course on the nature and category of the information. It is during this period that the consumer will not be able to access any further credit from credit providers. Such person is kicked out of the credit market and will not be able to participate economically in the credit market

In Belgium around 2006, it was found that a total 7.1 million credit contracts or agreements were registered with the national credit bureau by a total of 4.6 million people out of a total population of 10.3 million. This figure therefore suggests that credit does play a significant role in ensuring that people are able to participate in the economy of a country. In Italy, figures indicate that the consumer credit market has been developing rapidly (20% in 1997, 21.5% in 1998, and 18.8% in 1999) (Alessie et al., 2005)

Credit access is one of the factors in an economy that is vital for the lives of ordinary citizens including businesses. Most of us are not able to afford high-priced goods and services. Our income is mostly described as “from hand to mouth”. There is therefore a strong case on the importance of getting access to credit, with certain rights and obligations attached thereto.

This research report is based on the premise that consumers have a right to engage in a trade in South Africa, which right is protected and entrenched in the Bill of Rights contained in the Constitution. Section 60(1) of the NCA provides that any person, juristic person and association of persons have a right to apply for credit from credit providers have a right to access to credit by the credit providers and shall not be subject to discrimination in that process. At the same right, there is an obligation to those who have the means to provide credit not to extend credit outside the boundaries of what is legitimately required in terms of the NCA.

Having said the above, the basis for this research report as to the potential impact both on a social and economic level as a result of credit blacklisting has been established.

7.3 Access of Credit by Consumers and Small and Medium Enterprises (SMEs)

Credit is regarded as a central element of the welfare as well as wellbeing of many people in a country and it is also regarded as the effective management of the economy in high- and low-income countries (Hudson, 2009). Credit is a key enabling mechanism for investment and development, the absence which may have negative effect on the economy of a country as a whole. Ellison et al (2011) have indicated that the demand for credit among low-income households is a reality of life and it is the only way of managing cash flow and funding major purchases.

A failure to facilitate widespread access to credit often results in significant opportunity cost to entrepreneurs and the wider economy. For many South Africans who are from the previously disadvantaged societies, access to credit has been like "manna falling from heaven. Hurwitz & Luiz (2007) indicates that the changes brought by government regarding access to credit resulted in the eruption of wealth and household credit for the majority of people who were previously marginalised.

Inaccessible or expensive credit hinders growth. Access to a sustainable credit market is essential to all development goals. Therefore access to credit is critical to ensure that the above is realised and as well as to sustain the lives of ordinary consumers. Credit blacklisting has the effect of disabling consumers from accessing credit from credit providers. Consumer spending is one of the main drivers of, if not a primary contributor to, economic growth in South Africa.

Kelly-Louw (2015) contends that when a consumer has reached a situation where can prove his ability to afford as a result of his financial situation having improved, credit blacklisting should not prohibit such a person from accessing another account or being able to secure a rental property.

Not only does credit blacklisting affect your right to credit access, but may also affect a person's employment as well. Dobbie et al (2016) recently conducted a research regarding the use and impact of bad credit reports in hiring decisions in the labour market. Depending on the nature of the job applied for, prospective employers and recruitment agencies do contact various credit bureau institutions in South Africa for information in the credit records of consumers before they can make a decision whether such applicant should be employed or not. Abdulsaleh & Worthington (2013) are of the view and rightly so that access to finance is the most important factor for continued and sustainable growth and profitability of small and medium enterprises.

Many governments across the world including South Africa that support the development of small businesses have established that the availability of finance to be used for supporting small enterprises is a major factor that could result in their growth and success (Ou & Haynes, 2006). In Ghana, it has been established that small and medium enterprises account to 93% of all registered businesses and therefore play a vital role in the economic development of the country (Ackah & Vuvor, 2011).

It is also accepted that small and medium enterprises have had a major impact in the creation of short terms and long term job opportunities for many South African, especially within the context of a slow economic growth that has experienced challenges in the creation of jobs overall. The statistics released by the Central Statistics Services (CSS), now known as Statistics South Africa, in 1998 have showed that employment in the formal SME sector has accounted to 3 135 000, and that 39% of jobs which is 25% of economically active population in South Africa (CSS, Employment and Unemployment in South Africa 1994-1997, 1998).

In their article on Economics of Small Business Finance, Berger & Udell (1998) pointed out the financial requirements and needs of a particular small and medium enterprise usually changes through the operation of that small and medium enterprise.

Anyima-Ackah (2006) believes that funding of the private sector is very essential as the private sector is considered as the engine of economic growth and therefore must be afforded necessary tools so that it can increase its growth. This may also affect the amount of funding as well as the funding option that may be required in the circumstances. In a way, this seems to suggest the possibilities of small and medium enterprises relying most of the time of its lifecycle reliant on private funding. Cassar (2004) has also discovered in his investigation on enterprise funding in Australia that most of the larger small firms essentially rely on long-term debt as well as external financing which also include loans granted by the banks.

Common sense should dictate that most of the funding is largely ideal for new businesses that have been established, which is in line with what Gregory et al (2005) have said that consideration for funding must be had for new business ventures than old business who should use their internal resources to run their business and its operations. However and depending on the funding program administered at a particular point in time, whether by private financing institutions or government and its agencies, some funding are only available for businesses that should have been in operation for a particular time period and with a certain turnover. Failure to meet such requirements will result in no financial assistance being given to the applicant enterprise.

Many authors and scholars seem to agree that the characteristics of a business often play a major role whether such will be able to access credit for its operations. Authors and scholars believe that characteristics such as the "age and size of the enterprise", "sector of the industry" under which the business is operating and the "location of the business" all play a vital role on any decisions for funding that may lead to its performance and growth.

On the other hand, Petersen and Rajan (1994) states that there is enough evidence to suggest that as small and medium enterprises grow, they are able to make a name for themselves by building a profile through which they can borrow loans from the banks and be able to extend their business operations. This really seems to suggest that access of finance is very crucial for the development of small and medium enterprises as most of them are able to extend their operations to other locations and sectors of the economy.

It has already been mentioned that one of the characteristics affecting financial decisions involving small and medium enterprises relates to the industry sector under which that business is operating.

Michaelas et al (1999) reiterate the firms operating in the services sector of the economy may differ to those that are operating in either the manufacturing or the construction sectors. For example, the Department of Trade and Industry has developed different programs that funded small and medium enterprises in the manufacturing industry by virtue of the fact that most of the small and medium enterprises are operating in this sector and that it is capable of creating a lot of job opportunities compared to other sectors.

Different sources for the funding of small and medium enterprises have been established which include venture capital, bank finance and government funding programs. In South Africa, a lot of small and medium enterprises rely on funding from the government for the development and growth of their business. However, some funding programs and schemes will not extend finance to any person who is a member of an applicant organisation who is credit blacklisted with the credit bureaus.

One such program was the Small Medium Enterprise Development Programme (SMEDP). Some of the funding is as a result of collaborative agreement between the government and private funders which are usually referred to as donor agencies (Mensah, 2004). These types of arrangements between government and the donor agencies are regarded as one of the most effective ways of facilitating access to small and medium enterprises to additional credit (Boocock & Shariff, 2005).

As mentioned above, different funding programs have been initiated by government where funding is available upon entities meeting requirements set in the program. However, Vera & Onji (2010) indicates that literature seems to point out that most of the funding in both developed and developing countries that is granted to small and medium enterprises is from the banks as the main external capital provider. At the same time, because of the relationship between banks and small business enterprises, the latter is regarded as a strategic profitable part of the business of banks and therefore the relationship is regarded as integral (De la Torre et al., 2009). Lending to small and medium enterprises is usually though what is referred to as lending relationship where soft information is collected by a financial institution on how the enterprise has conducted itself in lending transactions (Berger & Udell, 1998) and this information will then be used for the purpose of evaluating the creditworthiness of the entrepreneur before any loan can be granted.

In conclusion, it is important to note that most of the small and medium enterprises will react in accordance with the level of economic conditions at the given point in time. Berry et al (2002) argues that if local economic conditions are good, small and medium enterprises are likely to show signs of growth as well and should the economy experience a downturn, they are also likely to experience some difficulties in that regard. In the same breath, small medium enterprises will never grow and develop if they are also subject to blacklisting as this will result with them being financially excluded. Access to finance and credit is very crucial for the growth and development of small and medium enterprises.

The South African government has developed different models and funding programs that are used to give funding to different types of small businesses based on the requirements that have been set in relation to the business of the particular enterprise. Some of the requirements that have been set are in order to comply with various government strategic policies such as the Black Industrialist Programme (BIP) and the Black Economic Empowerment (BEE) policies that usually focus at the empowerment of businesses that are owned and operated by the previously disadvantaged classes of people including black people and women.

A study conducted in the United Kingdom on small and medium enterprises has shown the different phases on the development of these enterprises in relation to financial assistance from different financial institutions.

As projected in Table 7.2 below, the nature of funding that is required is largely dependent on the type of the small and medium enterprises. It is obvious that small and medium enterprises are very much reliant on some type of funding to facilitate their establishment. As soon as the enterprise has been established and started running, a particular type of funding is required for their further development. So it is very clear that access to finance plays a very important role at every level of development and growth of a small and medium enterprise.

Table 7.2 Growth Phases and Funding Cycle of SMEs

Small and Micro Enterprises (SME) growth phases and funding cycle				
Type of SME	Start-up phase	Growth phase	Stable	Exit for external investor
Traditional, providing income for an individual, family or small group of employees	Family, friends Savings Equity in residential property Trade credit	Asset-backed finance Factoring Bank debt	Often none, but debt if required	N/A
High potential with growth aspirations	"Angel" finance, Team equity, some venture capital	Venture capital Private placement of equity, Asset-backed finance Some bank debt	Venture capital High-yield debt market Bank debt	Either exit via capital markets or Direct access to competitive capital markets
Attractive with high tech information and life sciences PR	"Angel" finance Venture capital Corporates	Venture capital Corporates Asset-backed finance	Corporates Bank debt	Exit typically via trade sale

Source: UK Banking Review (cited in Cruickshank Report, 2000)

The administration of the Republic of Kenya has introduced a developmental blueprint entitled Kenya Vision 2030 which will amongst other things address all the financial challenges in Kenya as regards the lack of access and high cost of credit especially for the country's small medium enterprises.

7.4 Credit Accessibility by Business in South Africa, in Particular Reference to Small Medium Enterprises (SMEs)

Globally the importance and significance of the firms including small medium enterprises (SMEs) from accessing credit has been regarded as a crucial issue by academics and policy makers as well (Berger & Udell, 2006). There is overwhelming evidence that small medium enterprises play a very important role in terms of their total contribution to the economic outputs of a country.

In their research trying to analyse the technologies used by banks for the purpose of making credit available to borrowers, Ferri et al (2017) discovered that the global financial crises has affected the chances of small firms from access credit which had a depressing effect on the economic growth of the world in general.

By way of background, it is important to note that government appointed a Task Group of the Policy Board for the Financial Services and Regulation during 2001 in order to profile South Africa's Small Medium Enterprises and their intended contribution to the South African economy as well as access of the Small Medium Enterprises to other bank services (Falkena et al, 2001). One of the critical objectives of this task group was to identify an area in which intervention was likely to have a positive effect in ensuring that small medium enterprises are likely to gain access to credit.

Cenni et al (2015) emphasizes that it is incumbent upon small firms to build a relationship with a good reputation as this contributes to the overall positive information of the firm that would make it easier for the credit providers to extend credit because the length of this relationship between the credit borrower and these firms have an effect of reducing all probabilities that would make the credit provider to limit the amount of credit applied for by the firm in future.

Table 7.3 below, a comparison between the United Kingdom and other low income countries including South Africa in respect of the access of credit for small medium enterprises

Table 7.3: Comparison between the UK and lower income countries in respect of finance for SMEs

Small firms in the UK	Small firms in low-income countries
<ul style="list-style-type: none"> - Small firms have a high reliance on short-term financing through the banking sector. - A low proportion of small firms' assets are financed by shareholders; so debt-to-equity ratios are relatively high compared to larger firms. - Fixed assets are relatively unimportant in the balance sheets of smaller firms. - Trade credit and trade debt are relatively important. - In recent years, leasing and hire purchase and venture capital have become more important. - Small firms have higher transactions costs than larger firms. - Small firms have higher/greater information imperfections than larger firms. - Small firms have poor business planning, a lack of interfirm co-operation and higher transactions costs than larger firms. - Small firms have poor relations with financial institutions. 	<ul style="list-style-type: none"> - Small firms rely on formal and informal sectors for short-term finance. - Family and friends contribute a high proportion towards financing small firms' assets. - Not established. - Not established. - Relatively less important. - Confirmed. - Confirmed. - More significant in developing countries, particularly with respect to financial accounting and management. - Networks have been shown to be important, but little research has been done on relations with financial institutions.

Source: Ntsika, State of Small Business in South Africa, 1999

This intervention was sought as it was discovered that the credit regulation legislation in the form of the Usury Act, Credit Agreements Act and the Usury Act Exemption Notice were found to be biased towards making credit accessible to small medium enterprises due to their provisions dealing with high risk or high cost of credit provision.

In his Medium Term Budget Policy Statement Speech delivered on 26 October 2016 in Cape Town, the Minister of Finance Mr Pravin Gordhan indicated the financial sector reform initiated by government through the National Treasury will result in the introduction of new legislation to give effect to the twin peaks regulatory reform programme will support inclusive economic growth by reducing the costs of financial services, as high costs in the financial sector have always inhibited small business from accessing credit from the various credit extension and banking institutions

On the other hand, the National Development Plan, has also embodied an overall government strategy that seeks to encourage the development of the Small Medium Enterprises in South Africa as part of its efforts to impact positively on the growth of the economy. This responsibility has largely been entrusted upon the Department of Small Business Development (DSBD) to develop and implement policies that will assist to grow the small medium enterprise, and it is assisted by other cluster departments such as the dti and the Department of Economic Development (Econ Dev). Therefore the importance of small medium enterprises is defined within the backdrop of its contribution to economic growth by way of the Growth Domestic Product and its capacity to contribute to creation of jobs in South Africa, as further outlined in Table 7.4 below.

Table 7.4: Employment and Unemployment in South Africa, 1997

	of jobs % of economically	active population	% of
Employment in large-scale firms	3 097 000	25%	39%
Employment in formal SMEs	3 135 000	25%	39%
Employment in informal sector	1 052 000	8%	13%
Employment in domestic service	788 000	6%	10%
Total employed	8 072 000	64%	100%
Total unemployed	4 551 000	36%	
Economically active (extended definition)	12 623 000	100%	
Population aged 15-65 years	22 818 000	-	

Source: CSS (1998), Employment and Unemployment in South Africa 1994-1997, CSS, Pretoria

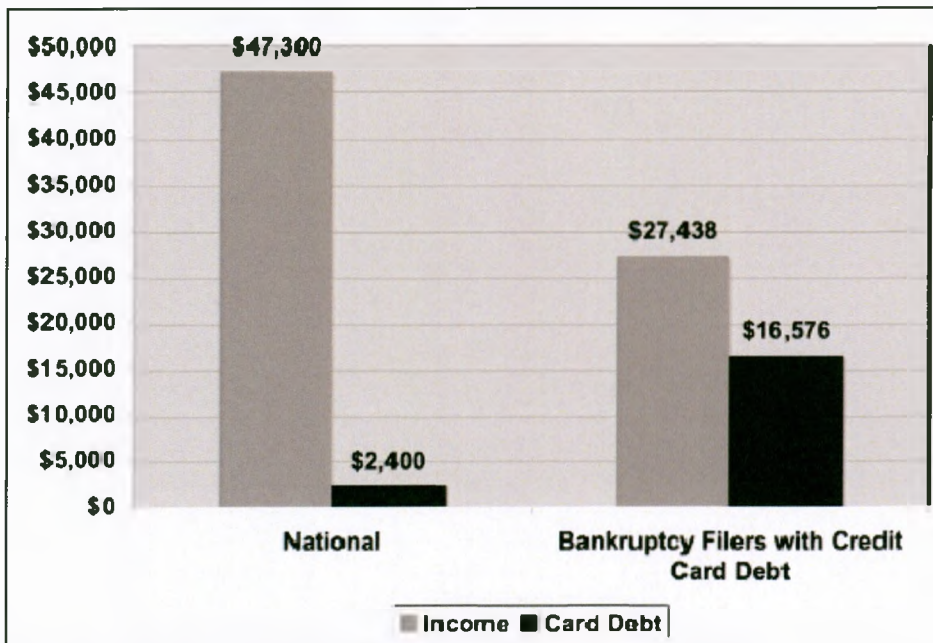
7.5 Analysing the Downside of Credit Extension with Specific Reference to Cases of Reckless Credit and Over-indebtedness

Whilst it is very important to note the importance and role that credit play in the lives of people, one needs also to mention the extent to which credit extension and its availability may lead to serious financial consequences which may include over-indebtedness. Credit can be viewed as a very important instrument that could be used to better the lives of ordinary consumers out of hardship and poverty, but the same can be said as credit having the effect of running the lives of consumers into hardship and poverty if same is not used properly.

In his testimony before the United States House of Representatives, Committee on the Judiciary, Subcommittee on Commercial and Administrative Law, Levitin (2009) indicated that credit cards are considered to be excellent products as they can supply consumers with both an extremely convenient method of payment as well as serve as an easy source of financing.

However, Levitin (2009) also cautioned that credit cards are susceptible to be misused by both the consumers and those who issue credit cards. He further said that credit cards remain the major factor that results in consumer financial distress and bankruptcy. Levitin (2009) presented information showing the levels of credit card debt and gross annual income for the median American household and the median consumer bankruptcy filer in 2007, as reflected in Figure 7.2 below:

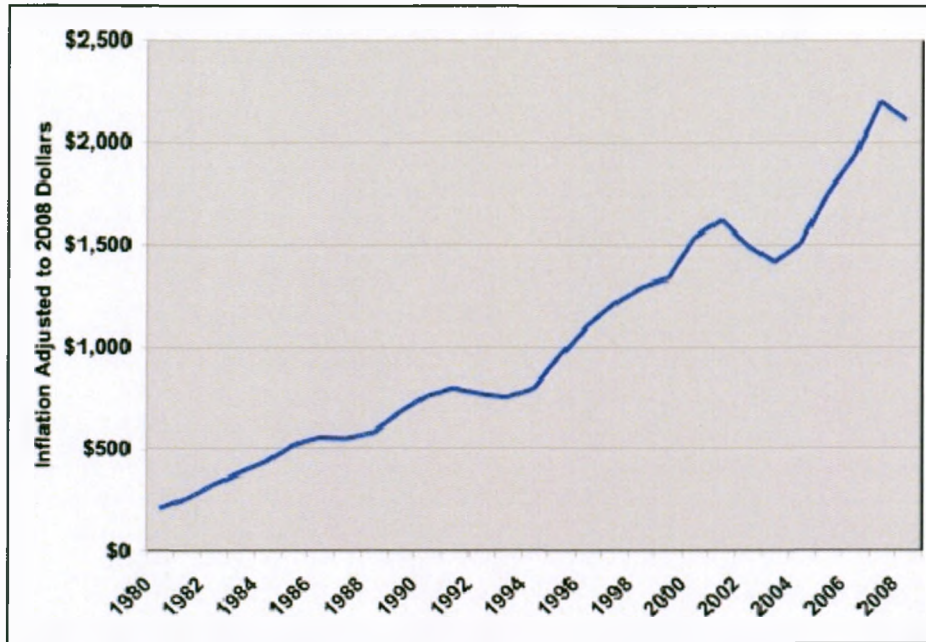
Figure 7.2: Gross Annual Income and Credit Card Debt



Source: Survey of Consumer Finance, 2009

Under Figure 7.3 below, Levitin (2009) further illustrated the amount that is paid towards interest by US households on revolving debt which is mostly credit card debt, from the period 1980 to 2008 even in inflation adjusted dollars.

Figure 7.3: Interest Paid on Revolving Debt per Household



Source: US Department of Commerce, Bureau of Economic Analysis, 2008

Brito and Hartley (1995), on the other hand, argues that credit cards seem to be more attractive than traditional bank loans because of the low transaction costs that are paid for credit cards despite the fact that high interest rates are charged when borrowing is done on credit cards. Ausubel (1991) has indicated that one of the attributes relating to credit cards that makes them non-competitive is the fact that there appears to be a certain measure of inflexibility of credit card interest rates relative to the costs of funds.

The policy objective surrounding the NCA which was enacted on 15 March 2006 is to ensure protection of consumers and the credit industry by promoting a fair and non-discriminatory marketplace that will ensure that consumers are able to access credit. The NCA also aims at prohibiting certain unfair credit and credit-marketing practices and the promotion of responsible credit granting and to also prohibit reckless credit lending. Schmulow (2016) is of the view that objectives of the NCA seems to be farsighted and straightforward to the point that the provisions seems to serve as a good model that other countries can emulate for the purpose of combating and prohibiting reckless credit and predatory lending

7.6 Corporate Responsibility and the Various Circumstances That Can Lead to Consumer's Credit Blacklisting

It is very important at this stage to try to contextualise the legislative objective of the National Credit Act in relation to various responsibilities and duties that are entrusted by the same legislation to those who have the financial muscle to borrow, being credit providers and those that are likely to receive such credit, being consumers. Circumstances to present themselves such as vulnerability where consumers are being pressured in accepting credit offered to them by various credit providers. It is true that credit providers can explore some vulnerability of consumers and then use such moments to further expose and manipulate.

The area of credit granting is but one of those circumstances, where credit providers can become unethical often resulting in cases where credit is extended recklessly to consumers and other credit providers engaging in predatory lending practices. Schmulow (2016) states that in an environment like South Africa that is still a developing country, full of economically active consumers and high levels of unemployment and illiteracy, unscrupulous financial service providers and lenders are able to seize an opportunities to take advantage of the large number of unsophisticated consumers and engage in unethical business practice.

From the 14th - 16th November 2016, South Africa was part of a delegation that attended the Business and Human Rights Forum at the United Nations Human Rights Council in Geneva, Switzerland. This forum was established by the United Nations Human Rights Council in order to articulate issues relating to respect, promotion and protection of human rights by various countries and to finally advise on the mechanisms that should be adopted to address human rights atrocities that are conducted against consumers by the business.

With the application and implementation of the Universal Declaration of Human Rights adopted by the United Nations' General Assembly in 1948, countries somehow committed themselves to protect its citizens against abuses of human rights that are committed by third parties which include business enterprises and other business entities. In its revised translation done in 2015, the then Secretary General of the United Nations Mr Ban Ki-moon reiterated the position of the United Nations on the protection and preservation of human rights by saying that the international community has a duty to uphold the rights that have been founded in the United Nations' founding charter and that universal rights should become a reality for every person anywhere (Universal Declaration of Human Rights, 2015).

In order to fully comprehend and understand the above, it is crucial to recall what the Universal Declaration of Human Rights say about fundamental human rights, especially in those areas that involves consumers' interaction with business. In my understanding, the following three Articles in the Universal Declaration of Human Rights:

- Article 5
- Article 7
- Article 10

Article 5 of the Universal Declaration of Human Rights provides that no person shall be subjected to a treatment that is degrading. In my view, consumers who are excluded from the access of credit are in a way, humiliated and such exclusion is a direct blow to their worthiness as economic citizens of their country. In a way, such consumers cannot participate like others in the economy of their country.

Article 7 provides that all people will be equal before the law and that they will not be subject to any discrimination. Blacklisting is another form of discrimination, whether it is done on valid or invalid grounds. It has the effect of economic or social exclusion. As stated above, blacklisting subjects consumers to the curb, disallowing them from participating in the economic activities of their country as they will not be able to access credit, sometimes over a certain period of time depending on the category of consumer credit information under which their listing has been done.

The case for credit as a human right is made most vigorously by Yunus (2007), who also believes that credit granting can be used as a tool to address poverty within poor communities. At the same time, one should also take into account that the socio-economic rights in South Africa are pot-holed and that it is important that enforcement of these rights do not necessarily compromise our Constitution.

Article 10 guarantees every person full equality to a fair and public hearing which should be conducted by an independent and impartial tribunal in the determination of rights and obligations of a person. In my understanding, in South Africa, a person is never afforded an opportunity to appear before the credit bureau to defend and show cause why his credit information should as submitted to the credit bureau by the credit provider of any other entity not be negatively listed with the credit bureau. A consumer is never given an opportunity to be heard. The only avenue that is available is through the Office of the Credit Ombudsman and this only happens once a consumer has already been listed with the credit bureau. In this case, a consumer is offered an opportunity to lodge a complaint with the Office of the Credit Ombudsman. The office of the Credit Ombudsman offers a dispute resolution mechanism where its role is to try to effectively resolve disputes submitted to it between members of the credit industry and credit receivers, being businesses and consumers and business and such disputes should relate to credit and credit information only (Credit Ombud Annual Report, 2015).

Therefore to a very large extent, it is also the duty of corporate entities to ensure that they exercise the responsibility to reflect respect to basic human rights by acting with a measure of utmost responsibility and due diligence and should at all times avoid to any possible infringement of these rights and address the adverse impacts of their business activities against consumers and those that they serve.

The experience in abuse of human rights that South Africa has is in the area of finance is in, amongst others, issuing of unaffordable credit by banks to consumers. The latter takes place at the level of medium, micro and small business. Due to inadequate income salaries, consumers would access unaffordable credit to meet financial needs. This practice leads to trends of over indebtedness, living beyond the means, inability to meet essential living costs and debt repayments. Also, banks would execute court orders that compel employers to deduct instalment debt from employee's wages (the Emolument Attachment Orders). The practice also leads to defaults, collection of prescribed debt and high legal debt collection fees. In this regard, consumer-credit business has a substantial abuse mechanism of debt enforcement which reduces workers and consumers to a perpetual cycle of indebtedness. Thus, unaffordable credit violates, amongst others, the right to human dignity of consumers and family care of dependents when it becomes difficult to honour credit agreements at the same time fend for their families.

South Africa has previously experienced an unhealthy credit climate where banks and other financial institutions have advanced credit through a predatory lending method. This has resulted in many consumers running to huge debts and falling into over-indebtedness.

A number of legal actions were taken by credit providers against defaulting consumers and many were credit blacklisted as a result of these legal actions. It is against this context that policy has to be clarified and provisions have to be provided that will somehow explore and investigate the reasons for the credit blacklisting of a person with the credit bureau. It is my view that legislation must be amended to make it mandatory for any request made by the credit provider for blacklisting to be thoroughly investigated by the credit bureau before such listing can be finalised.

Somehow, legislation must be amended to make it mandatory for each and every credit bureau that is registered and regulated in terms of the NCA to establish a committee whose objective will be to assess the nature and seriousness of the information received from the credit providers for possible enlisting as negative information before such enlisting can be given the green light. This will certainly be in line with the objective of the National Credit Act that seeks to promote a fair and non-discriminatory marketplace and to establish national norms and standards.

Countries such as Australia and the United Kingdom have provided sufficient measures which have been incorporated in their legislations in order to deal with any reckless lending that may lead to over-indebtedness. The United Kingdom have what is referred to as the Financial Conduct Authority's Consumer Credit Sourcebook which requires that firms that are providing consumer credit must make sure that they comply with this instrument. The sourcebook requires credit providers must conduct a proper assessment to determine if the credit applicant is able to sustain his debt obligations and payments in terms of the credit agreement. Through application of the National Consumer Credit Protection Act of 2009, Australia requires that credit providers must not at any stage conclude a credit agreement with consumers who are not suitable to obtain credit or will not be in a position to service their loan obligations and be subjected to hardship and suffering.

Further, other countries have effectively dealt with reckless lending by imposing penalties and fines against those credit providers that were involved in reckless lending. For example, information reveals that the Australian Securities and Investments Committee (ASIC) in Australia has fined Australia and New Zealand Banking Group (ANZ) of a certain amount of money after it was found that the company contravened responsible lending legislation when offering overdraft facilities to its consumers. In that matter, the company found out that ANZ proceeded to offer consumers overdraft limit of \$500 without giving consumers an option to select a different overdraft limit. In addition, ANZ did not give consumers an alternative limit option (for offers of a \$1000 limit) for overdraft facilities if consumers responded to such offers via mail or if they reported personally at any branch of ANZ.

7.7 Current Legislative Measures introduced by the South African Government to Deal with Reckless Lending and Over-Indebtedness

As already stated above, the basic policy objective surrounding the promulgation of the NCA is to protect consumers. The NCA aims to achieve the above by ensuring that those who are within the business of lending credit are able to promote responsible credit lending to avoid issues of reckless credit and over-indebtedness. This objective is in line with the recommendations made by the Consumer Debt Committee of the International Federation of Insolvency Practitioners (INSOL) in May 2001 that the solution relating to overspending and over-indebtedness can only be achieved when the principle relating to “prevention is better than cure is applied” (INSOL International, 2001).

To a very large extent, it can be argued that the developments in the European Union relating to adequate protection of consumers in the credit space sparked the need to effect amendments on many credit legislations administered by the Union's member states. At the same time, it can also be agreed that the same had an influence on the amendment of same legislation of other countries who are not members of the European Union.

This followed a resolution adopted by the European Parliament and the Council of the European Union known as the 2008 EU Consumer Credit Directive which requires member states to harmonise certain aspects of their credit laws, regulations and administrative procedures of these member states concerning credit agreements. Member states of the European Union were then given until June 2010 to transpose the guidelines contained in the said directive into their respective national legislations.

One of the most important guideline or principle related to member states taking appropriate measures towards the promotion of responsible practices in all phases during the subsistence of the credit relationship between consumers and the credit providers.

To a very large extent, the directive demanded that credit providers must not engage in irresponsible credit lending practices where credit will be extended to consumers without taking necessary steps to assess the creditworthiness of the consumers. Amongst other things, obligations were put on the credit providers to ensure that additional information is given to consumers by credit providers to assist consumers in making a decision on which credit agreement will be most appropriate for them looking at their individual customer needs and financial position.

The Directive also requested member states to amend their legislation so as to ensure that any pre-contractual information and other essential requirements of the agreements are explained to consumer in a personalised manner so that consumers can understand before they commit themselves to the terms and conditions of the credit agreements. With regard to reckless credit, the Directive anticipated that credit providers will conduct due diligence by taking all the necessary three part assessment steps to ensure that consumer is in a right position before any credit agreement can be finalised between the consumer and the credit provider. This is calculated against the backdrop where the consumer can at a later stage make an allegation that credit that was extended to him or her was done so recklessly. This is because the National Credit Act allows the consumer to raise a concern that credit was extended recklessly. Equally, the credit provider can raise a defence to the effect that credit was not extended recklessly.

With regards to the NCA, over-indebtedness could be addressed by credit providers looking at the financial means of the consumers, prospects and other financial obligations as well as considering the consumer's probable propensity to satisfy his or her debt obligations by having reference to the consumer's past repayment history.

For this reason, the South African government through the dti published Affordability Assessment Guidelines as part of the regulations to the National Credit Amendment Act which were published in 13 March 2015 under Notice No.202 in Government Gazette No.38557. The Affordability Assessment Guidelines forms part of the NCA regulations as published by the Minister of Trade and industry.

The guidelines serve as a criterion that should be considered by credit providers who are regulated in terms of the NCA when conducting assessment of a consumer's application for credit with the credit provider. As part of the process to finalise assessment of a credit application, credit providers are required to do the following in terms of these guidelines:

- Assessment of the discretionary income of the consumer to establish if the consumer has the financial means to keep up with the instalments required in terms of the credit agreements.
- Verify the credit information status of the consumer with the relevant credit bureau to determine if credit can be extended to such a consumer.
- Validate information on gross income of the consumer through any payslips, cash deposits and bank statements of the consumer.
- Calculation of the consumer's financial means, prospects and obligation by using the Minimum Expense Norms which is contained in Chapter of the regulations.

In short, the Minimum Expense Norms Table (described as Table 7.4), as below, basically requires credit providers to consider and ascertain the gross income of a credit applicant at all times when considering an application for credit. The table further requires that credit providers must first make deductions of all deductions that are legally authorised on the credit applicant's gross income as well as all the minimum living expenses of the credit applicant in order to arrive at a net income. Ideally, all the instalments that a credit applicant has to discharge in terms of the credit agreement should be made for this net income.

Table 7.5: Minimum Expense Norms Table

Minimum	Maximum	Minimum monthly Fixed Factor	Monthly Fixed Factor = % of Income Above Band minimum
R0.00	R800.00	R0.00	100%
R800.01	R6,250.00	R800.00	6.75%
R6,250.01	R25,000.00	R1,167.88	9.00%
R25,000.01	R50,000.00	R2,855.38	8.20%
R50,000.01	Unlimited	R4,905.38	6.75%

Source: Department of Trade and Industry, 2015

The application and implementation of these regulations as to their effectiveness is still being constantly monitored by the National Credit Regulator through various investigations that it was conducting, also taking into account the fact that the implementation of these regulations were delayed by six months in order as business was given time to adjust their systems to comply with the specified requirements. During February 2016, the National Credit Regulator reported that it has referred a total of 13 small credit providers to the National Consumer Tribunal for a number of breaches of the regulations, including failure by these credit providers to apply the affordability assessment guidelines appropriately.

Just recently in South Africa, the National Consumer Tribunal issued a fine of R250 000 against a company called Eagle Cash Loans and order that its registration with the National Credit Regulator as a credit provider be cancelled as a result of reckless credit lending (www.thenct.org.za). This follows an investigation carried by the National Credit Regulator where it was found that Eagle Cash Loans was engaged in the business of lending credit recklessly to consumers as well as retaining their bank card, a practice which is in contravention of the National Credit Act.

CHAPTER 8: RESEARCH METHODOLOGY, DATA PRESENTATION AND ANALYSIS

8.1 Introduction

The main objectives of this research study are to try to analyse any socio-economic impact that ensue when a consumer or a small and medium enterprise is unable to access credit from the credit providers as a result of blacklisting or negative information at the credit bureaus. In this case, it was important for me to identify ways and means of accessing the necessary information that is required for the purpose of this research from various sources.

The three common approaches to conducting research are qualitative, quantitative and mixed methods. The researcher anticipates the type of data needed to respond to the research question/s (Williams, 2007).

Primarily, the methodology employed in this research report involves literature and document review. This has given me an opportunity to reflect on the existing work that has been produced by other researchers, scholars and practitioners on the same subject. Whilst not much has been reported about blacklisting of small and medium enterprises, statistics on the number of approvals and rejections of loan application for small and medium enterprises could give us some sense into some of the challenges faced by these institutions to access credit.

8.2 Research Method

8.2.1 Quantitative and Qualitative Research Methods

Through a quantitative research method, collection and analysis of data can easily be quantified (Bryman, 2012:35). It is said that a quantitative research strategy is focused on numbers inclusive of statistical data.

However, unlike quantitative research strategy, qualitative research method or strategy is content based as it is focused on words in the collection and analysis of data (Bryman, 2012:36). Adler & Adler (1985) believe that through a qualitative research method, characteristics of a specific matter are displayed and can be seen out there for a formal and objective quality perspective.

It is in that context that the researcher relied on both the quantitative and qualitative methods in this research. An extensive desktop research was conducted in order to obtain various information and data from different sources from the internet. Desktop research allows a researcher to tap information from other sources which can be verified and later be used to negate or support other statements made. Researchers are at liberty to use various search engines to access different websites and can be able to choose which websites they wish to use for the purpose of research (Dorsey et al., 2004).

The NCR was also contacted in this case to get the old and latest data on credit within the credit market. Interviews, most of which were telephonic interviews, were done with entities such as the Statistics South Africa (Stats SA), Office of the Credit Ombudsman, Micro Finance South Africa (MFSA), Debt Counsellors Association of South Africa (DCASA), the Credit Bureau Association (CBA) and the National Credit Regulator (NCR). In that context, the researcher has attempted to gather information from both primary and secondary sources. So most of the literature that has been reviewed for the purpose of this research report included papers and other articles on the subject of credit that have been obtained from the internet papers and published journal articles and papers.

8.3 Interviews

Interviews are regarded as the method widely used for the purpose of a qualitative interview as the researcher has space to interact with the interviewee and can engage face to face (Bryman, 2012:469). This type of interview is not restrictive in terms of what types of questions should be asked. For the purpose of my qualitative research, the researcher is of the view that at least 10 questions of substantive nature will be asked during the interviews. Interviews can take various forms either interviews conducted for specific exercises or general assignments.

8.3.1 Target Population

The interviews conducted with consumers through the distribution of questionnaire was mainly targeted to people in the low income earning bracket but also included few from the high income earning bracket, with a targeted population of 100 consumers. The high earning consumers are consumers who are working as professionals in the area of work within the public sector environment, whilst all the consumers in the low earning bracket are employed as labourers in security, food service, cleaning and retail industry.

Due to time limitations, there was no opportunity to conduct research through focus groups though this could have added more weight on this research.

8.3.2 Face to Face Interviews

For this research, the researcher has conducted only one face to face interview with the Credit Ombudsman at the Office of the Credit Ombudsman in Randburg.

Some of the face to face interview questions were as follows:

- Types of complains adjudicated by the Office of the Credit Ombudsman.
- Types and nature of credit blacklisting or negative information complaints.
- Total number of complaints received by the Office of the Credit Ombudsman.

- Average number of complaints relating to credit blacklisting.
- Whether the number of complaints received against credit blacklisting suggests that the business of credit bureaus defeats the objectives of the NCA.
- Whether other alternatives to dealing with defaulting consumers, other than credit blacklisting, must be explored.

In the interview, the Credit Ombudsman indicated that the Office of the Credit Ombudsman receives between 4000 – 5000 complaints per annum, some of which are credit bureau related. Some of these complaints are lodged against credit bureau unfair and incorrect blacklisting. According to the 2015 Annual report of the Office of the Credit Ombudsman, 30% of enquiries received by this office are enquiries on consumers requesting credit profile. Some of the complaints received relate to consumers getting blacklisted by the credit bureau even in those cases where no the consumer did not receive any notification from the credit provider of the intended blacklisting. Other cases included scenarios where the consumer was double listed or where the credit bureau is still in possession of outdated credit information of the consumer.

According to the Credit Ombudsman, blacklisting or negative credit information at the credit bureau does not defeat the policy purpose of the NCA. In fact, he indicated that blacklisting is essential as credit providers need guidance when considering applications for credit, lest they approve each and every credit application they consider. He warned against the possibility of crippling the economy if there were no entities like credit bureau that could assist in making sure that certain factors are taken into account before major decisions can be taken, especially on matters involving credit.

However, he expressed his concern that credit blacklisting forces consumers to seek alternative credit which may be illegal. He said that many consumers ultimately fell prey to “mashonisas” (who were not regulated prior to the amendments introduced in the National Credit Amendment Act in 2015), after being turned down by credit providers in the credit mainstream.

He further said that many consumers who have been blacklisted end up resigning from their jobs to avoid further deduction on their salaries or to access their provident funds. Some of them commit suicide because of their over-indebtedness which is further aggravated by the fact that they cannot access credit elsewhere.

8.3.3 Telephonic Interviews

I have conducted several interviews with stakeholders and the questions were very specific in terms of the information or data that was required. Telephonic interviews were done with the Retail Motor Industry, the Micro Finance South Africa and the National Association of Automobile Manufacturers of South Africa.

Some of the interviews were followed by a written communication especially in those cases where specific data was required. For example, some questions asked with a particular stakeholder were specific to the business of the stakeholder in question. For example, the questions that were directed to the Banking Association of South Africa (BASA) were phrased as follows:

- Number of applications for motor vehicle finance declined during 2014, 2015 and 2016.
- Total value of motor vehicle finance declined during 2014, 2015 and 2016.
- Total revenue contributed by motor vehicle finance sales during 2014, 2015 and 2016.
- Total contribution of motor vehicle finance to SA economy (GDP).

8.3.4 Questionnaire Distribution

From a quantitative research perspective, data and information collection will be done through distribution of questionnaires to various individuals as well as institutions that are able to supply data or information required. For this to happen successfully a strong communication link based on trust and reliability will have to be established. For quicker and fruitful responses, it is my view that questions be limited to 8 per questionnaire and that only salient questions be raised therein as questionnaires with salient questions are good and recommended for researchers (Altschuld & Lower, 1984)

A number of interview questionnaires have been circulated to various consumers from both the private and sector working environments within a certain salary brackets with the intention of sourcing primary information from consumers regarding cases of credit blacklisting with the credit bureaus. Questionnaires were distributed to both the low income earners and the high income earners who are employed in the public sector and private sector.

Amongst other things, interviewees were requested to give information regarding the number of their current credit facilities as well as listing the types of credit facilities that are currently active with their credit providers. These credit facilities included mortgage loans, vehicle finance, personal loans, student loans, credit cards, furniture accounts and clothing accounts.

Key questions on the interview questionnaire were as follows:

- Have you been blacklisted with the credit bureau?
- When was the person blacklisted with the credit bureau?
- For how much was the person blacklisted for
- Were you able to get credit during that period?
- Are currently blacklisted with the credit bureau?
- When was the current blacklisting done?
- For how much was the current blacklisting done?
- Were you ever notified of the blacklisting?
- Have you been refused credit before or lately?
- What were the reasons for refusal of your credit application?
- Have you sought alternative credit elsewhere after being refused credit?
- From which credit provider have you sought credit from?
- Describe in details how being credit blacklisted has affected or impacted on your life?

Lastly, interviewees were also requested to requested to describe in details how being credit blacklisted has affected or impacted on their lives.

8.4 Data Collection Methodology

In this research, all the stakeholders who were identified and consulted with were required to share any statistical data or information that could be analysed. Some of the information was requested from the questionnaire that was used as part of consultation with the interviewees. Formal written requests were directed to entities such as Compuscan, the National Credit Regulator, the Retail Motor Industry and Statistics South Africa.

Specific data and information were required from various stakeholders including information requested from consumers. It was in that light that it was important and highly emphasized that correct data or information must be given.

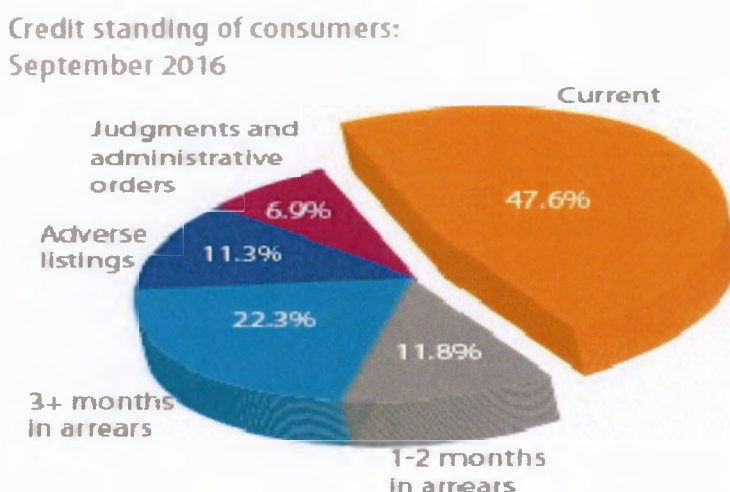
8.5 Data Analysis

Miles (1979) believes that data analysis is a skill and has to be exercised with care and caution due to the fact that data collection can generate such wealth of information and knowledge but with a degree of difficulty in analysing or interpreting same.

8.5.1 Summary Information and Data Analysis from the National Credit Regulator

As released by the Credit Bureau Monitor of the National Credit Regulator, Figure 8.1 below indicates that a total of 6.9% of the credit active consumers had judgments and administrative orders take against them. A total of 11.3 of the credit active consumers had instances of adverse listing decided on their credit profiles by the credit bureaus, all by the end of September 2016.

Figure 8.1: Credit Standing of Consumers



Source: Credit Bureau Monitor, September 2016

Table 8.1 is a presentation of information on the credit standing of credit-active consumers as reported to the National Credit Regulator by the credit bureaus by the end of September 2016. It shows that of the 24.25 million credit-active consumers, 14.40 of them were in good standing at the end of September 2016. Consumers with impaired or negative credit information accounted to 9.85 million, which is nearly half of all the credit active consumers.

This means that 40.6% of all the credit-active consumers have impaired credit records and therefore may not be approved of credit by the credit providers.

Table 8.1: Credit Standing of Consumers

	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Sep 16
Good standing (#)	12.11m	12.17m	12.45m	12.58m	12.70m	12.64m	13.53m	13.87m	14.33m	14.41m	14.40m	14.40m
Good standing (%)	55.8%	55.0%	55.3%	55.1%	55.0%	54.3%	57.7%	58.4%	60.0%	59.3%	59.4%	59.4%
Current (%)	41.5%	42.2%	42.3%	42.6%	42.2%	42.3%	46.1%	46.1%	47.6%	48.3%	47.6%	47.6%
1-2 months in arrears (%)	14.3%	12.8%	13.0%	12.5%	12.7%	12.1%	11.6%	12.4%	12.4%	11.6%	11.8%	11.8%
Impaired records (#)	9.60m	9.55m	10.05m	10.26m	10.41m	10.53m	9.91m	9.87m	9.55m	9.67m	9.85m	9.85m
Impaired records (%)	44.7%	45.0%	44.7%	44.9%	45.0%	45.1%	42.3%	41.6%	40.0%	40.7%	40.6%	40.6%
3+ months in arrears (%)	32.4%	28.3%	26.3%	23.8%	22.4%	21.5%	21.6%	22.1%	22.3%	22.1%	22.3%	22.3%
Adverse listings (%)	0.0%	5.2%	7.3%	10.4%	12.2%	13.5%	11.8%	11.0%	10.1%	10.7%	11.3%	11.3%
Judgments and administration orders (%)	11.8%	11.4%	11.1%	10.7%	10.4%	10.1%	8.8%	8.5%	7.6%	7.3%	6.3%	6.9%
Credit-active consumers (#)	21.71m	22.12m	22.50m	22.84m	23.11m	23.37m	23.45m	23.74m	23.88m	24.08m	24.25m	24.25m

Source: Credit Bureau Monitor, September 2016

As can be seen in Table 8.2 below, statistics have shown that of the 10 084 applications for credit across all different credit providers, a total of 5334 of these applications were rejected or declined by the credit providers. The figure represents 52.9% rejected applications.

It is therefore my view that credit blacklisting has a negative effect on consumers as it deprives them of the opportunities to access credit for various personal or household reasons.

Table 8.2: Number of applications received and rejected

Agreements	2015-Q3 000	2015-Q4 000	2016-Q1 000	2016-Q2 000	2016-Q3 000	% Change (Q3/Q2)	% Change (Y/Y)
Number of applications received	11,847	11,317	9,990	9,951	10,084	1.33%	-14.88%
Number of applications rejected	6,248	5,890	5,371	5,417	5,334	-1.53%	-14.63%
% of applications rejected	52.74%	52.05%	53.76%	54.44%	52.90%		

Source: Consumer Credit Market Report, September 2016

8.5.2 Information and Data Analysis from Distributed Questionnaires

A quick survey to identify possible impact of any credit blacklisting from every day consumers was also conducted as part of this research study. A questionnaire was distributed to various participants who were selected from both the low-income brackets and the high-income brackets. For the purpose of this research the low-income consumers are those who are earning R10 000 per month and less and the high-income are those earning R10 000 per month and above.

Questionnaires were distributed to participants who are employed as labourers and professionals in both the public and private sector. The distribution was allocated to the participants are as follows:

- Senior Management Staff (Director level) – 10 participants
- Cleaning Staff (the dti) – 10 participants
- Ground Staff (the dti) – 10 participants
- Security Staff (the dti) – 15 participants
- Pick 'n Pay Staff (Gezina) – 15 participants

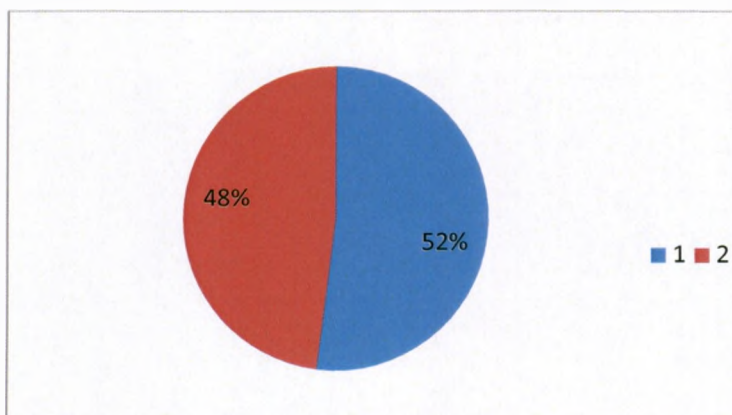
In total, 60 questionnaires were distributed between both the low-income participants and the high-income participants. 44 questionnaires have been returned and 16 are still outstanding, with an overall return rate of 73%. The return rate is summarised as follows:

- High Income Participants – 7 (70%)
- Low Income Participants – 37 (70%)

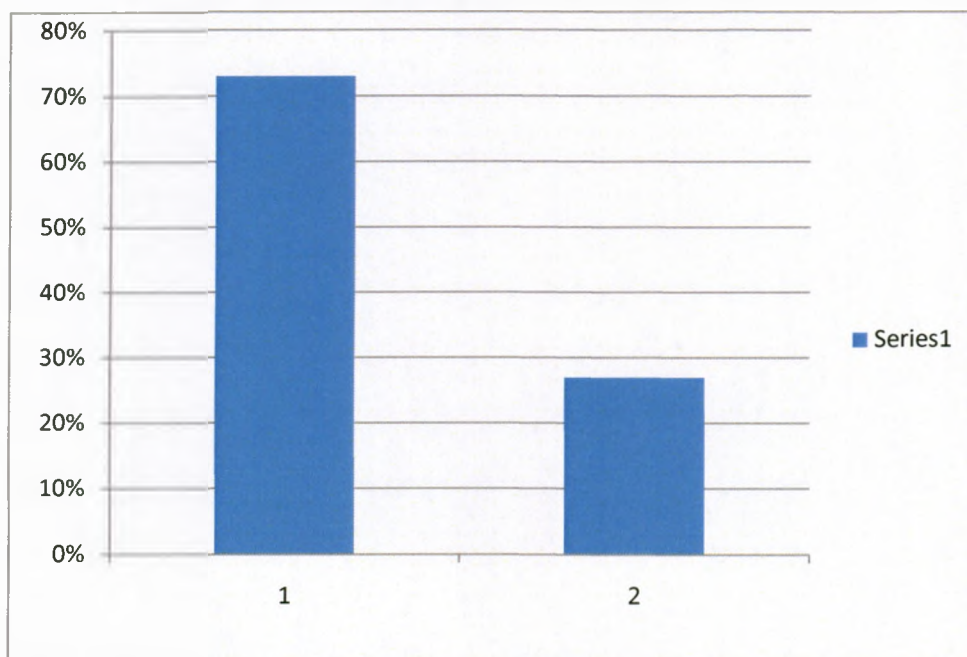
The main objective of the survey was to establish participants who have previously been credit blacklisted and/or who currently are and how this has impacted their lives. In order to establish the above, participants were required to give information regarding the number of credit facilities they currently hold, the types of the credit facilities, whether they have been previously blacklisted with the credit bureaus, details and circumstances of the blacklisting. Participants were also required to indicate if they have been refused credit by the credit provider before and whether they have tried to seek for alternative credit elsewhere. Lastly, they were also required to describe in details how having been blacklisted has affected their lives.

The results of the survey conducted with different participants as above per questionnaire can be summarised and analysed as follows:

- Total Percentage of all participants who have been blacklisted before – **52%**
- Total Percentage of all participants who have not been blacklisted before – **48%**



- Percentage of high income participants who have been blacklisted before – **14%**
- Percentage of low income participants who have been blacklisted before – **59%**
- Percentage of participants who were able to get credit while blacklisted – **8%**
- Total Percentage of all participants who are currently blacklisted – **20%**
- Percentage of high income participants who are currently blacklisted – **0%**
- Percentage of low income participants who are currently blacklisted – **24%**
- Percentage of participants who have been refused of credit lately – **36%**
- Percentage of participants who sought credit elsewhere due to blacklisting – **11%**
- Percentage of participants who were notified of the blacklisting – **27%**
- Percentage of participants who were never notified of the blacklisting – **73%**



In summary, participants in this research survey expressed these different views with regard to how they have been affected as a result of being blacklisted at the credit bureaus:

- Credit blacklisting amount to exploitation of a person's rights to participate in the economy and "you may not be able to realise your dreams".
- Another participant indicated that being unable to access credit has affected "her child's studies because she couldn't afford tuition".
- The other participant said that she could not get help from any bank during the duration of the blacklisting until the blacklisting was resolved.
- In another case, one participant indicated that credit blacklisting has caused enormous hardship on her life as she was forced to pay for certain services and buy households goods on cash, even where she didn't have enough cash.
- One participant lamented on her inability to get employment from any prospective employer due to credit blacklisting.
- Another participant highlighted some of the difficulties relating to securing a rental property for residential purposes as a consequence of being blacklisted.

8.5.3 Credit for Small and Medium Enterprises

Literature has already established that whilst the small and medium enterprises contribute substantially to the economies of the country, most of them are still struggling with accessing finance from credit providers. As can be seen in Table 8.3 below, a quarter of the SMEs who apply for finance from the banks are successful. Of those who have been successful, only 18% of them go on to receive such finance.

On average, 33.2% of SMEs are approved of finance by different credit providers, with 27.3% of those actually receiving credit that has been approved. These figures seem to suggest that SMEs do not access the adequate funds they so require.

Table 8.3: Finance applications success rates for SMEs

Application for Finance HDI SMEs >3 yrs old				
<i>Category</i>	<i>% applying for loan</i>	<i>% who were successful</i>	<i>% accepted</i>	<i>% who received finance</i>
Bank secured or unsecured	84.4	25	85.2	18
Bank overdraft	18.8	62.5	76.7	9
Bank credit card	2.3	83.3	60	1.2
Micro lender	3.1	0	0	0
Stokvel	1.2	33.3	100	0.4
Mortgage	0.8	100	100	0.8
Venture Capital	0.4	0	0	0
Average		33.2	82.4	27.3

Source: Competition in Banking Commission, SA (2004)

8.5.4 Unsecured Personal Loans

Figure 8.1 below indicates the rate and levels of growth of unsecured loans. Over the years, statistics indicate that there has been a high percentage in the growth of unsecured loans than secured loans. These statistics indicate that unsecured loans have grown from R40.9 billion in Quarter 4 of 2007 to R120.8 billion in Quarter 1 of 2012. This growth can partially be attributed to the fact that those people who are financially excluded find a way to enter this market for financial assistance.

Consumers in the credit industry, who are adversely listed or unable to access other type of credit facilities for other reasons, often explore other markets where they can be able to access the financial products that they want. The unsecured lending market is one market that is so explored.

However, unsecured loans are classified as high cost product as the rate of interest charges on these products are very high and this is not in the interest of consumers. They are mostly characterised by less formalities and administrative burden and are therefore very quick to obtain.

Unsecured lending is therefore considered to be meeting the financial demands of the mass and middle income consumers and is therefore regarded as facilitating the promotion of access to finance in South Africa. As can be seen in Table 8.4 below, the annual growth on unsecured loans is 49.4%, which is bigger than other the annual growth percentage of other types of credit.

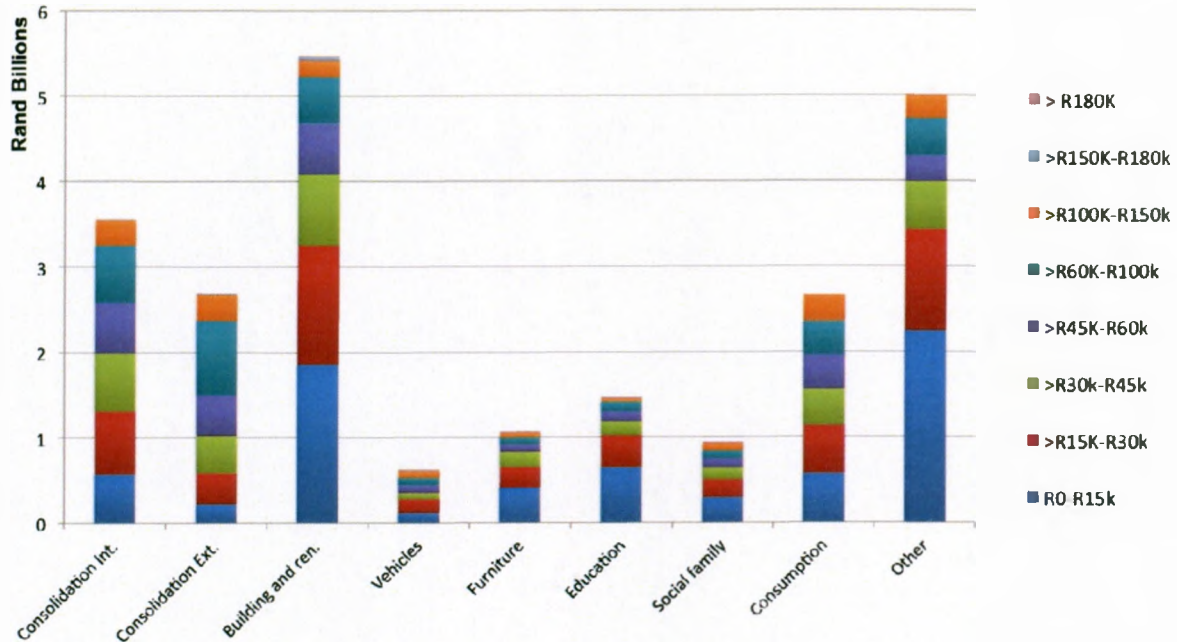
Table 8.4: Summary of Gross Debtors Book

Credit type	Balance Rand Value Q1 2012	% of Total	Y-On-Y Growth Rand Value	Y-On-Y Growth %
Mortgages	796 329 489 998	60.3%	26 438 075 909	3.4%
Secured Credit	255 553 185 573	19.4%	29 205 139 923	12.9%
Credit Facilities	147 340 976 725	11.1%	14 309 377 159	10.8%
Unsecured Credit	120 811 141 417	9.1%	39 946 611 269	49.4%
Short-Term Credit	882 031 713	0.1%	184 549 294	26.5%
Total	1 320 916 825 426	100.0%	110 083 753 554	9.1%

Source: National Credit Regulator, 2011

Granting access to credit for consumers should be done with care and thorough consideration and application of the law but should not be subject to some stringent requirements that may be discriminatory. Figure 8.2 below illustrates the products and services that consumers spend on after obtaining credit through unsecured loans (Compliance and Risk Resources, 2012). As can be seen, these include usage on education, daily household consumption and for building and rentals.

Figure 8.2: Claimed unsecured personal loan usage



Source: National Credit Regulator, 2011

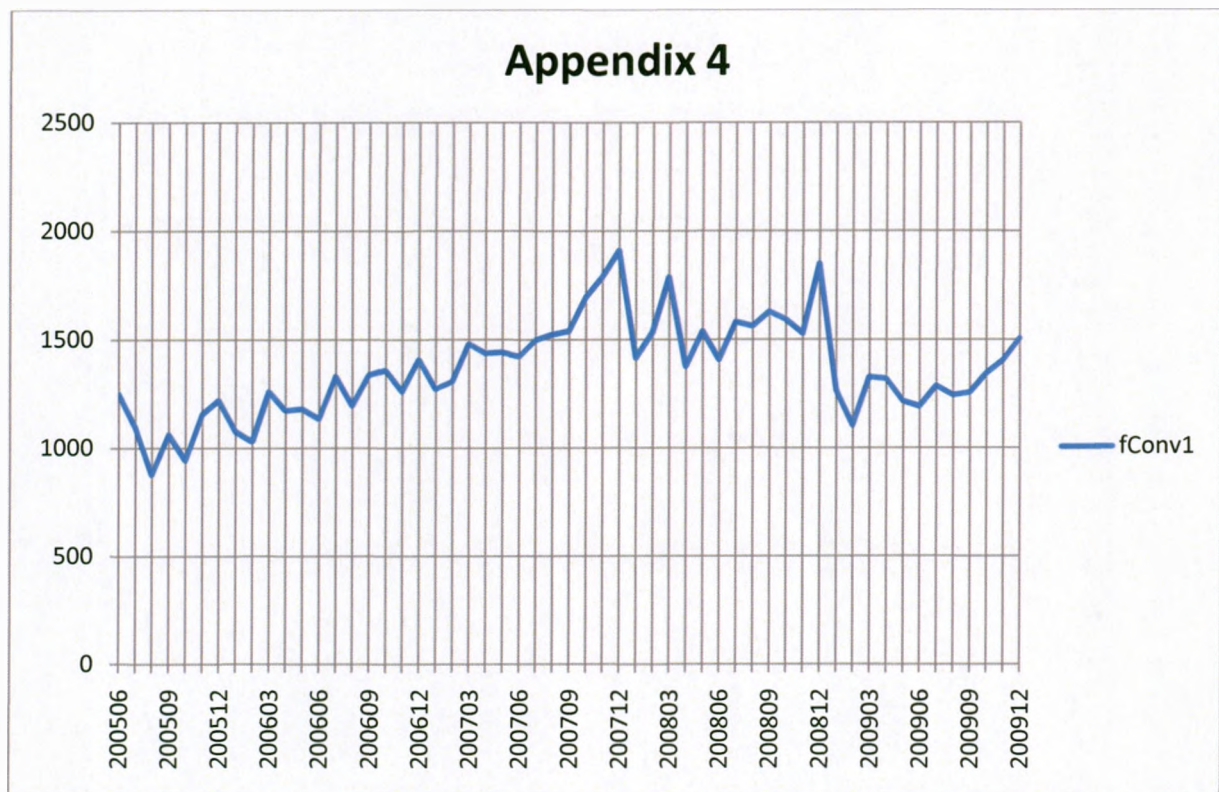
From the above, I can only make a deduction that there is a great demand for credit by consumers and this is evident from the level of annual growth for unsecured personal loans as depicted in Figure 8.1 below. It is my understanding that the need for credit is usually driven by individual personal needs and therefore the inability of consumers to somehow access credit, including the ability to access credit as a result of credit blacklisting, will make it difficult for consumers to afford certain individual financial needs.

8.5.5 Statistics from the Motor Vehicle Industry

In a telephonic interview with the Retail Motor Industry of South Africa (RMI), there are various factors that result in the drop of motor vehicle sales. Consumer affordability and a consumer's credit profile are some of the factors that are taken into account by banks when considering applications for vehicle finance. RMI has indicated that consumers who are credit blacklisted with the credit bureaus are highly unlikely to get bank approval for vehicle finance, which also includes applications made with in-house financing companies.

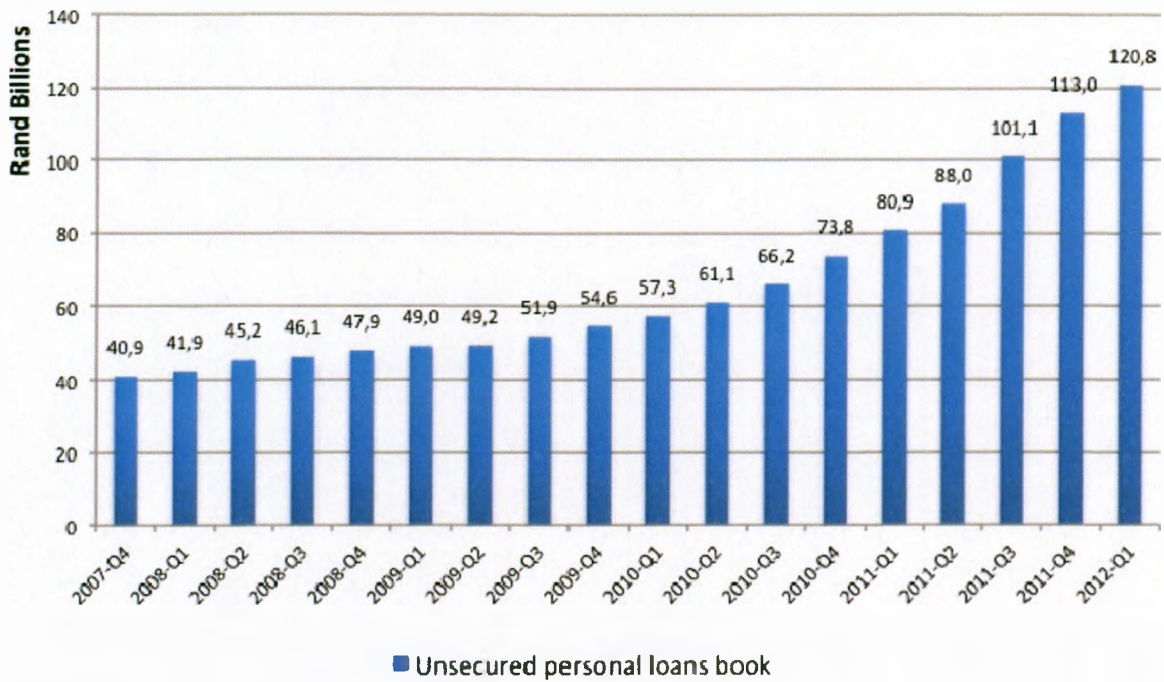
On average, banks receive a total of 100 applications for motor vehicle finance daily, with an average approval of 30 per applications. In other words, there is a decline of 70% of applications received and partly attributed to the fact that such consumers might not be in a good credit standing with the credit bureau. Whilst no statistics have been released on the impact of credit blacklisting on vehicle sales, Statistics South Africa does acknowledge the fact that credit blacklisting does affect the credit market of vehicles as well.

Recession is also another factor that can impact on the sales of vehicles. Appendix 4 is a graph indicating car sales between 2005 and 2009. As can be seen, the South African car market experienced a drop of 22% in car sales during the recession period that hit South Africa at the end of 2008 until 2010.



With the introduction of the Affordability Assessment Guidelines in 2015, many retailers including car dealers have expressed their concerns on the implementation of these guidelines on the basis that the stringent application of these guidelines have slowed their business as most consumers will not be able to qualify for credit.

Figure 8.3: Growth in Unsecured Personal Loans Gross Debtors book



Source: National Credit Regulator, 2013

8.5.6 Data on Credit Accessibility and Usage by the Low Incomes in the United Kingdom

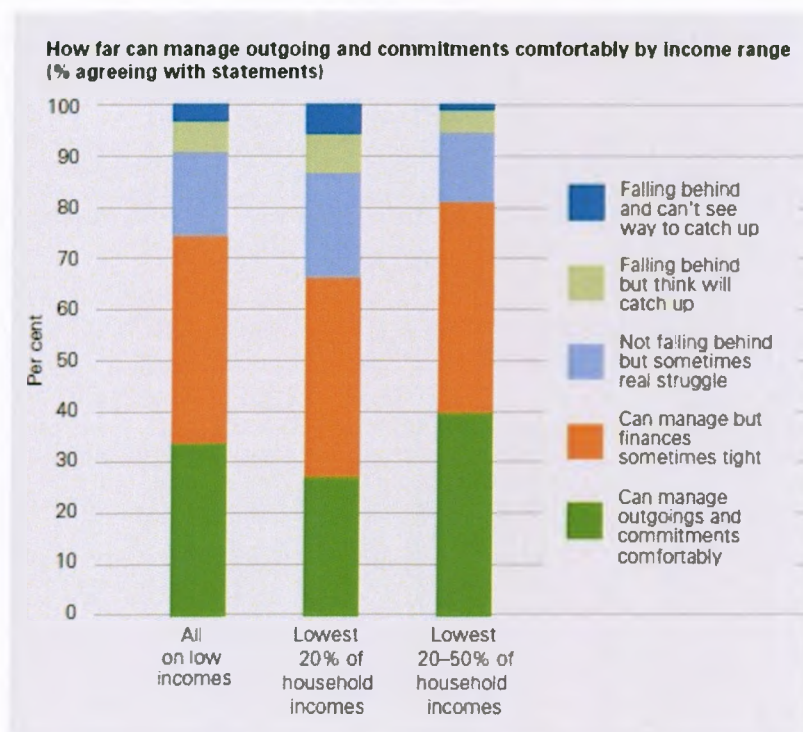
A study conducted on behalf of Friends Provident Foundation in the United Kingdom has shown that 69%, which constitutes 1.55 million individuals from those households of the low-income households are using credit. In other words, the majority of those households are mostly dependent on the use of credit for purchase of household necessities and other products.

Credit therefore plays a very crucial role to sustain the lives of many households, without which most of them will suffer. It is within that context that any form of credit blacklisting or financial exclusion will create more harm than good as it has already been established that many people are largely dependent on credit for the daily livelihood.

Anderloni & Carluccio (2006) cautioned that people unable to get credit from banks or other mainstream financial providers often have to use intermediaries or sub-prime lenders where the charges are higher and the terms and conditions may be inferior. Under Figure 8.4 below, a considerable number of households indicated that they are able to meet their household commitments without any difficulties. A substantial number of these low-income households have indicated that they can manage their usual commitments with their income, but sometimes financial obligations are so tight such that they may consider making an application for credit. Some of these households said they do struggle but may not fall behind in their commitments.

A few percentage households said they do fall behind with their commitments and do not have other alternatives to catch up.

Figure 8.4: Managing Outgoing and Commitments by Income

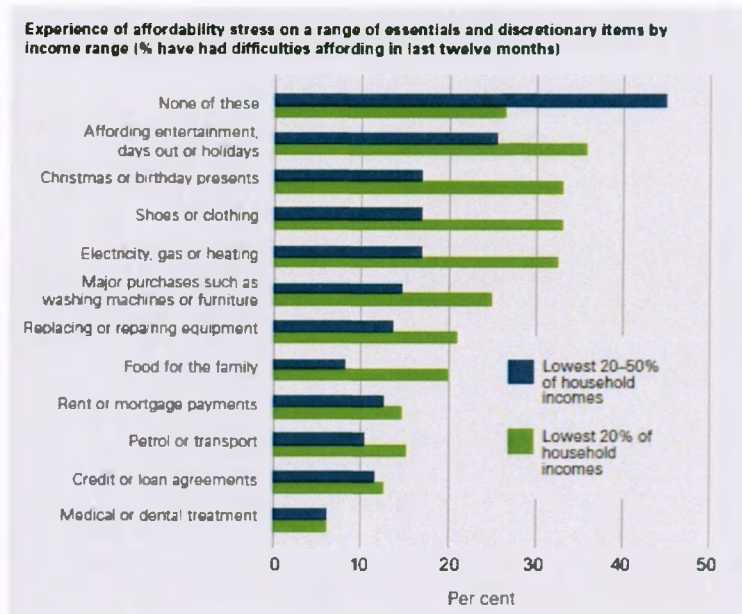


Source: Source: Family Provident Foundation, 2011

Figures 8.5 and 8.6 illustrate some of the challenges that households may be faced with if they were to fund major purchases and unexpected expenditure from their incomes. In fact, the figures suggest that many of them will not cope, so somehow they will be forced to access some credit to be able to afford those purchases.

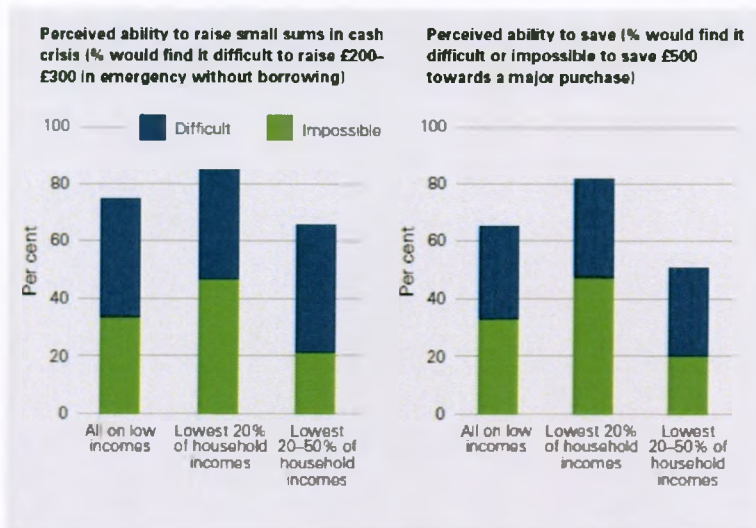
The question is what if they are credit blacklisted? It is therefore true that having no access to credit can ultimately have an impact on self esteem and lead to isolation and deprivation of social connections and social relationships with friends or family (Gloukoviezoff, 2004).

Figure 8.5: Experience of affordability stress on a range of essentials and discretionary items



Source: Source: Family Provident Foundation, 2011

Figure 8.6: Perceived ability to raise small sums in cash – crisis and difficulties



Source: Family Provident Foundation, 2011

The above shows the extent to which credit is needed by consumers, whether in the low-income households or the high-income ones. It is therefore evident, many households, especially the low-income households will be negatively impacted if they cannot be able to access credit by any means. Collard & Kempson (2005) are of the view that oftentimes, people who use the sub-prime credit market where terms and conditions are inferior to those in the prime market and costs are higher are those who have been denied access to credit.

CHAPTER 9: GENERAL OBSERVATIONS - IDENTIFYING AND OUTLINING THE SOCIO-ECONOMIC IMPACT OF CREDIT BLACKLISTING

9.1 Introduction

In my view and having gone through different international literature dealing with credit availability and extension, the practice relating to credit blacklisting, as it currently happens in South Africa, amount to financial exclusion. This term is widely used in the Europe and prevalent amongst member states of the European Union. In his working paper on Social, Economic and Financial Consequences of Financial Exclusion, Bayot (2008) has extensively tried to analyse the social and economic consequences that are occasioned by financial exclusion, primarily in the member states of the European Union and has concluded by saying that “the more a country is financialised, the more people who have no access to financial products face difficulties and will suffer from important financial, economical and social consequences”.

In that analysis and specifically in terms of exclusion to access to credit, Bayot (2007) indicates that the downside of refusing consumers with credit for whatever reasons may push such consumers to use other intermediaries or sub-prime lenders to get access to credit where usually the charges such as the interest rates are much higher than charges that may be imposed by the mainstream credit providers.

Collard and Kempson (2005) have also expressed the same view that credit that is made available by those not located within the mainstream credit granting industry is very expensive and unaffordable for many consumers who cannot get same through traditional methods. Illegal service providers are likely to impose harsh and insensitive conditions in their borrowing agreements which are usually to the detriment of the consumer borrowing credit (Anderloni & Carluccio, 2006).

It is therefore generally accepted that the consequences resulting from financial exclusion as regards credit access is the fact that high costs are charged which has the effect of subjecting consumers to even greater financial difficulties and over-indebtedness as a result of terms and conditions that are associated with the types of lending products provided by those who are not in the mainstream credit providing market.

9.2 Summary of Identifiable Socio-Economic Issues Impacting on Consumers as a Result of Credit Blacklisting

In a national report conducted under the Erasmus Intensive Programme dealing with financial exclusion in Germany which was released in 2014, it has been mentioned that access to any financial services which also include access to credit, is quite a very important prerequisite that allows people to participate both in the economic and social life (Akhyari, 2014). In some way, financial exclusion can be described as synonymous with social exclusion. It has further been said that in most cases, poverty or social exclusion affected people usually do not have access to any financial services and this in turn has consequences of excluding them from participating in all social and economic activities. Lammermann (2014) avers that a person will be declared to be financially excluded when such person is not in a position to access some or all of the services that are offered by the mainstream financial institutions.

Per the European Commission (2004b), report that were generated by the Eurobarometer has indicated that at least 7% of the population in the EU15 have been considered to be financially excluded, meaning that such people may not have access to credit. Furthermore, reports have also shown that in the EU15, Greece was found to have the highest rate of people who are financially excluded and followed by countries such as Italy, Portugal, Luxembourg and Denmark. In the EU10, it was discovered that 34% (which is a one-third) of the population was found to be financially excluded.

Somehow, one is convinced to make an argument that credit blacklisting or the use of negative consumer credit information to make a determination declining a person to access consumer credit falls within the overall objectives of financial exclusion. Experience has pointed out that often those are most in need of financial services are from poor and impoverished backgrounds, most of which will not be able to afford other basic necessities to enhance their lives and lifestyles.

Credit blacklisting often excludes some people who are low income earners, and such this category of consumers may often find it difficult and problematic to access mainstream credit, forcing majority to seek alternatives credit often in the form of payday loans which are highly priced and mostly unaffordable (Appleyard, 2013). Whilst it is true that credit providers are supposed to act within the limit of the NCA in assessing and granting loans to consumers, the refusal of some applications often forces other consumers to seek alternative credit.

The underlying effect relating to credit blacklisting is that the practice limits the chances of a person or consumer from being granted credit by the credit providers when same has been applied for. This is due to the fact that negative or adverse information of a consumer that has been listed with the credit bureau has the effect of tainting a person's ability to pay honour debt obligations in the future. A person is consequently labelled as high credit risk. Whether your account is in arrears in terms of agreed payment or a default judgement has been taken against a consumer in the court of law, as long as such information has been listed with any of the credit bureaus in the country, a person will always find it hard to access credit. Therefore consumers with adverse credit information at credit bureaus are more likely to access credit than those consumers with clean records or positive information at credit bureaus.

9.2.1 Credit Blacklisting Slows the Economy

There is no denying the fact that the negative listing of a consumer's credit information with the credit bureaus has undesirable consequences for such a consumer in terms of accessing credit in the future. As outlined above many credit providers rely on the consumer's credit information on the database of credit bureaus. Whilst it is true that credit providers mostly assess credit applications based on their credit risk model, many of them are quite reluctant to extend credit to consumers who have been blacklisted with credit bureaus. As can be said, blacklisting may result in limited credit or no credit at all been extended to consumers.

The ultimate consequence of the above is that there is limited participation of consumers in the credit market, especially on higher credit purchases that involves housing and vehicles.

In a print article written for Business Day Live, Furlonger (2016) wrote that finance applications for new and used vehicles in South Africa has taken a plunge due to the fact that many applications that were made with various motor vehicle financing institutions were either rejected or declined as a result of applicants not meeting credit requirements. According to Furlonger (2016), credit applications that were made in respect of new cars fell to 22% during the month of July 2015. Similarly, applications for used cars also fell by 6.4%. According to figures released by the Department of Trade and Industry between January to July 2016, credit sales for new vehicles were down 11% compared to figures of vehicle sold in 2015. In circumstances like these one, many manufacturers and companies are left without any option but to slow down their production a little bit, and this has a negative impact to the economy as the level of products of goods that contribute to the country's gross domestic product (GDP) will suffer.

9.2.2 Credit Blacklisting serves as a Barrier to Employment

On 21 June 2011, the then Deputy Minister of Higher Education and Training Prof Hlengiwe Mkhize announced at the National Council of Provinces that adverse credit information of all students who are credit blacklisted with different commercial credit bureaus will be removed with immediate effect. According to the information from the Higher Education Transformation Network,

This move was highly supported by the Higher Education Transformation Network, a total of 69 107 graduates were blacklisted with the credit bureaus by the National Student Financial Aid Schemes. The main reason is that credit blacklisting of graduates with credit bureaus resulted in universities withholding academic results and/or qualifications of graduates which means that there is a delay in allowing the graduates to enter the labour market. The Higher Education Transformation Network further lamented the fact that the move will only benefit new students who were recipients of NSFAS and hoped if only the move could be applied with retroactively to all to other outstanding student academic loan and financial assistance granted post 27 April 1994. The Higher Education Transformation Network then proposed that NSFAS should explore more innovative measures that will be implemented to trace defaulting students and outstanding student academic fees, other than referring the names of defaulting students to the credit bureaus to be blacklisted.

In another story run with the South African Broadcasting Corporation (SABC), Ms Angela Bolowana reported on 26 February 2015 that thousands of South African students across all universities in South Africa were blacklisted with various credit bureaus in South Africa due to the fact that most of them have outstanding fees owed with universities. The report indicated that universities were owed millions of rands in unpaid student fees and this prompted universities to enlist students with outstanding university debts with various credit bureaus.

Concerns were raised by the South African Union of Students (SAUS) president Mr Thabo Malotja that such students will not be able to craft a way towards their careers as many of them stood to be derailed by having their names adversely listed with the credit bureaus. The effect of the blacklisting would result in students not getting any job from potential employers as most employers also contact various credit bureaus to verify on the status of the prospective job applicant before an employment can be made. Interesting enough, the process of verifying certain consumer information with the credit employer is also done by departments in the South African government before any employment can be made.

In another article written by Mr Tokelo Nhlapo for City Press on 18 September 2016, the National Student Financial Aid Scheme (NSFAS) threatened to enlist with various credit bureaus information of black students with outstanding study loans through application of the National Credit Act. This move was an attempt by NSFAS to recover a total of R21 billion owed by students in study loans that were granted to these students to pursue their studies. This move was widely criticized as subjecting these students to poverty as this meant that once blacklisted, these students will not be able to get any employment in future unless the outstanding debt has been settled and the negative information with the credit bureau has been removed.

Another report was given by Ziyanda Ngcobo on Radio 702 who also indicated that NSFAS intended to blacklist students who had outstanding study loan debts by following the same procedure which has been prescribed in terms of the National Credit Act for the credit provider in the collection of money owed to the creditor. In a report of the Ministerial Committee on the Review of the National Student Financial Aid Scheme tabled for the attention of the Minister of Higher Education and Training, Dr Blade Nzimande MP, the Ministerial Committee viewed as unsavoury the tendency of the NSFAS to blacklist past recipients of study loans who are unemployed and unable to discharge their debt obligations with NSFAS. The

Committee expressed its concerns that the fact that additional interest rates were further charged on the outstanding loan debts made it more difficult and expensive for those unemployed graduates to repay the debts. In the same report, the Committee learned that whilst the NSFAS legislation also allowed blacklisting of delinquent borrowers of study loans, NSFAS did remove the blacklisted borrowers from the credit borrow when the NCA was introduced in 2007. NSFAS then resumed with the blacklisting in 2009 where the number of such blacklisted students rose to 10 000.

It is within that context that the Ministerial Committee recommended to the Minister of Higher Education and Training that NSFAS should not credit blacklist students with credit bureaus and further recommend that those who have been credit blacklisted should be removed from those credit bureaus. The Committee further recommended the immediate removal of approximately of approximately 5000 past students who have been blacklisted with the credit bureau by NSFAS.

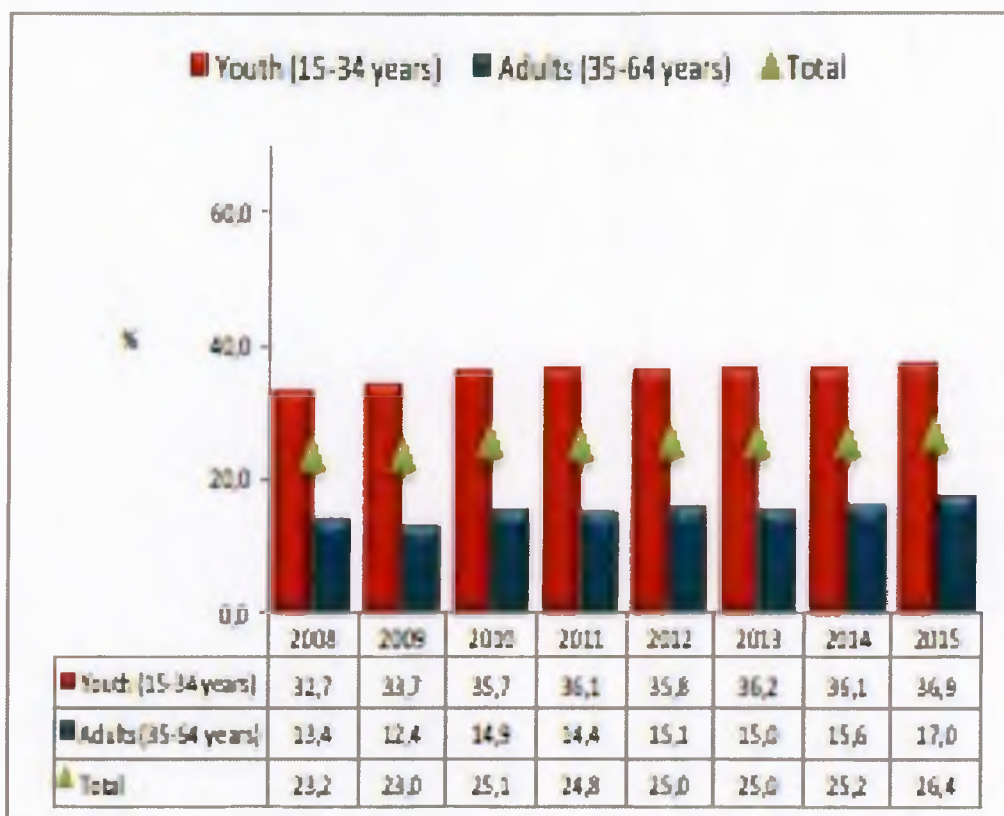
In this case and as it affects a lot of graduates most of which are still in their youth ages, it becomes very clear that the practice of blacklisting has far reaching social consequences that anyone can imagine. As previously said, most of the young graduates will never come out of poverty regardless of the fact that they have passed and graduated for their careers. For as long as they remain on the credit blacklist with various credit bureaus, there is little hope left for these graduates.

Some of them will never enter the job market for as long as prospective employers will be required to verify their credit status with the credit bureaus, in the light of their credit information that is still recorded with credit bureaus on information given to them by agencies such as NSFAS relating to the outstanding study loans.

Statistics issued by Statistics South Africa for the period 2008 until 2014 indicates that the rate of unemployment amongst South Africa Youth keeps on growing on an annual basis. The trend in unemployment rate paints a bleak future for the many youth who have graduated from different tertiary institutions. This is not good for our economy. This is not good for our social lives.

Figure 9.1 below indicates the trend in the unemployment rate for the period 2008 to 2015:

Figure 9.1 Trend in the unemployment rate, 2008 – 2015



Source: Stats SA, South African Labour Market: Youth Q1: 2008 - 2015

Table 9.1 below shows the unemployment rate of young people between the ages of 15 -34 per province at 36.9%.

Table 9.1 Provincial unemployment rate among youth (15 – 34 years), 2008 - 2015

	2008	2009	2010	2011	2012	2013	2014	2015
Percentage								
Western Cape	25,9	27,4	27,6	32,1	31,6	33,2	31,0	29,9
Eastern Cape	37,6	39,2	40,3	37,0	38,1	39,8	40,7	41,0
Northern Cape	33,8	38,4	39,3	41,5	36,2	40,4	42,4	45,1
Free State	34,9	36,1	40,5	39,7	44,4	43,4	48,2	39,4
KwaZulu-Natal	30,5	32,1	27,1	29,7	29,8	30,5	30,5	33,4
North West	30,9	38,2	37,3	38,2	41,1	38,0	38,4	39,7
Gauteng	32,4	31,6	39,1	39,3	36,9	37,7	36,4	39,8
Mpumalanga	32,9	36,0	41,1	42,9	42,5	40,5	42,8	38,8
Limpopo	43,5	40,5	39,2	28,3	31,2	29,5	28,6	30,4
South Africa	32,7	33,7	35,7	36,1	35,8	36,2	36,1	36,9

Source: Stats SA, South African Labour Market: Youth Q1: 2008 - 2015

9.2.3 Credit Blacklisting often results in Applications for the Leasing of Residential Properties being declined by Property Rental Agencies.

The Constitution entitles every citizen of the right to shelter and accommodation. However, consumers who are blacklisted or have negative credit information at the credit bureaus are unlikely to rent property from landlords.

Kelly-Louw (2015) indicated that one of the benefits of the 2014 Removal of Adverse Consumer Credit Information regulations was the fact that consumers can successfully conclude rental agreements for properties. Kelly-Louw (2015) further contends that anytime a financial position of a consumer improves to point where he can afford rental payments, such a consumer should not be barred from being able to secure a rental property.

9.2.4 The Process and Mechanism for Credit Blacklisting is Unclear, Flawed and Subject to Manipulation.

Whilst the NCA makes provision for listing of negative information with the credit bureaus, the manner in terms of how this is supposed to be done is not clear in the act. This has allowed certain credit providers to manipulate the process and refer information to the credit bureaus outside the boundaries and prescript of the NCA. Consumers are entitled to be informed by the credit providers that certain negative information regarding their credit records will be listed against their profiles with credit bureaus, which is a right provide for in terms of Section 66 of the NCA. The qualitative research has revealed that a sizeable number of consumers were never informed about the intention of the credit providers to negatively list some information in their consumer credit profiles with credit bureaus.

Credit blacklisting has negative consequences against the well-being of any ordinary consumer and as such it is advisable that this action must be taken with a measure of care, discreet and due diligence. Lamrooy (2010) is of the view that due diligence is a human rights issue and that it can substantially contribute to corporate social responsibility which has the ultimate benefit of all everyone. Individual cases where consumer's credit information are likely to be referred to the credit bureaus must be thoroughly investigated with the knowledge of the consumer in question before a final decision can be taken against the consumer for the ultimate referral of the information to the credit bureau. Whilst a mechanism has been provided for by the NCA for a consumer to dispute the credit listing, sometimes the harm would have already been occasioned at the time the dispute is lodged and considered. Prevention is better than cure.

9.2.5 Categories of consumer credit information need to be reviewed

In an interview with the Credit Ombudsman regarding credit blacklisting, it emerged that some consumers are blacklisted even in those situations where they have missed one payment or have missed the deadline for payment of their instalments in terms of the credit agreement with the credit providers. In such circumstances, such information can be listed with the credit bureaus and may be used in future against the consumer when another application for credit is made.

Even if the consumer is able to do good by making the necessary payments to update his account, such information has already been recorded and captured and reflect as negative information at the credit bureaus.

In my view, some of the information that is listed by credit provided with credit bureaus against consumers is simply trivialities which should not be used against consumers in the way they are used for credit related matters. Whilst it is true that consumers must honour their obligations in terms of their agreements, failure to do so should not be used as harshly as it is used in order to penalise consumers. It is my view that the legislature must find a way to review the categories of consumer credit information as contained in the current credit legislation.

9.2.6 Blacklisted consumers are exposed to illegal and informal credit provision practices.

It is a fact that consumers who are financial excluded to access credit from the mainstream credit market often resort to transacting with other informal credit providers who charge them high costs which may further subject them to over-indebtedness. Bond (2015) cautioned against making borrowing very hard, in comparison with what happened with the application of the National Credit Act in Marikana in the North West Province in 2012.

As you walk or drive through some of the busy streets in Johannesburg, Pretoria, Cape Town and Port Elizabeth and elsewhere in South Africa, many companies have placed different adverts wherein financial assistance is provided to those consumers who are blacklisted, luring consumers that they can assist with granting loans to those blacklisted consumers. There is evidence that suggests that many consumers, who are probably desperate to access cash, do visit these companies to conclude credit transactions with them. There is further evidence that suggests that many of these companies are illegal and exploit these consumers in terms of the interest that they charge on their credit products.

Financial exclusion has an effect of promoting growth of the illegal financial service providers and everyone in the lending market and thereby defeating the purpose associated with financial regulation through legislation. Bayot (2007) has pointed out that in Slovakia, consumers who have been subject to illegal credit transactions and who do not fulfil their obligations as per the harsh terms and conditions of the agreement, are often harassed by the illegal lenders by taking their information to an outsourcing company who would employ harsh methods to try and recoup all monies that was borrowed to a consumer.

9.3 Conclusion

It is my contention that credit access plays a key role in improving the economic welfare of consumers. Statistics released in 2002 shows that the total credit that was extended to households amounted to around R360 billion which was estimated as half of the total credit that was extended to the private sector of the South African economy. These statistics show that banking institutions accounted to 89% of the total credit involving mortgages, bank overdrafts, personal loans, credit cards and vehicle finance that was extended to consumers. Non-banks accounted to 11% of such credit extended.

Statistics released in September 2012 shows that credit extended amounted to R1.39 trillion for a total of 68.28 million credit accounts. The share contributed by the banks decreased to 84%, whilst the share by non-banks grew increased to 16%.

CHAPTER 10: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS & FURTHER AREAS FOR RESEARCH

10.1 Introduction

The NCA is a very important piece of legislation in South Africa that attempts to achieve protection of consumers in the credit industry in line with the spirit and objective of the Constitution of the Republic of South Africa Act by ensuring that credit is not extended recklessly by credit providers to consumers, possibly resulting in over-indebtedness on the part of consumers.

Credit accessibility by both consumers and business is very important. Without credit, most of us will not be in a position to afford all those household necessities that we need for ourselves as well as our families. Most of us will not be able to afford housing and education for our children, if we are barred from accessing credit. Small micro enterprises will not be able to access finance with which to invest in their business in order to grow our ailing economy. Any credit blacklisted small micro enterprise without any investment will be unable to create employment opportunities and grow its business. Credit plays a vital role in our lives by giving us an opportunity to build our lives by acquiring assets.

In the case of *SA Taxi Securitisation (Pty) Ltd v Mbatha* 2011(1) SA 310 (GSJ), Levenberg J said: "While one purpose of the NCA is to discourage reckless credit, the Act is also designed to facilitate access to credit by borrowers who were previously denied such access. An overcritical armchair approach by the courts towards credit providers when evaluating reckless credit, or the imposition of excessive penalties upon lenders who have recklessly allowed credit, would significantly chill the availability of credit, especially to the less affluent members of our society."

10.2 Summary of Findings

Credit blacklisting may have a temporary or long term knock-off effect on consumers. Somehow and to a large extent, blacklisting should be done in the most well controlled and responsible manner. It is precisely the responsibility of government to make sure that such those that are entitled to credit blacklist any consumer under whatever circumstances, do so within the confines of the legislation that is in place at the time. Any blacklisting should be in accordance with the principles of social justice. Economic participation remains one of the vital rights that should be enjoyed by any individual in South Africa under all circumstances. Any hindrance thereof must be well justified.

Over the years, it has become apparent that credit blacklisting has led affected consumers to seek alternative avenues to get credit, as not all consumers who go to apply for credit from credit providers who are registered with the National Credit Regulator, will not get such credit applied for. A variety of companies and businesses that purport to give credit to consumers who have been blacklisted have placed many false and misleading advertisements all over different forms of print media and social network, inviting those consumers who have been blacklisted to apply for credit with them.

Many consumers, who found themselves struggling financially to get credit, ended up entering into any transaction to get hands on cash. This has unfortunately resulting in many consumers trying to access credit through unlawful transactions, often transacting with those credit providers who are not registered and charging high interest rates on top.

In a report conducted by the Financial Conduct Authority in the United Kingdom (UK) on April 2014, it was discovered that lack of access to any financial services and products can drive many people to go out and seek higher costs of credit which can further expose them vulnerable to unaffordable credit and ultimately to over-indebtedness. Another reports conducted by Friends Provident discovered that a total of 1.1 million people on low incomes in the United Kingdom were not able to borrow even in circumstances were indeed they needed credit.

10.3 Conclusions and Recommendations

Credit blacklisting constitutes an unfair barrier to credit access and therefore it goes against the spirit of the Constitution. The NCA has essentially been adopted from the Credit Agreement Act, and the latter being a piece of legislation that was implemented in the apartheid era by the apartheid regime. Initially, credit blacklisting was a phenomenon that was racist and biased in its application as it essentially targeted most black communities to deny them an opportunity to participate in the mainstream economy through free and unhindered credit access.

It is my further assessment that the policy framework adopted by the South African Cabinet in 2010 to deal with credit as well as the subsequent piece of legislation in the form of the National Credit Act 34 of 2004 have not done much to address the unfair and biased objectives and application of the concept of credit blacklisting.

My contention remains that viable and most civilised and progressive alternatives exist to deal with those consumers who may not be able to service their credit obligations in accordance with their contracts. Ferretti (2015) believes that giving consumers a second chance to access credit is something that is both in the interest of consumers as well as that being somewhat economically efficient.

Ellison et al (2011) have made a recommendation to the effect that any regulation relating to access to credit must be quiet sensitive and flexible to deal with various products that are offered within the credit market but that such regulation must not introduce any hindrances and close available opportunities towards credit accessibility by consumers.

In as far as credit access is concerned, it is also very important to consider the macro-economic conditions prevailing at a particular point in time. For example, it is believed that the economic growth spurt that South Africa experienced between 2002 and 2008 could have been responsible for the loose granting of credit to consumers, There is therefore widespread view that macro-economic conditions prevailing at a particular point in time may result in credit providers setting excessively loose credit criteria which may require a strict legislative solution.

Credit blacklisting does more harm than good by excluding consumers from accessing credit, as research has revealed that a large number of our population solely rely on credit extension in order to afford certain goods, products and services which will otherwise not be a possible if no credit was extended accordingly. To me, credit blacklisting is a dehumanizing action which should not be allowed for application in any society under any dispensation.

The Bill of Rights in Section 7 (1) under Chapter 2 of the Constitution attempts to affirm democratic values human dignity, equality and freedom. Therefore, by allowing the practice of credit blacklisting to continue in this day and era, I am of the view that South Africa as a country is failing to protect and promote the rights as contained in the Bill of Rights.

With regard to the issue of Credit information as contained in the policy proposals made in the National Credit Act Review Policy Framework, 2013, it is my recommendation that the dti must revisit Clause 2.3.4.2.3 of this framework which stipulates that the legislation regulating credit must not be so confined that it does not allow other innovative mechanisms of assessing the risk of the consumer who is trying to access credit and the corresponding credit apart from the credit bureaus on the proviso that such assessment and its resultant cost to the consumer in question is deemed fair and justifiable. Clause 2.3.4.3.2 reiterates that the legislation must allow provisions assessing the risk of the consumer and therefore pricing the credit that could be extended to consumers appropriately.

The legislature must seek to amend the NCA in order to criminalise any act of credit blacklisting done with the credit bureau if no investigation was done and there is no rational basis why a person's credit information must be negatively recorded with the credit bureau. In other words, the legislator must criminalise the credit blacklisting that is not done in terms of applicable rules and regulations that are supported by relevant provisions of the NCA.

There should be an inclusive consultation process between both the credit provider and the consumer before any credit blacklisting can be done at the credit bureau. In other words, it is advisable that the "Audi Alteram Partem Rule" must be applied, giving all parties the opportunity to present their cases. During interviews conducted with selected consumers, it became clear that some consumers were blacklisted and have never been informed by credit providers that these actions were taken against them.

Any act of financial exclusion in any form has the effect of preventing consumers for active participation in the economy of the country which may have adverse social consequences to consumers especially those who are in the low income brackets who are mostly in need of credit for their daily households needs.

Government must assist to identify such information that is critical upon which a person's credit information can be listed with the credit bureaus. My opinion is that some information is not that critical as to warrant a person from potentially be excluded in future to participate in the economy of his country through access to credit.

10.4 Areas for Further Research

South Africa has a long way to go in ensuring that there is a sustainable culture of human and consumer rights protection amongst its citizens. There is still enough scope to refine and review our policy regulatory frameworks and legislations so that we place ourselves in a better position to achieving maximum consumer protection that is desired. There is therefore a need to research on the strengthening of the current credit regulation regime to close any other loopholes in the legislation.

It is also recommended that a further research is necessary to establish whether the regulatory authorities that have been entrusted with the responsibilities of implementing legislations are better suited and equipped to fulfil their mandates. Without effective and efficient functioning regulators, adequate protection of consumer rights will never be achieved. Somehow, regulatory authorities must be empowered and capacitated. Further research is important to establish whether institutions like credit bureaus are acting within the confines of applicable legislation and to suggest other mechanisms and strategies that could be employed to improve how these institutions should operate going forward.

Further researches on this subject may look at the relative importance of race and class in terms of access to credit in South Africa. The persistence of racism in South Africa is reflected in all manner of commercial transactions, including residential segregation, which is of profound importance for access to affordable credit in South Africa. For example, the bond boycott politicisation of debt in the early 1990s helped shift financial institutions perspectives on apartheid.

Another aspect that comes in the picture that warrants further research relates to consumer education and awareness. An informed society is definitely an educated society. It is desirable that a further research must be conducted in order to establish whether our societies are well informed and educated about their rights and obligations as consumers, especially in the area of credit. Education and awareness programs must be well defined and intensified to make sure that they reach all sectors of the society and are able to achieve their intended objectives. In as much as credit can be beneficial to the lives of consumers, it can also have negative consequences where it is not used properly. It will therefore be in the interest of society to ensure that government embarks in a robust drive to ensure that consumers are well informed and educated about their rights.

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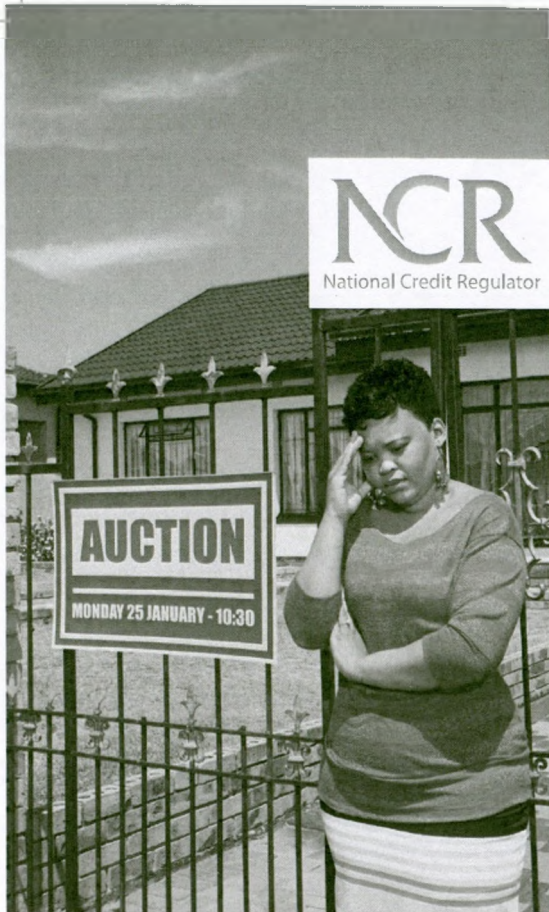
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NCR
National Credit Regulator

The National Credit Act and the National Credit Regulator



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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

1

National Credit Act

Act No. 34 of 2005

The purposes of this Act are to promote and advance the social and economic welfare of South Africans, promote a fair, transparent, competitive, sustainable, responsible, efficient, effective and accessible credit market and industry, and to protect consumers.

ASSENTED to by the President on 10 March 2006

Date of commencement: 1 June 2006

The Act establishes a National Credit Regulator to carry out education, registration of industry participants, refer cases to the National Consumer Tribunal for appropriate sanctions, promote informal resolution of disputes, investigate complaints and enforce the Act.

Objectives of the National Credit Act

- To promote a fair and non-discriminatory marketplace for access to consumer credit and for that purpose to provide for the general regulation of consumer credit and improved standards of consumer information;
- To promote black economic empowerment and ownership within the consumer credit industry;
- To prohibit certain unfair credit and credit-marketing practices;
- To promote responsible credit granting and use, and for that purpose to prohibit reckless credit granting;
- To provide for debt re-organisation in cases of over-indebtedness;
- To regulate credit bureau information;
- To provide for registration of credit bureau, credit providers and debt counselling services;
- To establish national norms and standards relating to consumer credit;
- To promote a consistent enforcement framework relating to consumer credit.
- To establish the National Credit Regulator and the National Consumer Tribunal;
- To repeal the Usury Act, 1968, and the Credit Agreements Act, 1980; and to provide for related incidental matters.

2

Key features of the National Credit Act

- Language in credit agreements must be plain and understandable;
- Quotations must be given on all credit agreements, and are binding for 5 business days;
- Advertising and marketing must contain prescribed information on the cost of credit;
- Credit sales at a person's home or work are strictly limited;
- Reasons must be provided if a credit application is declined;
- Automatic increases in credit limits are regulated;
- Reckless lending is prohibited;
- Interest and fees are regulated on all agreements, including micro loans;
- Credit Bureaus are regulated and consumers have the right to a free credit bureau record once a year;
- Debt counselling is introduced to enable restructuring of debts for over-indebted consumers.

What is the role of the National Credit Regulator?

The National Credit Regulator has to:

- Research the credit market and monitor access to credit and the cost of credit to identify factors that may undermine access to credit, competitiveness and consumer protection;
- Receive and investigate complaints and ensure that consumer rights are protected, and
- Enforce the Act and take action against contravening institutions.

What is the National Consumer Tribunal?

The Tribunal is a separate institution that is independent of the National Credit Regulator. The Tribunal consists of a Chairperson and at least 10 other members.

The Tribunal hears cases on non-compliance with the Act and may impose the following sanctions in terms of Section 150 e.g. suspends or cancels the registrant's registration, requires repayment to the consumer of any excess amount charged, issues fines and provides redress to consumers etc.

3

Household Monthly Budget

Income			
	Expected	Actual	Difference
Salary			
Spouse Salary			
Bonus			
Interest			
Investing Income			
Total			
Expenses			
Rent/Home loan			
Insurance			
Fuel/Service			
Bank Charges			
Groceries			
Clothing			
Childcare			
Electricity			
Entertainment			
Loans			
Savings			
Medical/Dental			
Telephone			
Total			

How to contact The National Credit Regulator ?

- **Toll share:** 0860 627 627 or 0860 NCR NCR
- **Registration issues:** (011) 554 2600
- **E-mail: for enquiries** info@ncr.org.za or **for General Complaints** complaints@ncr.org.za or **for Debt Counseling Complaints** dccountains@ncr.org.za or **to Request a Workshop** workshops@ncr.org.za
- **Website:** www.ncr.org.za

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How do consumers get assistance?

Consumers can approach the National Credit Regulator for advice or assistance on any credit transaction falling under the National Credit Act. The National Credit Regulator can also assist consumers on issues related to credit bureau or credit information and debt counselling.

Consumers can also contact the following institutions which specialise in specific types of complaints:-

- **The Ombudsman for Banking Services (0860 800 900)** deals with complaints that relate to banks;
- **The Credit Information Ombudsman (0861 662 837)** deals with complaints that relate to credit bureaus or credit bureau information;
- **The Provincial Consumer Affairs Directorates** deal with general consumer complaints.

The National Credit Regulator collaborates with Provincial Consumer Affairs Directorates, the Banking Ombudsman and the Credit Information Ombudsman to ensure that effective assistance is provided to consumers.

Which transactions fall under the Act?

- Loans and other credit from banks, including mortgages, overdrafts, credit cards, vehicle finance and any other personal finance;
- Furniture finance, clothing accounts and any other type of credit from retailers;
- Micro loans and pawn transactions;
- Any other type of credit or loan provided to a consumer.

What does the national credit amendment act mean for you the consumer?

The National Credit Amendment Act No.19 of 2014 and Regulations address a number of matters, including:

The continuous removal of paid-up adverse information

- if you have paid-up your debt in full, then the credit

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provider must, within 7 days after your payment update this information with all registered credit bureaus.

- credit bureaus must remove any adverse listing within 7 days after receiving information from the credit provider that you have paid-up your debt in full.
- if the credit provider fails to update information regarding the fully paid-up debt by a consumer, then the consumer may lodge a complaint with the National Credit Regulator.

Newly introduced affordability assessment criteria

What is affordability assessment?

This is an assessment or test used by the credit provider to determine if a consumer is able to afford to take and repay credit without becoming over indebted.

- Affordability assessment criteria are applicable to all credit providers.
- Credit providers are obligated to conduct proper affordability assessments before granting credit.
- A consumer is obligated to provide proper proof and disclosure to the credit provider so the credit provider can properly conduct the affordability assessment.
- The credit provider must take practical steps to ensure that the consumer understands the rights, obligations, risks and costs associated with the credit agreement.

To properly assess the consumer's financial position, the credit provider must:

- Consider the consumer's gross income, statutory deductions, minimum living expenses and other debt obligations.
- Request either three months bank statements or pay slips (original document or certified copies).
- Take the consumer's debt repayment history into account.
- Perform this enquiry within 7 business days before approving credit or increasing the existing credit limit, or within 14 business days for home loans.

If the consumer is not happy with the outcome of the assessment, he/she can lodge a complaint with the credit

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provider after which the consumer can escalate the complaint to the National Credit Regulator if he/she is not happy with the outcome of the process by the credit provider.

Prohibiting the selling and collection of prescribed or "old" debt.

A prescribed or "old debt" is when:

- For the past 3 consecutive years the credit provider has not summonsed you for this debt;
- For the past 3 consecutive years you have not acknowledged the debt by verbal or written communication; and/or
- You have neither made any payment or promise of payment towards the outstanding debt.

Note that: If the above conditions have been met then the debt has prescribed. You are not legally bound to repay the debt and the debt cannot be reactivated.

What rights do you have?

- You have the right to ask for, and receive proof of, when the last payment was made for the debt
- You have the right to ask for, and receive proof of, whether a summons was ever issued for the debt.
- You have the right to inform the debt collector that you are not legally bound to pay the debt as it has prescribed.
- If you have informed the debt collector that the debt has prescribed and you are not legally bound to pay it, then the debt collector must immediately stop contacting you.

Should you be a victim of a debt collector continuously calling you in order to collect on a prescribed debt or harasses or bullies you even after you have advised them that the debt has prescribed, then you can lodge a complaint with the National Credit Regulator.

7

Always make sure your credit providers disclose all credit application costs.

NCR
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Loan application tick list

Loan amount

Installment amount

Number of installments

Interest

Compulsory insurance

Interest Rate (%)

Residual or final amount payable

For more information call 0860 627 627 | www.ncr.org.za

GOVERNMENT NOTICE

DEPARTMENT OF TRADE AND INDUSTRY

No. R. 144

26 February 2014

NATIONAL CREDIT ACT, 2005

REMOVAL OF ADVERSE CONSUMER CREDIT INFORMATION AND INFORMATION RELATING TO PAID UP JUDGMENTS

I, Dr Rob Davies, Minister of Trade and Industry, after having published a notice inviting public comments on removal of adverse consumer credit information in **Government Gazette No. 36889 of 30 September 2013 under Notice 966 of 2013**, in terms of section 171 hereby make the regulations as set out below.



Dr Rob Davies (MP)

Minister of Trade and Industry

Date: 25 / 2 / 2014

REGULATIONS

1. Definitions

In these Regulations any word or expression to which a meaning has been assigned in the Act bears the meaning assigned to it in the Act, unless the context indicates otherwise-

“adverse consumer credit information” for the purposes of these Regulations means –

- (a) adverse classifications of consumer behaviour are subjective classifications of consumer behaviour and include classifications such as ‘delinquent’, ‘default’, ‘slow paying’, ‘absconded’ or ‘not contactable’;
- (b) adverse classifications of enforcement action, which are classifications related to enforcement action taken by the credit provider, including classifications such as ‘handed over for collection or recovery’, ‘legal action’, or ‘write-off’;
- (c) details and results of disputes lodged by consumers irrespective of the outcome of such disputes;
- (d) adverse consumer credit information contained in the payment profile represented by means of any mark, symbol, sign or in any manner or form;

“paid up judgments” for the purposes of these Regulations means civil court judgment debts, including default judgments, where the consumer has settled the capital amount under the judgment (s).

“the Act” means the National Credit Act, 2005 (Act No. 34 of 2005).

2. Requirements, processes and timeframes for Credit Bureaus

- (a) A registered credit bureau must remove:
 - (i) adverse consumer credit information defined in Regulation 1, as reflected on a consumer's records held by any such registered credit bureau as at the effective date of these Regulations; and
 - (ii) information relating to paid up judgments on an ongoing basis.
- (b) A registered credit bureau must remove adverse consumer credit information and information relating to paid up judgments as contemplated in Regulation 2(a) within a period of two (2) months from the effective date of these Regulations.
- (c) Before the expiry of the period of two (2) months contemplated in Regulation 2(b), a registered credit bureau may request an extension of not more than seven (7) days for the removal of adverse consumer credit information and information relating to paid up judgments.
- (d) A request for an extension contemplated in Regulation 2(c) must be submitted to the National Credit Regulator at least seven (7) days before the expiry of the two (2) months period contemplated in Regulations 2(b).
- (e) Within three (3) days of removing the adverse consumer credit information and information relating to paid up judgments in terms of these Regulations, a registered credit bureau must notify all other registered credit bureaus of such removal.
- (f) Within three (3) days of receiving notification contemplated in Regulation 2(e), any such registered credit bureau must remove similar adverse consumer credit information and information relating to paid up judgments from its records.

- (g) A registered credit bureau must not record or retain on its register adverse consumer credit information and information relating to paid up judgments if such information were removed in terms of these Regulations.
- (h) A registered credit bureau must ensure that during the period contemplated in Regulation 2(b), the adverse consumer credit information and information relating to paid up judgments that ought to be removed in terms of these Regulations is not displayed or provided to credit providers, or any person requesting such information.
- (i) After the two (2) months period mentioned in Regulation 2(b), a registered credit bureau must continue to remove information relating to paid up judgments within seven (7) days after receiving proof of such payment.

3. Submission and utilisation of adverse consumer credit information by Credit Providers

- (a) A credit provider must submit all information relating to paid up judgments to all registered credit bureaus within seven (7) days of receipt of such payment from the consumer.
- (b) A credit provider who had not submitted all adverse consumer credit information and information relating to paid up judgments required for the purposes of these Regulations to registered credit bureaus as at the effective date of these Regulations, must submit such remaining adverse consumer credit information and information relating to paid up judgments to the registered credit bureaus within seven (7) days after the effective date of these Regulations.
- (c) If the credit provider fails to submit the adverse consumer credit information for listing within the seven (7) days contemplated in Regulation 3(b) it must not proceed to list such information with a registered credit bureau.

- (d) A credit provider must not use adverse consumer credit information and information relating to paid up judgments that have been removed in terms of these Regulations for any reason, including credit scoring and assessment.
- (e) A credit provider must not re-submit for purposes of listing adverse consumer credit information and information relating to paid up judgments that were removed in terms of these Regulations to any registered credit bureau.

4. Reporting and Monitoring

- (a) A registered credit bureau must within one (1) month after the period contemplated in Regulation 2(b) submit to the National Credit Regulator an audit report conducted by an independent auditor containing the following information:
 - (i) Confirmation that all adverse consumer credit information and information relating to paid up judgments contemplated in these Regulations have been removed.
 - (ii) Recommendations, if any, of appropriate measures to be implemented by the registered credit bureau, including timeframes for implementation, to ensure full compliance with these Regulations in the event that gaps were identified.
 - (iii) A plan for the implementation of systems and procedures to assist the registered credit bureau to prevent adverse consumer credit information and information relating to paid up judgments, that have been removed in terms of these Regulations, from being listed again.
- (b) Within three (3) months of receiving the report contemplated in Regulation 4(a), the National Credit Regulator must submit a report to the Minister on the effectiveness and compliance with these Regulations.

- (c) The National Credit Regulator must monitor the implementation of these Regulations, including the removal of information relating to paid up judgments on an ongoing basis.

5. Consumer duties and obligations

Irrespective of the removal of adverse consumer credit information from a consumer's credit record, the consumer remains liable to meet his/her obligations in respect of the credit agreement.

6. Information and Complaints

- (a) A consumer who is aggrieved by non-compliance with these Regulations or requires clarity in regard to these Regulations may contact the National Credit Regulator at –

Physical address: 127–15th Road, Randjiespark, Midrand.
 Toll-share number: 0860 627 627
 Email address: complaints@ncr.org.za

- (b) A consumer that requires information relating to his or her credit record may contact the credit bureaus below:

Name	Tel	Fax	Email Address
Compuscan Information Technologies (PTY) Ltd	0861 514 131	021 413 2424	info@compuscan.co.za
Consumer Profile Bureau (Pty) Ltd	010 590 9505	086 556 3299	info@cpboline.co.za
Crosscheck Information Bureau (Pty) Ltd	010 590 9505	0865563299	info@crosscheckonline.co.za

Name	Tel	Fax	Email Address
Experian South Africa (Pty) Ltd	0861 1058 665	011 463 3988	consumer@creditexpert.co.za
Inoxico (Pty) Ltd	(012) 6641967	086 682 1763	inoxico@inoxico.com
LexisNexis Risk Management (Pty) Ltd	(011) 2456500	011 463 3988	contact@lnrm.co.za
Managed Integrity Evaluation (Pty) Ltd	(012) 6444000	(012) 644 2055	info@mie.co.za
Robertsons International Report (Pty) Ltd	(011) 7774000	(011) 777 4050	reports@robreps.co.za
Tenant Profile Network (Pty) Ltd	086 187 6000	(011) 234 7803	helpdesk@tpn.co.za
TenantWatch Business Activities (Pty) Ltd	(011) 3946828	0862062436	sonica@tenantwatch.co.za
Transunion Credit Bureau (Pty) Ltd	0861 482 482	(011) 388 4193	webadmin@transunion.co.za
Xpert Decision Systems (Pty) Ltd	(011) 6459100	(011) 4846588	info@xds.co.za
CreditWatch (Pty) Ltd	(011) 4830086	(011) 483 3264	info@medicalcreditwatch.co.za

7. Non-adherence

Non-adherence with these Regulations will be dealt with in terms of the remedies and procedures under the Act.

8. Title and effective date

These Regulations shall be called Removal of Adverse Consumer Information and Information Relating to Paid Up Judgments Regulations, 2014 and shall come into effect on 1 April 2014.

Appendix 3

Interview Questionnaire: Research Report

Klaas Mokaba: 703444

University of the Witwatersrand

Personal Particulars

Full Names	
Address & Telephone (optional)	
Signature	

(Circle appropriate choice)

- Gender : *Male* *Female*
- Race : **Black** *White* *Coloured* *Asian*
- Marital Status : *Single* *Married* *Separated* *Divorced* *Widowed*
- Employment Status : *Permanent* *Temporary* *Contract*
- Monthly Income Band: *R0 – R2000* *R2001 – R5000* *R5001 – R10000* *R10001 – R30000* *R30001 and above*

Information on Credit Facilities

1. How many credit facilities/accounts do you have presently?
2. Types of credit facilities/accounts (*tick appropriate*)
- | | |
|---|-----------------|
| <input type="radio"/> Mortgage Loans | How many? _____ |
| <input type="radio"/> Vehicle Finance | How many? _____ |
| <input type="radio"/> Personal Loans | How many? _____ |
| <input type="radio"/> Student Loans | How many? _____ |
| <input type="radio"/> Credit Card | How many? _____ |
| <input type="radio"/> Furniture Account | How many? _____ |
| <input type="radio"/> Clothing Account | How many? _____ |
3. Total amount of debts owing R_____
4. Do you have any other source of income? *Yes* *No*

Information on Credit Blacklisting

5. Have you been blacklisted with the credit bureau?

Yes *No*

• When? _____

• For how much? _____

• Were you able to get credit during that period?

Yes *No*

6. Are currently blacklisted with the credit bureau?

Yes *No*

• When? _____

• For how much? _____

7. Were you ever notified of the blacklisting?

Yes *No*

8. Have you been refused credit before or lately?

Yes *No*

• If yes, what was the reason for the refusal? _____

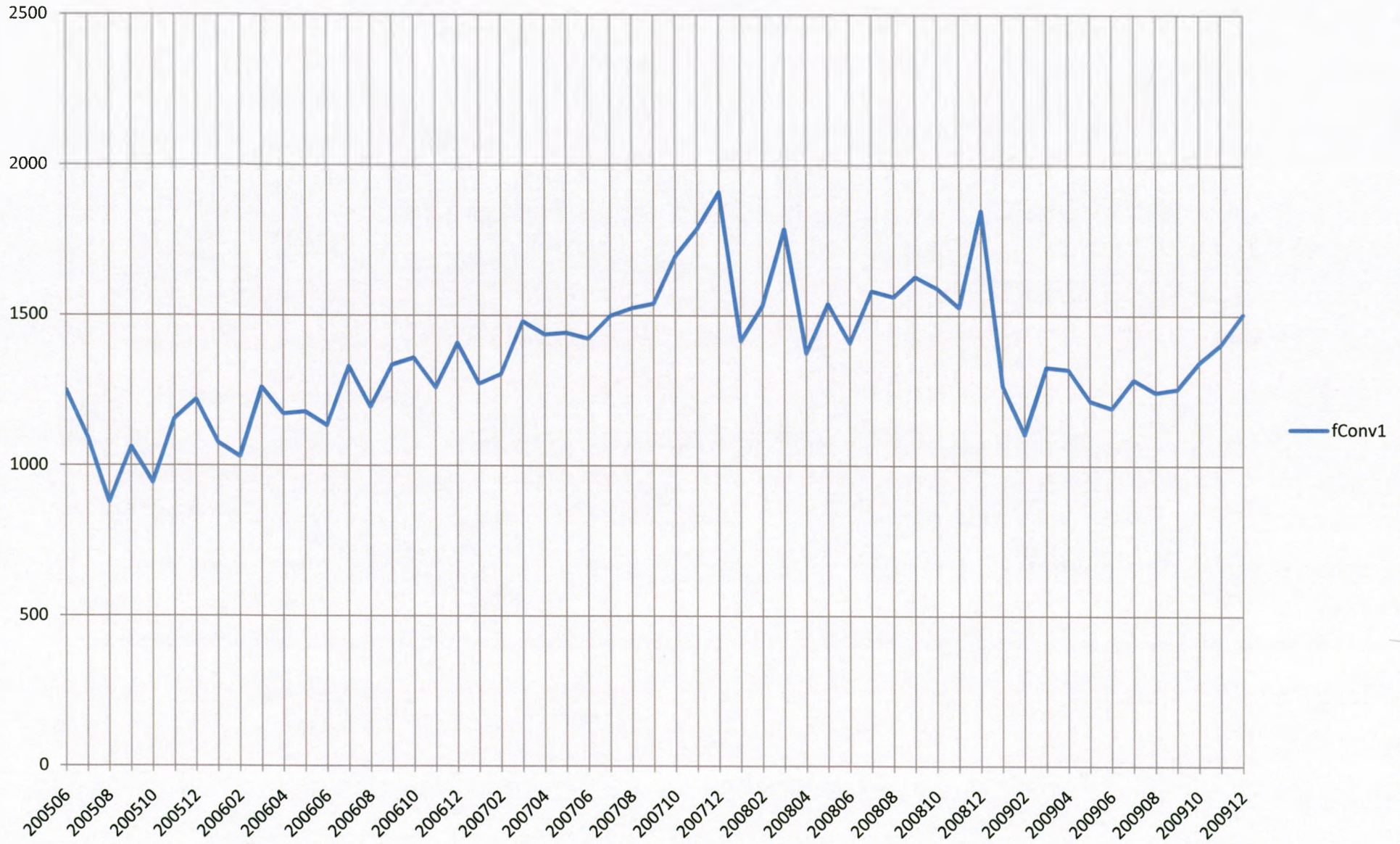
9. Have you sought alternative credit elsewhere after being refused credit?

Yes *No*

• If yes, where has you sought credit from? _____

10. Describe in details how being credit blacklisted has affected or impacted on your life?

Appendix 4



Appendix 5



GARNISHEED?

HANDED OVER?

CREDIT BUREAU LISTINGS?

**OUR
SERVICES
ARE FREE
OF CHARGE!**

THE CREDIT OMBUD OFFICE PROVIDES FREE ASSISTANCE WITH ALL CREDIT BUREAU AND CREDIT AGREEMENT RELATED MATTERS

- ~ OVERCHARGING OF INTEREST OR FEES
- ~ PRESCRIPTION
- ~ RECKLESS LENDING
- ~ DEBT COLLECTION ISSUES
- ~ FRAUD
- ~ GARNISHEE ORDERS
- ~ UNEFAIRLY OR INCORRECTLY LISTED AT THE CREDIT BUREAU (JUDGMENTS, DEFAULTS, ETC)

FREE HELP & ADVICE ON CREDIT RELATED MATTERS



Website:

www.creditombud.org.za

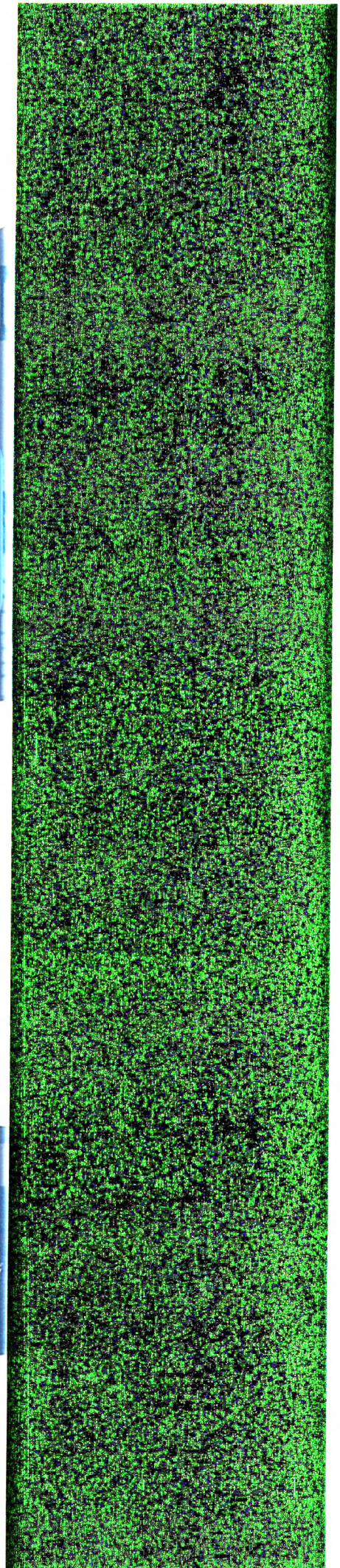
Email: ombud@creditombud.org.za

Call Centre:

0861 OMBUDS / 0861 66 28 37

SMS: 44786

Fax: 011 388 8250 or 086 674 7414



APPENDIX 6

12 GENERAL

BLACKLISTED

Need a Loan,
car or Bond.
Phone us today.
Approval same day.

NO BANKS!
079 223 3883/
071 499 4912

LOANS

R1 000 - R300 000
No I.T.C. **TEBOGO:**

083 4960 831

CA046485

BEST DEBT FINANCE

LOANS up to R20 000
Alberton -011 869 5553

CA046413

BRIDGING CASH

while waiting for

**PENSION
/PACKAGE**

Payouts

(lumpsum only)

Jhb (011) 394-6937

081-562-0510

Pta (012) 323-4641

072-831-1028

ZM002742

LOANS

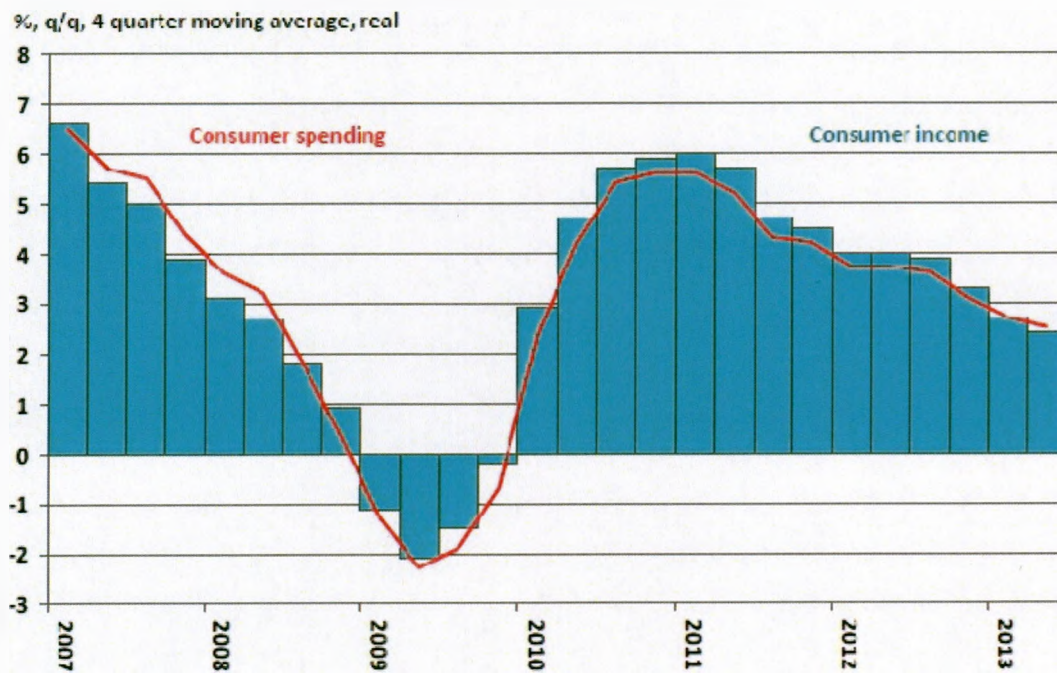
R1 000 - R300 000
No I.T.C. **TEBOGO:**

083 4960 831

CA046485

Appendix 7 – SA Consumer Spending vs Disposable Income

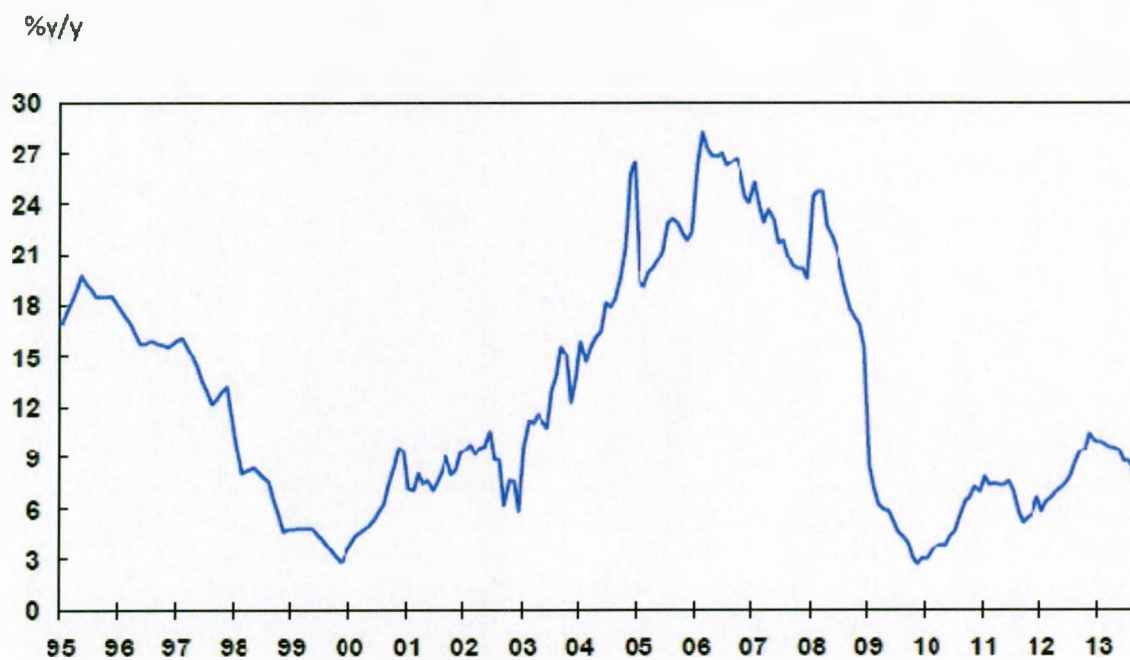
SA consumer spending vs disposable income



Source: FinScope Consumer Survey South Africa (2015)

Appendix 8 – Rate of Growth in Consumer Credit

Rate of growth in consumer credit



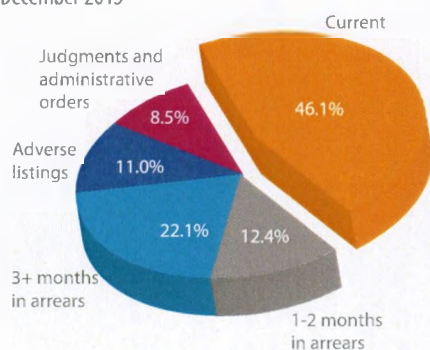
Source: FinScope Consumer Survey South Africa (2015)

Credit Bureau Monitor

Fourth Quarter | December 2015

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Credit standing of consumers:
December 2015



For further information on credit provision, please access the Consumer Credit Market Report on www.ncr.org.za

The information reflected in this edition of the Credit Bureau Monitor covers the period from the quarter ended December 2011 to December 2015, and is based on data held by registered credit bureaus in terms of the National Credit Act No 34 of 2005.

Summary

Credit bureaus create consumer credit profiles based on credit information received from credit providers, courts and utility service providers. The National Credit Regulator (NCR) regulates and monitors registered credit bureaus and the quality of their data.

As at the end of December 2015:

- Credit bureaus held records for 23.74 million credit-active consumers, an increase of 1.3% when compared to the 23.45 million in the previous quarter. Consumers classified in good standing increased by 343,000, to 13.87 million consumers. As a percentage of the total number of credit-active consumers, this reflects an increase of 0.7% quarter-on-quarter and 3.3% year-on-year.
- The number of consumers with impaired records decreased by 47,000 to 9.87 million, from 9.91 million in the previous quarter.
- The number of accounts increased from 80.60 million in the previous quarter to 83.55 million. The number of impaired accounts decreased from 20.24 million to 19.99 million when compared to the previous quarter, a decrease of 245,000 quarter-on-quarter and 2.29 million year-on-year.
- A total of 418.69 million enquiries were made on consumer credit records, an increase of 11.3% quarter-on-quarter and a decrease of 3.2% year-on-year. Enquiries initiated by consumers accounted for 15.64 million of all enquiries, a decrease of 0.9% quarter-on-quarter and 0.9% year-on-year.
- Of the total enquiries made on consumer records, enquiries from banks and other financial institutions accounted for 66.6%, enquiries from retailers accounted for 6.4% and enquiries from telecommunication providers accounted for 2.7%. Banks and other financial institutions' enquiries increased by 6.4% from the previous quarter, retailers increased by 2.7% and telecommunication providers decreased by 16.7%.
- The number of credit reports issued to consumers decreased to 144,210. Of the total credit reports issued, 62.5% (90,150) were issued without charge, and the remaining 37.5% (54,060) were issued with charge.
- There were 24,920 disputes lodged on information held on consumer credit records for the quarter ended December 2015, a decrease of 13.6% quarter-on-quarter and an increase of 9.2% year-on-year.

Introduction

The information reflected in this Credit Bureau Monitor covers the period from the quarter ended December 2011 to December 2015.

Comparisons in this report: "quarter-on-quarter" refers to a comparison between the December 2015 and September 2015 quarters, and "year-on-year" refers to a comparison between the December 2015 and December 2014 quarters.

Credit-active consumers

There were 23.74 million credit-active consumers as at the end of December 2015

Credit bureaus held records for more than 48.50 million individuals on their databases as at the end of December 2015. From these records, 23.74 million (49.0%) were credit-active and the remaining records contained only identification information and no credit activity. The number of credit-active consumers increased by 296,000 quarter-on-quarter and 897,000 year-on-year.

The percentage of consumers in good standing increased this quarter

Consumers classified in good standing increased by 343,000 to 13.87 million consumers. As a percentage of the total number of credit-active consumers, this reflects an increase of 0.7% quarter-on-quarter and 3.3% year-on-year. Of the total 23.74 million credit-active consumers, 58.4% were in good standing.

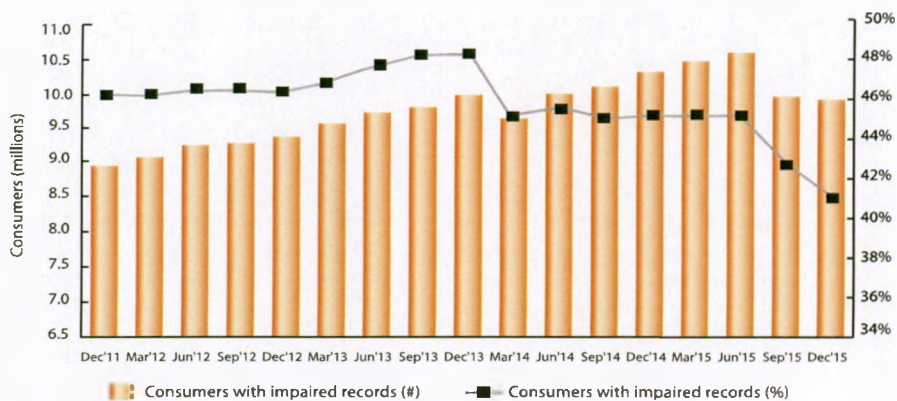
The number of consumers with impaired records (the inverse of those in good standing) decreased by 47,000 to 9.87 million. The percentage of credit-active consumers with impaired records decreased to 41.6%, comprising of 22.1% of consumers in three months or more in arrears, 11.0% of consumers with adverse listings, and 8.5% of consumers with judgments and administration orders.

A detailed breakdown of the nature of impairments is provided in Table 1 and Figure 1.

Table 1: Credit standing of consumers

	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15
Good standing (#)	10.55m	10.52m	10.53m	10.71m	12.11m	12.17m	12.45m	12.58m	12.70m	12.84m	13.53m	13.87m
Good standing (%)	52.5%	52.0%	51.9%	51.9%	55.8%	55.0%	55.3%	55.1%	55.0%	54.9%	57.7%	58.4%
Current (%)	37.2%	37.9%	38.2%	38.1%	41.5%	42.2%	42.3%	42.6%	42.2%	42.8%	46.1%	46.1%
1-2 months in arrears (%)	15.4%	14.2%	13.7%	13.8%	14.3%	12.8%	13.0%	12.5%	12.7%	12.1%	11.6%	12.4%
Impaired records (#)	9.53m	9.69m	9.76m	9.93m	9.60m	9.95m	10.05m	10.26m	10.41m	10.53m	9.91m	9.87m
Impaired records (%)	47.5%	48.0%	48.1%	48.1%	44.2%	45.0%	44.7%	44.9%	45.0%	45.1%	42.3%	41.6%
3+ months in arrears (%)	20.5%	21.1%	21.0%	20.1%	32.4%	28.3%	26.3%	23.8%	22.4%	21.5%	21.6%	22.1%
Adverse listings (%)	13.5%	13.5%	14.0%	15.4%	0.0%	5.2%	7.3%	10.4%	12.2%	13.5%	11.8%	11.0%
Judgments and administration orders (%)	13.5%	13.3%	13.1%	12.6%	11.8%	11.4%	11.1%	10.7%	10.4%	10.1%	8.8%	8.5%
Credit-active consumers (#)	20.08m	20.21m	20.29m	20.64m	21.71m	22.12m	22.50m	22.84m	23.11m	23.37m	23.45m	23.74m

Figure 1: Consumers with impaired records



Consumer accounts

There were 83.55 million accounts on record at the bureaus as at the end of December 2015

At the end of the reporting quarter there were 83.55 million accounts recorded at registered credit bureaus. This was an increase of 3.7% quarter-on-quarter and 1.7% year-on-year.

The percentage of accounts in good standing increased this quarter

Of the 83.55 million accounts, 63.56 million (76.1%) were classified as in good standing, a positive variance of 1.2% quarter-on-quarter and 3.2% year-on-year.

As at the end of December 2015:

- 68.4% of accounts were classified as current (increased quarter-on-quarter by 0.8% and year-on-year by 3.2%).
- 7.7% had missed one or two instalments (increased quarter-on-quarter by 0.4% and year-on-year by 0.1%).
- 17.8% had missed three or more instalments (decreased quarter-on-quarter by 0.6% and year-on-year by 2.3%).
- 4.4% had adverse listings (decreased quarter-on-quarter by 0.4% and increased year-on-year by 0.2%).
- 1.8% had judgments or administration orders (decreased quarter-on-quarter by 0.1% and year-on-year by 0.6%).

See Table 2 and Figures 2 and 3 for detailed breakdown.

Table 2: Credit standing of accounts

	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15
Good standing (#)	52.42m	52.33m	51.92m	53.44m	57.91m	58.15m	59.55m	59.84m	59.66m	60.47m	60.37m	63.56m
Good standing (%)	74.1%	73.5%	73.0%	73.0%	75.0%	73.2%	73.3%	72.9%	72.7%	73.6%	74.9%	76.1%
Current (%)	64.3%	64.5%	64.2%	64.2%	66.1%	65.4%	65.5%	65.2%	64.7%	66.1%	67.6%	68.4%
1-2 months in arrears (%)	9.8%	9.0%	8.8%	8.8%	8.9%	7.9%	7.8%	7.6%	8.0%	7.5%	7.3%	7.7%
Impaired records (#)	18.31m	18.87m	19.25m	19.74m	19.27m	21.28m	21.64m	22.28m	22.38m	21.71m	20.24m	19.99m
Impaired records (%)	25.9%	26.5%	27.0%	27.0%	25.0%	26.8%	26.7%	27.1%	27.3%	26.4%	25.1%	23.9%
3+ months in arrears (%)	18.0%	18.5%	18.6%	18.0%	22.3%	21.3%	20.7%	20.1%	19.8%	18.9%	18.4%	17.8%
Adverse listings (%)	5.0%	5.1%	5.5%	6.2%	0.0%	2.9%	3.4%	4.6%	5.1%	5.2%	4.8%	4.4%
Judgments and administration orders (%)	2.9%	2.9%	2.9%	2.8%	2.7%	2.6%	2.5%	2.4%	2.3%	2.2%	1.9%	1.8%
Consumer accounts (#)	70.73m	71.20m	71.17m	73.18m	77.18m	79.42m	81.18m	82.13m	82.04m	82.17m	80.60m	83.55m

Figure 2: Accounts with impaired records

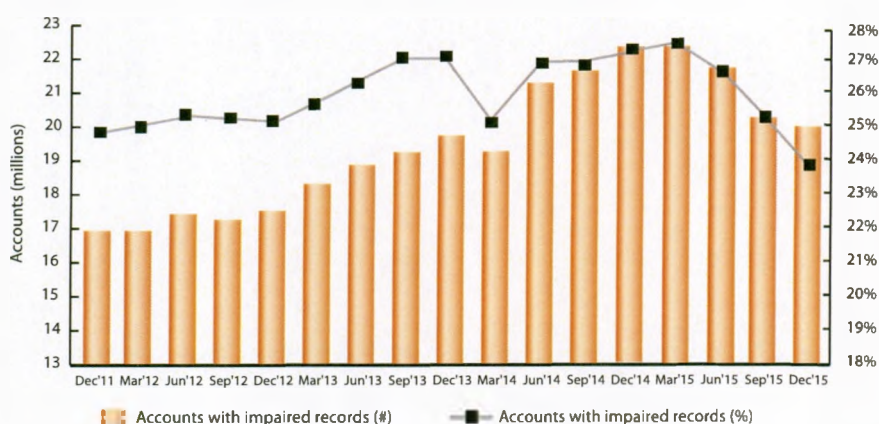
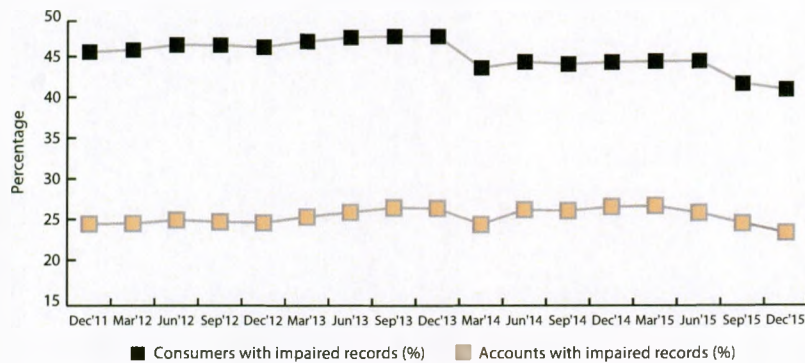


Figure 3: Consumers and accounts with impaired records



Credit market activity

Enquiries made on consumer records increased for the quarter

In the quarter ended December 2015, 418.69 million enquiries were made. This was an increase of 11.3% quarter-on-quarter and a decrease of 3.2% year-on-year. Enquiries done in bulk by banks and other financial institutions formed the largest portion of all enquiries.

- 15.64 million enquiries were made due to consumers seeking credit (decreased by 0.9% quarter-on-quarter and 0.9% year-on-year).
- 0.64 million enquiries were related to telecommunication services (decreased by 13.5% quarter-on-quarter and 16.4% year-on-year).
- 14.47 million enquiries were made for tracing/debt collection purposes (decreased by 8.3% quarter-on-quarter and 18.8% year-on-year).
- 387.93 million enquiries were made for other purposes – excluding those purposes mentioned above, e.g. account management and contact information update (increased by 12.9% quarter-on-quarter and decreased by 2.6% year-on-year).

Refer to Table 3 and Figures 4 and 5 for detailed breakdown.

Table 3: Enquiries

Enquiry purpose:	Number of enquiries (millions)									Percentage change							
	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Dec 13 to Mar 14	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15
Consumers seeking credit	15.48	14.33	15.26	14.96	15.78	12.76	13.23	15.79	15.64	7.4%	6.5%	-1.9%	5.5%	-19.1%	3.6%	19.4%	-0.9%
Telecommunication services	0.73	0.72	0.69	0.76	0.77	0.81	0.91	0.74	0.64	-1.5%	-4.7%	10.3%	1.8%	5.6%	12.2%	-18.4%	-13.5%
Tracing/debt collection purposes	14.42	11.82	14.14	19.31	17.83	17.51	22.62	15.77	14.47	-18.1%	19.7%	36.5%	-7.7%	-1.8%	29.2%	-30.3%	-8.3%
Other	318.02	306.79	335.68	344.31	398.33	304.99	376.01	343.74	387.93	-3.5%	9.4%	2.6%	15.7%	-23.4%	23.3%	-8.6%	12.9%
Total	348.66	333.66	365.76	379.35	432.71	336.08	412.77	376.04	418.69	-4.3%	9.6%	3.7%	14.1%	-22.3%	22.8%	-8.9%	11.3%

Figure 4: Enquiries due to consumers seeking credit

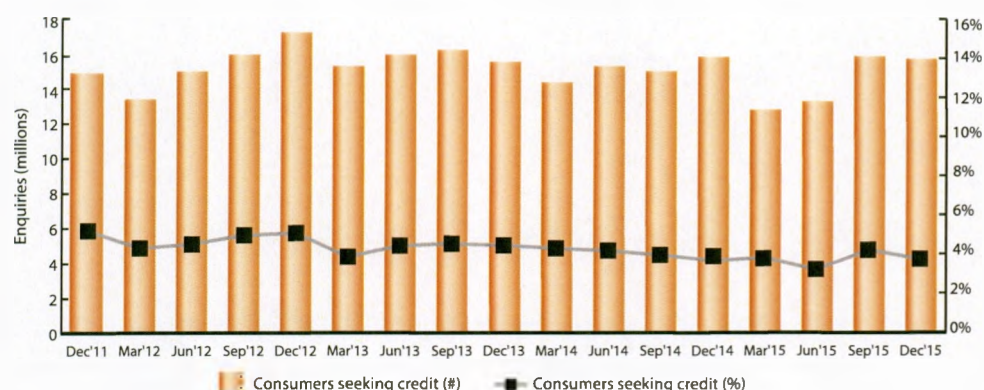
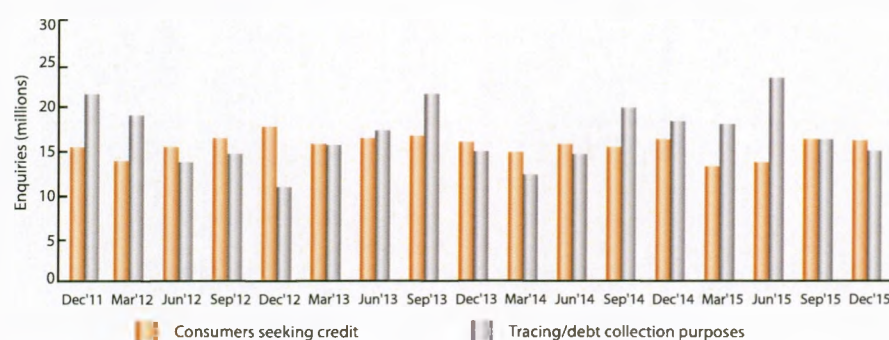


Figure 5: Enquiries due to consumers seeking credit and enquiries for tracing/debt collection purposes



Enquiry sectoral analysis

In the quarter ended December 2015, 279.00 million enquiries were made by banks and other financial institutions, an increase of 6.4% quarter-on-quarter and a decrease of 17.6% year-on-year. Retailers made 26.90 million enquiries on consumer records, which was an increase of 2.7% quarter-on-quarter and 176.5% year-on-year. Enquiries made by telecommunication providers decreased by 16.7% quarter-on-quarter and 27.4% year-on-year, to 11.14 million in December 2015 quarter. Enquiries made by debt collection agencies decreased by 22.6% quarter-on-quarter and increased by 2.9% year-on-year, to 3.10 million in December 2015 quarter. Enquiries made by all other entities showed a quarter-on-quarter increase of 40.1% and 49.7% year-on-year, to 98.55 million.

Refer to Tables 4 to 7 and Figure 6 for a detailed breakdown.

Table 4: All enquiries – distribution according to sectors

Enquiries by:	Number of enquiries (millions)									Percentage change							
	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Dec 13 to Mar 14	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15
Banks and other financial institutions	297.73	278.12	305.52	311.16	338.76	251.74	313.86	262.10	279.00	-6.6%	9.9%	1.8%	8.9%	-25.7%	24.7%	-16.5%	6.4%
Retailers	10.22	11.88	16.43	11.49	9.73	10.03	10.27	26.19	26.90	16.3%	38.2%	-30.1%	-15.3%	3.1%	2.5%	155.0%	2.7%
Telecommunication providers	10.64	8.95	10.76	12.32	15.36	13.04	22.08	13.38	11.14	-15.9%	20.2%	14.6%	24.6%	-15.1%	69.4%	-39.4%	-16.7%
Debt collection agencies	3.26	2.86	4.38	8.13	3.02	4.87	3.90	4.01	3.10	-12.4%	53.3%	85.6%	-62.9%	61.7%	-19.9%	2.7%	-22.6%
All other entities	26.81	31.85	28.68	36.25	65.84	56.40	62.65	70.37	98.55	18.8%	-10.0%	26.4%	81.6%	-14.3%	11.1%	12.3%	40.1%
Total	348.66	333.66	365.76	379.35	432.71	336.08	412.77	376.04	418.69	-4.3%	9.6%	3.7%	14.1%	-22.3%	22.8%	-8.9%	11.3%

Figure 6: All enquiries – distribution according to sectors

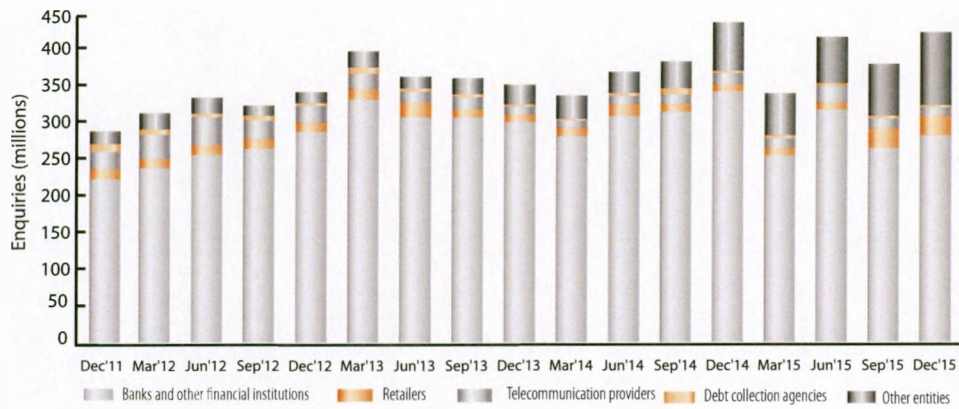


Table 5: Enquiries by banks and other financial institutions

Enquiry purpose:	Number of enquiries (millions)									Percentage change							
	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Dec 13 to Mar 14	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15
Consumers seeking credit	11.89	11.39	12.03	12.13	12.44	10.37	10.77	13.11	13.20	-4.3%	5.7%	0.8%	2.6%	-16.7%	3.9%	21.7%	0.7%
Tracing/debt collection purposes	1.84	2.50	3.29	3.70	2.93	1.57	1.36	1.34	1.77	36.3%	31.4%	12.3%	-20.8%	-46.3%	-13.7%	-1.2%	31.5%
Other purposes	283.99	264.23	290.20	295.33	323.39	239.79	301.73	247.65	264.03	-7.0%	9.8%	1.8%	9.5%	-25.9%	25.8%	-17.9%	6.6%
Banks and other financial institutions	297.73	278.12	305.52	311.16	338.76	251.74	313.86	262.10	279.00	-6.6%	9.9%	1.8%	8.9%	-25.7%	24.7%	-16.5%	6.4%

Table 6: Enquiries by retailers

Enquiry purpose:	Number of enquiries (millions)									Percentage change							
	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Dec 13 to Mar 14	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15
Consumers seeking credit	3.59	2.94	3.22	2.83	3.34	2.39	2.45	2.68	2.43	-17.9%	9.5%	-12.2%	18.0%	-28.3%	2.6%	9.2%	-9.2%
Tracing/debt collection purposes	0.77	0.57	0.62	0.94	1.07	1.00	1.22	1.31	1.27	-25.9%	7.5%	52.4%	14.5%	-6.5%	21.4%	7.5%	-2.7%
Other purposes	5.86	8.37	12.59	7.72	5.31	6.63	6.60	22.20	23.19	42.8%	50.4%	-38.7%	-31.2%	24.7%	-0.4%	236.4%	4.4%
Retailers	10.22	11.88	16.43	11.49	9.73	10.03	10.27	26.19	26.90	16.3%	38.2%	-30.1%	-15.3%	3.1%	2.5%	155.0%	2.7%

Table 7: Enquiries by telecommunication providers

Enquiry purpose:	Number of enquiries (millions)									Percentage change							
	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Dec 13 to Mar 14	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15
Telecommunication services	0.73	0.72	0.69	0.76	0.77	0.81	0.91	0.74	0.64	-1.5%	-4.7%	10.3%	1.8%	5.6%	12.2%	-18.4%	-13.5%
Tracing/debt collection purposes	7.21	4.22	4.11	4.94	9.45	8.27	14.64	7.27	6.71	-41.4%	-2.6%	20.2%	91.1%	-12.5%	77.2%	-50.3%	-7.7%
Other purposes	2.71	4.01	5.96	6.62	5.14	3.96	6.53	5.36	3.79	48.0%	48.7%	11.2%	-22.4%	-23.0%	64.8%	-17.9%	-29.4%
Telecommunication providers	10.64	8.95	10.76	12.32	15.36	13.04	22.08	13.38	11.14	-15.9%	20.2%	14.6%	24.6%	-15.1%	69.4%	-39.4%	-16.7%

Credit bureau activity

Demand for credit reports increased for the quarter

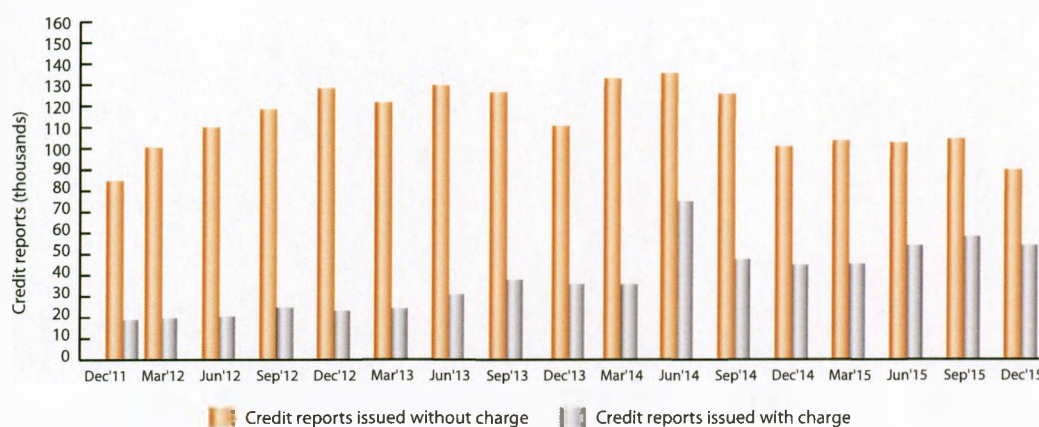
Of the total 144,210 credit reports issued to consumers at their request during the quarter ended December 2015, 62.5% (90,150) were issued without charge, and the remaining 37.5% (54,060) were issued with charge. The total number of credit reports issued decreased by 11.6% quarter-on-quarter and 1.2% year-on-year.

See Table 8 and Figure 7 for details.

Table 8: Credit reports issued

Credit reports:	Number of credit reports										Percentage change								
	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Sep 13 to Dec 13	Dec 13 to Mar 14	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15
Issued without charge	126,591	110,803	133,216	135,650	125,689	101,119	103,771	102,967	104,688	90,150	-12.5%	20.2%	1.8%	-7.3%	-19.5%	2.6%	-0.8%	1.7%	-13.9%
Issued with charge	37,846	35,854	35,613	75,019	47,505	44,804	45,451	54,283	58,435	54,060	-5.3%	-0.7%	110.7%	-36.7%	-5.7%	1.4%	19.4%	7.6%	-7.5%
Total issued	164,437	146,657	168,829	210,669	173,194	145,923	149,222	157,250	163,118	144,210	-10.8%	15.1%	24.8%	-17.8%	-15.7%	2.3%	5.4%	3.7%	-11.6%

Figure 7: Credit reports issued



Consumer disputes

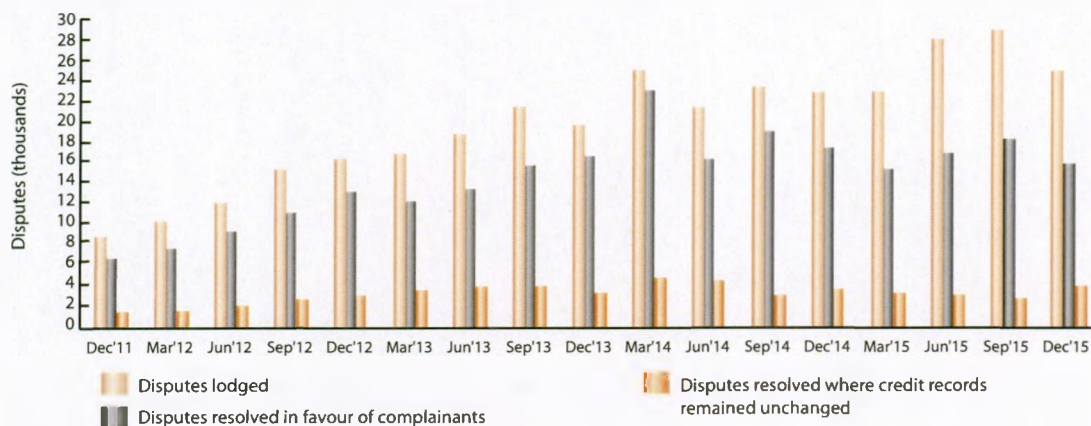
In the quarter ended December 2015, 24,920 disputes were lodged in respect of the accuracy of the information recorded on consumer credit records. This was a decrease of 13.6% quarter-on-quarter and an increase of 9.2% year-on-year. More disputes were resolved in favour of complainants (15,870) as compared to disputes where credit records remained unchanged (4,068).

See Table 9 and Figure 8 for details.

Table 9: Disputes

Disputes:	Number of disputes									Percentage change							
	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Dec 13 to Mar 14	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15
Lodged	19,658	25,005	21,339	23,334	22,822	22,912	27,988	28,856	24,920	27.2%	-14.7%	9.3%	-2.2%	0.4%	22.2%	3.1%	-13.6%
Resolved in favour of complainants	16,643	23,016	16,307	19,003	17,397	15,349	16,896	18,275	15,870	38.3%	-29.1%	16.5%	-8.5%	-11.8%	10.1%	8.2%	-13.2%
Resolved where credit record remained unchanged	3,391	4,839	4,582	3,117	3,710	3,371	3,187	2,845	4,068	42.7%	-5.3%	-32.0%	19.0%	-9.1%	-5.5%	-10.7%	43.0%

Figure 8: Disputes



Definitions

Terms used in this report	Definitions
Credit-active consumers	Consumers obligated to pay credit providers and/or service providers, etc. These obligations result in transactional entries on the consumer's credit record at the credit bureaus.
Impaired record	A record on which a consumer and/or any of the accounts, are either classified as three or more payments or months in arrears, or which has an "adverse listing", or that reflects a judgment or administration order.
Good standing	An account or consumer showing as current or on which the client has not missed more than one or two instalments, which has no adverse listings and has no judgments.
Adverse listing	Accounts with adverse classifications such as 'handed over' and/or 'written-off'.
Current	A consumer or account is up-to-date with payments and has not missed any instalment over the period of the credit agreement.

Notes

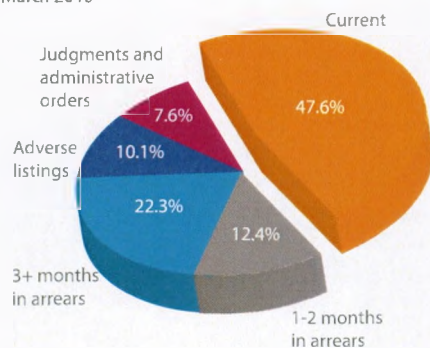
1. Where values have been rounded off, the percentage calculations and summed totals are calculated off the unrounded values.
2. Refer to the NCR website for complete tables of thirty five quarters from June 2007 to December 2015.

Credit Bureau Monitor

First Quarter | March 2016

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Credit standing of consumers:
March 2016



For further information on credit provision, please access the Consumer Credit Market Report on www.ncr.org.za

The information reflected in this edition of the Credit Bureau Monitor covers the period from the quarter ended March 2012 to March 2016, and is based on data held by registered credit bureaus in terms of the National Credit Act No 34 of 2005.

Summary

Credit bureaus create consumer credit profiles based on credit information received from credit providers, courts and utility service providers. The National Credit Regulator (NCR) regulates and monitors registered credit bureaus and the quality of their data.

As at the end of March 2016:

- Credit bureaus held records for 23.88 million credit-active consumers, an increase of 0.6% when compared to the 23.74 million in the previous quarter. Consumers classified in good standing increased by 460,000, to 14.33 million consumers. As a percentage of the total number of credit-active consumers, this reflects an increase of 1.6% quarter-on-quarter and 5.0% year-on-year.
- The number of consumers with impaired records decreased by 320,000 to 9.55 million, from 9.87 million in the previous quarter.
- The number of accounts increased from 83.55 million in the previous quarter to 84.96 million. The number of impaired accounts decreased from 19.99 million to 19.92 million when compared to the previous quarter, a decrease of 67,000 quarter-on-quarter and 2.45 million year-on-year.
- A total of 391.78 million enquiries were made on consumer credit records, a decrease of 6.4% quarter-on-quarter and an increase of 16.6% year-on-year. Enquiries initiated by consumers accounted for 16.99 million of all enquiries, an increase of 8.6% quarter-on-quarter and 33.1% year-on-year.
- Of the total enquiries made on consumer records, enquiries from banks and other financial institutions accounted for 73.6%, enquiries from retailers accounted for 6.8% and enquiries from telecommunication providers accounted for 3.7%. Banks and other financial institutions' enquiries increased by 3.3% from the previous quarter, retailers decreased by 1.4% and telecommunication providers increased by 30.9%.
- The number of credit reports issued to consumers decreased to 129,458. Of the total credit reports issued, 72.6% (93,977) were issued without charge, and the remaining 27.4% (35,481) were issued with charge.
- There were 29,558 disputes lodged on information held on consumer credit records for the quarter ended March 2016, an increase of 18.6% quarter-on-quarter and 29.0% year-on-year.

Introduction

The information reflected in this Credit Bureau Monitor covers the period from the quarter ended March 2012 to March 2016.

Comparisons in this report: "quarter-on-quarter" refers to a comparison between the March 2016 and December 2015 quarters, and "year-on-year" refers to a comparison between the March 2016 and March 2015 quarters.

Credit-active consumers

There were 23.88 million credit-active consumers as at the end of March 2016

Credit bureaus held records for more than 48.83 million individuals on their databases as at the end of March 2016. From these records, 23.88 million (48.9%) were credit-active and the remaining records contained only identification information and no credit activity. The number of credit-active consumers increased by 140,000 quarter-on-quarter and 773,000 year-on-year.

The percentage of consumers in good standing increased this quarter

Consumers classified in good standing increased by 460,000 to 14.32 million consumers. As a percentage of the total number of credit-active consumers, this reflects an increase of 1.6% quarter-on-quarter and 5.0% year-on-year. Of the total 23.88 million credit-active consumers, 60.0% were in good standing.

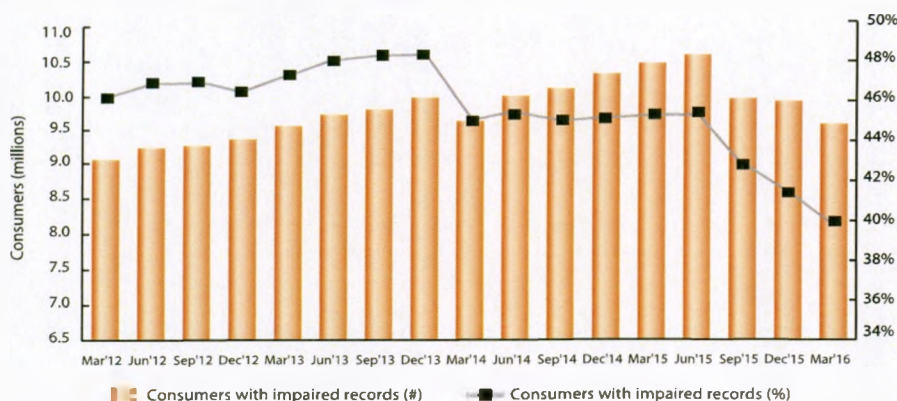
The number of consumers with impaired records (the inverse of those in good standing) decreased by 320,000 to 9.55 million. The percentage of credit-active consumers with impaired records decreased to 40.0%, comprising of 22.3% of consumers in three months or more in arrears, 10.1% of consumers with adverse listings, and 7.6% of consumers with judgments and administration orders.

A detailed breakdown of the nature of impairments is provided in Table 1 and Figure 1.

Table 1: Credit standing of consumers

	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16
Good standing (#)	10.52m	10.53m	10.71m	12.11m	12.17m	12.45m	12.58m	12.70m	12.84m	13.53m	13.87m	14.33m
Good standing (%)	52.0%	51.9%	51.9%	55.8%	55.0%	55.3%	55.1%	55.0%	54.9%	57.7%	58.4%	60.0%
Current (%)	37.9%	38.2%	38.1%	41.5%	42.2%	42.3%	42.6%	42.2%	42.8%	46.1%	46.1%	47.6%
1-2 months in arrears (%)	14.2%	13.7%	13.8%	14.3%	12.8%	13.0%	12.5%	12.7%	12.1%	11.6%	12.4%	12.4%
Impaired records (#)	9.69m	9.76m	9.93m	9.60m	9.95m	10.05m	10.26m	10.41m	10.53m	9.91m	9.87m	9.55m
Impaired records (%)	48.0%	48.1%	48.1%	44.2%	45.0%	44.7%	44.9%	45.0%	45.1%	42.3%	41.6%	40.0%
3+ months in arrears (%)	21.1%	21.0%	20.1%	32.4%	28.3%	26.3%	23.8%	22.4%	21.5%	21.6%	22.1%	22.3%
Adverse listings (%)	13.5%	14.0%	15.4%	0.0%	5.2%	7.3%	10.4%	12.2%	13.5%	11.8%	11.0%	10.1%
Judgments and administration orders (%)	13.3%	13.1%	12.6%	11.8%	11.4%	11.1%	10.7%	10.4%	10.1%	8.8%	8.5%	7.6%
Credit-active consumers (#)	20.21m	20.29m	20.64m	21.71m	22.12m	22.50m	22.84m	23.11m	23.37m	23.45m	23.74m	23.88m

Figure 1: Consumers with impaired records



Consumer accounts

There were 84.96 million accounts on record at the bureaus as at the end of March 2016

At the end of the reporting quarter there were 84.96 million accounts recorded at registered credit bureaus. This was an increase of 1.7% quarter-on-quarter and 3.6% year-on-year.

The percentage of accounts in good standing increased this quarter

Of the 84.96 million accounts, 65.03 million (76.5%) were classified as in good standing, a positive variance of 0.4% quarter-on-quarter and 3.8% year-on-year.

As at the end of March 2016:

- 69.0% of accounts were classified as current (increased quarter-on-quarter by 0.6% and year-on-year by 4.3%).
- 7.5% had missed one or two instalments (decreased quarter-on-quarter by 0.2% and year-on-year by 0.5%).
- 17.7% had missed three or more instalments (decreased quarter-on-quarter by 0.1% and year-on-year by 2.1%).
- 4.1% had adverse listings (decreased quarter-on-quarter by 0.3% and year-on-year by 1.0%).
- 1.7% had judgments or administration orders (decreased quarter-on-quarter by 0.1% and year-on-year by 0.6%).

See Table 2 and Figures 2 and 3 for detailed breakdown.

Table 2: Credit standing of accounts

	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16
Good standing (#)	52.33m	51.92m	53.44m	57.91m	58.15m	59.55m	59.84m	59.66m	60.47m	60.37m	63.56m	65.03m
Good standing (%)	73.5%	73.0%	73.0%	75.0%	73.2%	73.3%	72.9%	72.7%	73.6%	74.9%	76.1%	76.5%
Current (%)	64.5%	64.2%	64.2%	66.1%	65.4%	65.5%	65.2%	64.7%	66.1%	67.6%	68.4%	69.0%
1-2 months in arrears (%)	9.0%	8.8%	8.8%	8.9%	7.9%	7.8%	7.6%	8.0%	7.5%	7.3%	7.7%	7.5%
Impaired records (#)	18.87m	19.25m	19.74m	19.27m	21.28m	21.64m	22.28m	22.38m	21.71m	20.24m	19.99m	19.92m
Impaired records (%)	26.5%	27.0%	27.0%	25.0%	26.8%	26.7%	27.1%	27.3%	26.4%	25.1%	23.9%	23.5%
3+ months in arrears (%)	18.5%	18.6%	18.0%	22.3%	21.3%	20.7%	20.1%	19.8%	18.9%	18.4%	17.8%	17.7%
Adverse listings (%)	5.1%	5.5%	6.2%	0.0%	2.9%	3.4%	4.6%	5.1%	5.2%	4.8%	4.4%	4.1%
Judgments and administration orders (%)	2.9%	2.9%	2.8%	2.7%	2.6%	2.5%	2.4%	2.3%	2.2%	1.9%	1.8%	1.7%
Consumer accounts (#)	71.20m	71.17m	73.18m	77.18m	79.42m	81.18m	82.13m	82.04m	82.17m	80.60m	83.55m	84.96m

Figure 2: Accounts with impaired records

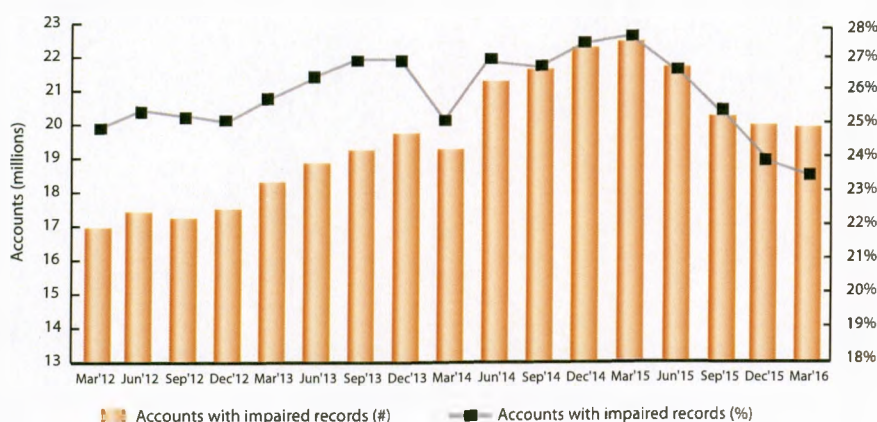
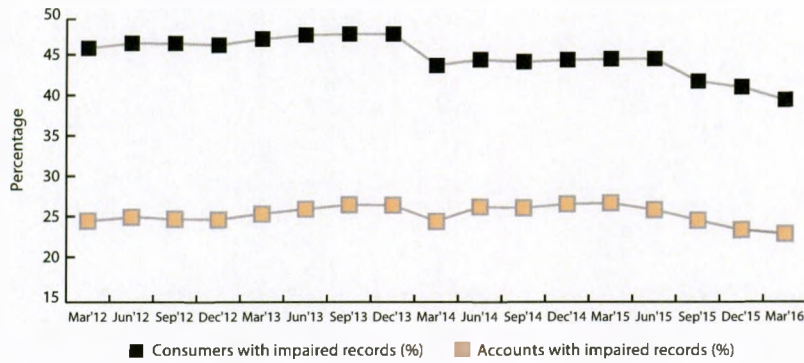


Figure 3: Consumers and accounts with impaired records



Credit market activity

Enquiries made on consumer records decreased for the quarter

In the quarter ended March 2016, 391.78 million enquiries were made. This was a decrease of 6.4% quarter-on-quarter and an increase of 16.6% year-on-year. Enquiries done in bulk by banks and other financial institutions formed the largest portion of all enquiries.

- 16.99 million enquiries were made due to consumers seeking credit (increased by 8.6% quarter-on-quarter and 33.1% year-on-year).
- 0.70 million enquiries were related to telecommunication services (increased by 8.6% quarter-on-quarter and decreased by 14.0% year-on-year).
- 19.32 million enquiries were made for tracing/debt collection purposes (increased by 33.5% quarter-on-quarter and 10.3% year-on-year).
- 354.77 million enquiries were made for other purposes – excluding those purposes mentioned above, e.g. account management and contact information update (decreased by 8.5% quarter-on-quarter and increased by 16.3% year-on-year).

Refer to Table 3 and Figures 4 and 5 for detailed breakdown.

Table 3: Enquiries

Enquiry purpose:	Number of enquiries (millions)										Percentage change							
	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15	Dec 15 to Mar 16	
Consumers seeking credit	14.33	15.26	14.96	15.78	12.76	13.23	15.79	15.64	16.99	6.5%	-1.9%	5.5%	-19.1%	3.6%	19.4%	-0.9%	8.6%	
Telecommunication services	0.72	0.69	0.76	0.77	0.81	0.91	0.74	0.64	0.70	-4.7%	10.3%	1.8%	5.6%	12.2%	-18.4%	-13.5%	8.6%	
Tracing/debt collection purposes	11.82	14.14	19.31	17.83	17.51	22.62	15.77	14.47	19.32	19.7%	36.5%	-7.7%	-1.8%	29.2%	-30.3%	-8.3%	33.5%	
Other	306.79	335.68	344.31	398.33	304.99	376.01	343.74	387.93	354.77	9.4%	2.6%	15.7%	-23.4%	23.3%	-8.6%	12.9%	-8.5%	
Total	333.66	365.76	379.35	432.71	336.08	412.77	376.04	418.69	391.78	9.6%	3.7%	14.1%	-22.3%	22.8%	-8.9%	11.3%	-6.4%	

Figure 4: Enquiries due to consumers seeking credit

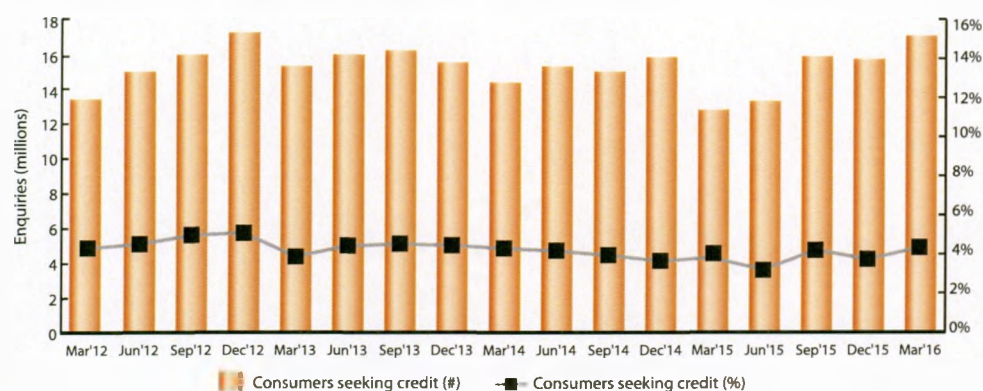
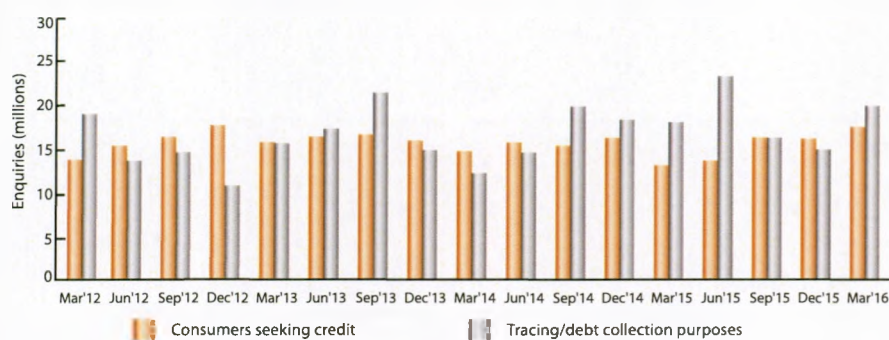


Figure 5: Enquiries due to consumers seeking credit and enquiries for tracing/debt collection purposes



Enquiry sectoral analysis

In the quarter ended March 2016, 288.18 million enquiries were made by banks and other financial institutions, an increase of 3.3% quarter-on-quarter and 14.5% year-on-year. Retailers made 26.52 million enquiries on consumer records, which was a decrease of 1.4% quarter-on-quarter and an increase of 164.5% year-on-year. Enquiries made by telecommunication providers increased by 30.9% quarter-on-quarter and 11.9% year-on-year, to 14.59 million in March 2016 quarter. Enquiries made by debt collection agencies decreased by 13.9% quarter-on-quarter and 45.2% year-on-year, to 2.67 million in March 2016 quarter. Enquiries made by all other entities showed a quarter-on-quarter decrease of 39.3% and a year-on-year increase of 6.1%, to 59.82 million.

Refer to Tables 4 to 7 and Figure 6 for a detailed breakdown.

Table 4: All enquiries – distribution according to sectors

Enquiries by:	Number of enquiries (millions)									Percentage change							
	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15	Dec 15 to Mar 16
Banks and other financial institutions	278.12	305.52	311.16	338.76	251.74	313.86	262.10	279.00	288.18	9.9%	1.8%	8.9%	-25.7%	24.7%	-16.5%	6.4%	3.3%
Retailers	11.88	16.43	11.49	9.73	10.03	10.27	26.19	26.90	26.52	38.2%	-30.1%	-15.3%	3.1%	2.5%	155.0%	2.7%	-1.4%
Telecommunication providers	8.95	10.76	12.32	15.36	13.04	22.08	13.38	11.14	14.59	20.2%	14.6%	24.6%	-15.1%	69.4%	-39.4%	-16.7%	30.9%
Debt collection agencies	2.86	4.38	8.13	3.02	4.87	3.90	4.01	3.10	2.67	53.3%	85.6%	-62.9%	61.7%	-19.9%	2.7%	-22.6%	-13.9%
All other entities	31.85	28.68	36.25	65.84	56.40	62.65	70.37	98.55	59.82	-10.0%	26.4%	81.6%	-14.3%	11.1%	12.3%	40.1%	-39.3%
Total	333.66	365.76	379.35	432.71	336.08	412.77	376.04	418.69	391.78	9.6%	3.7%	14.1%	-22.3%	22.8%	-8.9%	11.3%	-6.4%

Figure 6: All enquiries – distribution according to sectors

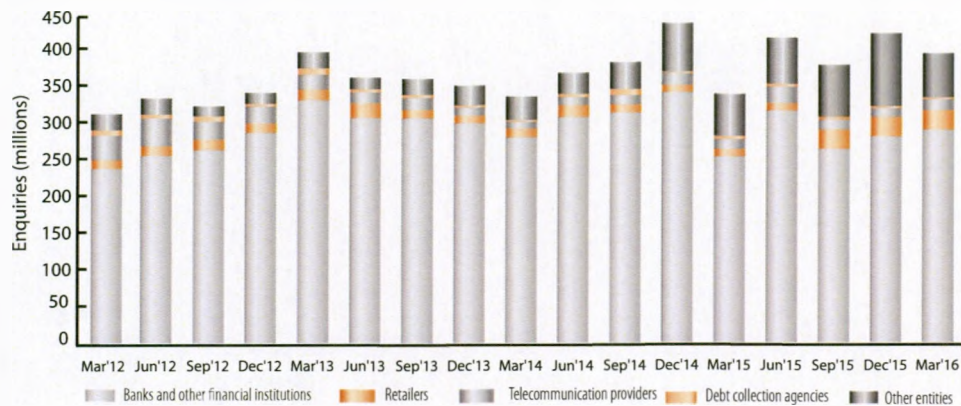


Table 5: Enquiries by banks and other financial institutions

Enquiry purpose:	Number of enquiries (millions)									Percentage change							
	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15	Dec 15 to Mar 16
Consumers seeking credit	11.39	12.03	12.13	12.44	10.37	10.77	13.11	13.20	14.97	5.7%	0.8%	2.6%	-16.7%	3.9%	21.7%	0.7%	13.4%
Tracing/debt collection purposes	2.50	3.29	3.70	2.93	1.57	1.36	1.34	1.77	3.02	31.4%	12.3%	-20.8%	-46.3%	-13.7%	-1.2%	31.5%	71.1%
Other purposes	264.23	290.20	295.33	323.39	239.79	301.73	247.65	264.03	270.19	9.8%	1.8%	9.5%	-25.9%	25.8%	-17.9%	6.6%	2.3%
Banks and other financial institutions	278.12	305.52	311.16	338.76	251.74	313.86	262.10	279.00	288.18	9.9%	1.8%	8.9%	-25.7%	24.7%	-16.5%	6.4%	3.3%

Table 6: Enquiries by retailers

Enquiry purpose:	Number of enquiries (millions)									Percentage change							
	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15	Dec 15 to Mar 16
Consumers seeking credit	2.94	3.22	2.83	3.34	2.39	2.45	2.68	2.43	2.02	9.5%	-12.2%	18.0%	-28.3%	2.6%	9.2%	-9.2%	-17.1%
Tracing/debt collection purposes	0.57	0.62	0.94	1.07	1.00	1.22	1.31	1.27	1.86	7.5%	52.4%	14.5%	-6.5%	21.4%	7.5%	-2.7%	46.1%
Other purposes	8.37	12.59	7.72	5.31	6.63	6.60	22.20	23.19	22.64	50.4%	-38.7%	-31.2%	24.7%	-0.4%	236.4%	4.4%	-2.4%
Retailers	11.88	16.43	11.49	9.73	10.03	10.27	26.19	26.90	26.52	38.2%	-30.1%	-15.3%	3.1%	2.5%	155.0%	2.7%	-1.4%

Table 7: Enquiries by telecommunication providers

Enquiry purpose:	Number of enquiries (millions)									Percentage change							
	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Mar 13 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15	Dec 15 to Mar 16
Telecommunication services	0.72	0.69	0.76	0.77	0.81	0.91	0.74	0.64	0.70	-4.7%	10.3%	1.8%	5.6%	12.2%	-18.4%	-13.5%	8.6%
Tracing/debt collection purposes	4.22	4.11	4.94	9.45	8.27	14.64	7.27	6.71	8.52	-2.6%	20.2%	91.1%	-12.5%	77.2%	-50.3%	-7.7%	26.9%
Other purposes	4.01	5.96	6.62	5.14	3.96	6.53	5.36	3.79	5.37	48.7%	11.2%	-22.4%	-23.0%	64.8%	-17.9%	-29.4%	41.8%
Telecommunication providers	8.95	10.76	12.32	15.36	13.04	22.08	13.38	11.14	14.59	20.2%	14.6%	24.6%	-15.1%	69.4%	-39.4%	-16.7%	30.9%

Credit bureau activity

Demand for credit reports decreased for the quarter

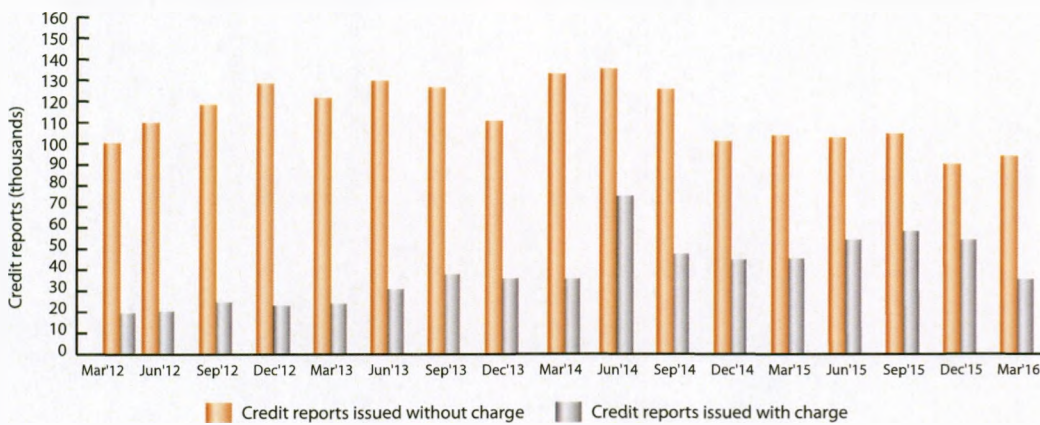
Of the total 129,458 credit reports issued to consumers at their request during the quarter ended March 2016, 72.6% (93,977) were issued without charge, and the remaining 27.4% (35,481) were issued with charge. The total number of credit reports issued decreased by 10.2% quarter-on-quarter and 13.2% year-on-year.

See Table 8 and Figure 7 for details.

Table 8: Credit reports issued

Credit reports:	Number of credit reports										Percentage change								
	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Dec 13 to Mar 14	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15	Dec 15 to Mar 16
Issued without charge	110,803	133,216	135,650	125,689	101,119	103,771	102,967	104,688	90,150	93,977	20.2%	1.8%	-7.3%	-19.5%	2.6%	-0.8%	1.7%	-13.9%	4.2%
Issued with charge	35,854	35,613	75,019	47,505	44,804	45,451	54,283	58,435	54,060	35,481	-0.7%	110.7%	-36.7%	-5.7%	1.4%	19.4%	7.6%	-7.5%	-34.4%
Total issued	146,657	168,829	210,669	173,194	145,923	149,222	157,250	163,118	144,210	129,458	15.1%	24.8%	-17.8%	-15.7%	2.3%	5.4%	3.7%	-11.6%	-10.2%

Figure 7: Credit reports issued



Consumer disputes

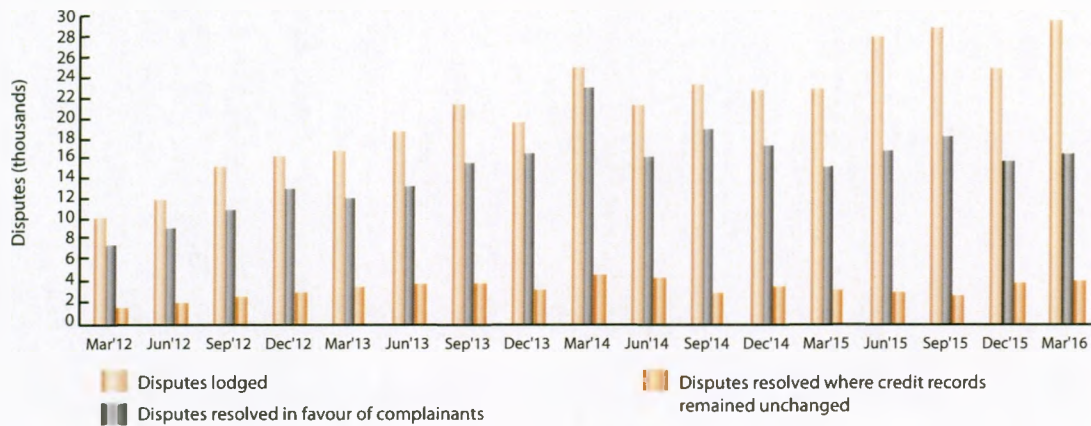
In the quarter ended March 2016, 29,558 disputes were lodged in respect of the accuracy of the information recorded on consumer credit records. This was an increase of 18.6% quarter-on-quarter and 29.0% year-on-year. More disputes were resolved in favour of complainants (16,587) as compared to disputes where credit records remained unchanged (4,246).

See Table 9 and Figure 8 for details.

Table 9: Disputes

Disputes:	Number of disputes									Percentage change							
	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Mar 14 to Jun 14	Jun 14 to Sep 14	Sep 14 to Dec 14	Dec 14 to Mar 15	Mar 15 to Jun 15	Jun 15 to Sep 15	Sep 15 to Dec 15	Dec 15 to Mar 16
Lodged	25,005	21,339	23,334	22,822	22,912	27,988	28,856	24,920	29,558	-14.7%	9.3%	-2.2%	0.4%	22.2%	3.1%	-13.6%	18.6%
Resolved in favour of complainants	23,016	16,307	19,003	17,397	15,349	16,896	18,275	15,870	16,587	-29.1%	16.5%	-8.5%	-11.8%	10.1%	8.2%	-13.2%	4.5%
Resolved where credit record remained unchanged	4,839	4,582	3,117	3,710	3,371	3,187	2,845	4,068	4,246	-5.3%	-32.0%	19.0%	-9.1%	-5.5%	-10.7%	43.0%	4.4%

Figure 8: Disputes



Definitions

Terms used in this report	Definitions
Credit-active consumers	Consumers obligated to pay credit providers and/or service providers, etc. These obligations result in transactional entries on the consumer's credit record at the credit bureaus.
Impaired record	A record on which a consumer and/or any of the accounts, are either classified as three or more payments or months in arrears, or which has an "adverse listing", or that reflects a judgment or administration order.
Good standing	An account or consumer showing as current or on which the client has not missed more than one or two instalments, which has no adverse listings and has no judgments.
Adverse listing	Accounts with adverse classifications such as 'handed over' and/or 'written-off'.
Current	A consumer or account is up-to-date with payments and has not missed any instalment over the period of the credit agreement.

Notes

1. Where values have been rounded off, the percentage calculations and summed totals are calculated off the unrounded values.
2. Refer to the NCR website for complete tables of thirty six quarters from June 2007 to March 2016.

Third Quarter | September 2016

Consumer Credit Market Report

Executive Summary

This report and its appendix represent the analysis of quarterly data of the South African consumer credit market in terms of the National Credit Act which came into effect in June 2006.

The total value of new credit granted increased from R108.32 billion to R117.51 billion for the quarter ended September 2016, an increase of 8.49% when compared to the previous quarter and a decrease of 5.18% year on year. The number of applications for credit increased by 132,000 from 9.95 million in June 2016 to 10.08 million in September 2016, representing an increase of 1.33% for the quarter. The rejection rate for applications was 52.90%.

The Banks' share of total granted was R88.34 billion (75.17%), Retailers R4.26 billion (3.62%), Non Bank financiers R10.59 billion (9.01%) and "Other credit providers" R14.33 billion (12.20%). Other credit providers consists primarily of pension backed lenders, developmental lenders, micro loan lenders, agricultural lenders, insurers, non bank mortgage lenders and securitised debt.

The total outstanding gross debtors book of consumer credit for the quarter ended September 2016 was R1.67 trillion, representing a quarter-on-quarter growth of 0.50%. The number of accounts decreased by 1.78% for the quarter ended September 2016. Mortgages accounted for R867.25 billion (51.88%); "Secured credit agreements" for R379.05 billion (22.68%); Credit facilities for R217.91 billion (13.04%); Unsecured credit for R163.17 billion (9.76%); Developmental credit for R41.34 billion (2.47%) and Short-term credit for R2.83 billion (0.17%) of the total gross debtors book.

The following were some of the most significant trends observed for the quarter ended September 2016

- The value of mortgages granted increased by 1.98% quarter-on-quarter from R35.87 billion to R36.58 billion;



For further information on credit bureau information, please access the Credit Bureau Monitor on www.ncr.org.za

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- Secured credit granted increased from R35.96 billion for June 2016 to R37.57 billion for September 2016 (a quarter-on-quarter increase of 4.48%);
- Unsecured credit agreements increased from R20.60 billion for June 2016 to R22.65 billion for September 2016 (a quarter-on-quarter increase of 9.92%);
- Credit facilities which consist mainly of credit cards, store cards and bank overdrafts increased by 12.62% quarter-on-quarter from R12.05 billion to R13.57 billion;
- Short-term credit showed a quarter-on-quarter increase of 7.20% from R2.92 billion to R3.13 billion;
- Developmental credit showed a quarter-on-quarter increase of 335.70% from R922.16 million to R4.02 billion.

Introduction

The Consumer Credit Market Report is issued by the National Credit Regulator. It is based upon returns which credit providers are required to submit in terms of the National Credit Act (NCA). The statistics presented in this report cover the quarters up to 30 September 2016 (2016-Q3).

The reporting requirements of the NCA differentiate between small credit providers, defined as credit providers for whom annual disbursements are less than R15 million, and larger credit providers. Credit providers with annual disbursements of more than R15 million are required to submit quarterly returns. Credit providers with annual disbursements of less than R15 million are only required to submit annual returns. The statistics included in the report follow the scope and definitions in the NCA. The report thus reflects all consumer credit, as well as agreements with juristic persons with a turnover or net assets of less than R1 million. It excludes all other juristic persons. The reporting quarters (Q) in the CCMR are as explained in the table below:

Quarters	Reporting period
Quarter 1 (Q1)	1 January – 31 March
Quarter 2 (Q2)	1 April – 30 June
Quarter 3 (Q3)	1 July – 30 September
Quarter 4 (Q4)	1 October – 31 December

“Secured credit” in this report refers to transactions which were classified as “Other credit agreements” in the previous Consumer Credit Market Reports. This credit type includes transactions that do not fall within any of the other categories in the NCA. It includes a range of secured credit agreements, such as pension-backed loans, Insurance-backed loans, retail furniture accounts and motor vehicle accounts and consists of all credit that is secured, other than mortgages and credit facilities. Detailed tables on the data shown in this report can be found in the Appendix.

Abbreviations - “year-on-year (y-o-y)” as used in this report refers to a comparison of the quarter ended September 2015 to the quarter ended September 2016 and “quarter-on-quarter (q-o-q)” refers to a comparison of the quarter ended June 2016 to the quarter ended September 2016. The totals reported in the “Credit granted” sections do not add up to the totals reported in the “Level of income” sections due to loans granted to juristic persons where the level of income is not reported by credit providers. This applies to all the credit types reflected in this report.

1. Market overview

The value of the outstanding gross debtors book as depicted in Figure 1.1 increased by R8.26 billion (0.50%) for the quarter ended September 2016. The value of credit granted to consumers increased by R9.19 billion (8.49%) from R108.32 billion to R117.51 billion for the quarter ended September 2016.

Figure 1.1 Total credit granted and gross debtors book at September 2016

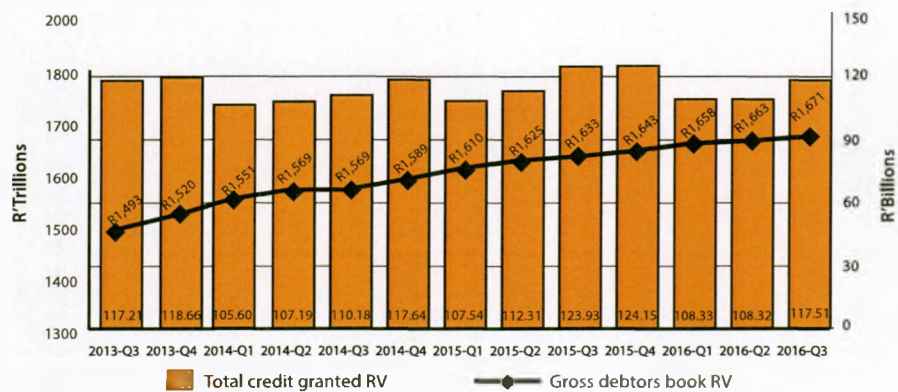


Table 1.1: Credit granted

Agreements	2015-Q3 R000	2015-Q4 R000	2016-Q1 R000	2016-Q2 R000	2016-Q3 R000	% Change (Q3/Q2)	% Change (Y/Y)
Credit transactions	106,383,359	110,179,397	95,022,336	96,268,376	103,939,423	7.97%	-2.30%
Credit facilities	17,551,427	13,967,635	13,308,871	12,051,903	13,573,384	12.62%	-22.67%
Total	123,934,786	124,147,032	108,331,207	108,320,278	117,512,808	8.49%	-5.18%

1.1 Credit granted

The value of consumer credit granted for the quarter ended September 2016 showed an increase of R9.19 billion (8.49%) when compared to the quarter ended June 2016 as depicted in Table 1.1. On a year on year basis the value of credit granted declined by R6.42 billion (5.18%).

Table 1.2: Credit granted – number of agreements

Agreements	2015-Q3 000	2015-Q4 000	2016-Q1 000	2016-Q2 000	2016-Q3 000	% Change (Q3/Q2)	% Change (Y/Y)
Number of credit transactions	3,489	3,704	2,814	2,419	2,584	6.79%	-25.94%
Number of credit facilities	2,289	1,711	1,960	2,090	2,077	-0.60%	-9.25%
Total	5,778	5,415	4,774	4,509	4,661	3.37%	-19.33%

The total number of credit agreements entered into was 4.66 million for the quarter ended September 2016. This was an increase of 3.37% when compared to the previous quarter as indicated in Table 1.2. On a y-o-y basis the total number of credit agreements entered into decreased by 19.33%.

Table 1.3: Credit granted – per industry

Agreements	2015-Q3 R000	2015-Q4 R000	2016-Q1 R000	2016-Q2 R000	2016-Q3 R000	2016-Q3 % Distribution	% Change (Q3/Q2)	% Change (Y/Y)
Banks	94,640,969	96,524,792	81,463,176	83,895,115	88,338,117	75.17%	5.30%	-6.66%
Non-bank vehicle financiers	10,293,565	11,089,597	8,924,954	10,115,317	10,586,568	9.01%	4.66%	2.85%
Retailers	4,539,449	3,687,792	2,938,713	2,972,729	4,255,821	3.62%	43.16%	-6.25%
Other credit providers	14,460,802	12,844,851	15,004,364	11,337,116	14,332,301	12.20%	26.42%	-0.89%
Total	123,934,786	124,147,032	108,331,207	108,320,278	117,512,808	100.00%	8.49%	-5.18%

Banks accounted for 75.17% of the total value of credit granted for the quarter ended September 2016 as indicated in Table 1.3. The balance was shared by non-bank vehicle financiers (9.01%), retailers (3.62%) and other credit providers (12.20%).

Table 1.4: Number of applications received and rejected

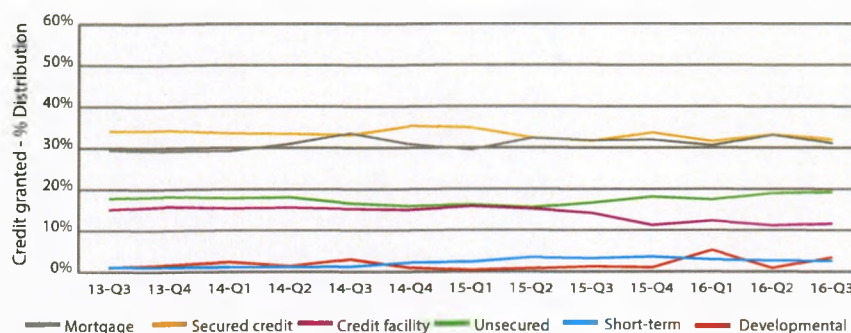
Agreements	2015-Q3 000	2015-Q4 000	2016-Q1 000	2016-Q2 000	2016-Q3 000	% Change (Q3/Q2)	% Change (Y/Y)
Number of applications received	11,847	11,317	9,990	9,951	10,084	1.33%	-14.88%
Number of applications rejected	6,248	5,890	5,371	5,417	5,334	-1.53%	-14.63%
% of applications rejected	52.74%	52.05%	53.76%	54.44%	52.90%		

The rejection rate decreased from 54.44% for the quarter ended June 2016 to 52.90% for the quarter ended September 2016 as indicated in Table 1.4. The number of applications received increased by 1.33% and the number of applications rejected decreased by 1.53% for the quarter ended September 2016.

Table 1.5: Credit granted – credit type

Agreements	2015-Q3 R000	2015-Q4 R000	2016-Q1 R000	2016-Q2 R000	2016-Q3 R000	2016-Q3 % Distribution	% Change (Q3/Q2)	% Change (Y/Y)
Mortgages	39,389,513	39,638,417	33,117,940	35,867,070	36,578,163	31.13%	1.98%	-7.14%
Secured credit	39,234,177	41,772,337	34,162,984	35,956,471	37,566,481	31.97%	4.48%	-4.25%
Credit facilities	17,551,427	13,967,635	13,308,871	12,051,903	13,573,384	11.55%	12.62%	-22.67%
Unsecured credit	20,655,901	22,466,738	18,878,324	20,603,334	22,647,455	19.27%	9.92%	9.64%
Short-term credit	4,069,338	4,492,852	3,214,364	2,919,345	3,129,516	2.66%	7.20%	-23.10%
Developmental credit	3,034,431	1,809,053	5,648,723	922,157	4,017,809	3.42%	335.70%	32.41%
Total	123,934,786	124,147,032	108,331,207	108,320,278	117,512,808	100.00%	8.49%	-5.18%

Figure 1.2: Credit granted – percentage distribution



The Unsecured credit share of total credit granted increased from R20.60 billion for the quarter ended June 2016 to R22.65 billion for the quarter ended September 2016 as indicated in Table 1.5 and Figure 1.2. Mortgages' share of total credit granted increased from R35.87 billion for the quarter ended June 2016 to R36.58 billion for the quarter ended September 2016.

Table 1.6: Gross debtors book – credit type

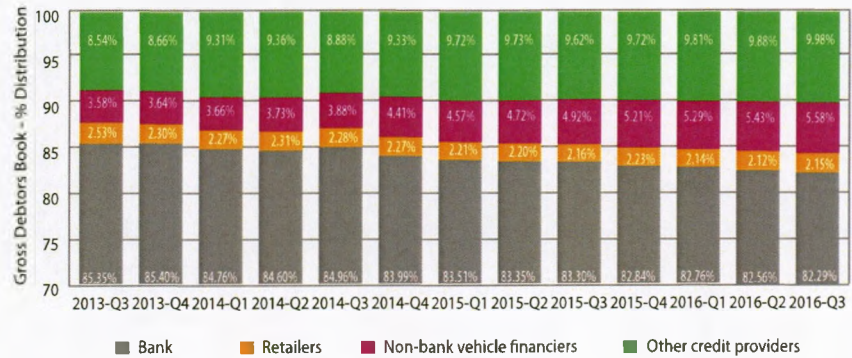
Agreements	2015-Q3 R000	2015-Q4 R000	2016-Q1 R000	2016-Q2 R000	2016-Q3 R000	2016-Q3 % Distribution	% Change (Q3/Q2)	% Change (Y/Y)
Mortgages	862,257,853	855,771,031	863,372,793	866,070,424	867,252,540	51.88%	0.14%	0.58%
Secured credit	361,335,749	369,573,184	370,506,281	374,586,638	379,052,289	22.68%	1.19%	4.90%
Credit facilities	212,035,018	216,038,768	219,202,997	218,996,856	217,909,982	13.04%	-0.50%	2.77%
Unsecured credit	161,760,517	164,686,255	165,164,069	162,722,321	163,168,262	9.76%	0.27%	0.87%
Short-term credit	3,234,447	3,637,649	3,091,250	3,032,471	2,828,860	0.17%	-6.71%	-12.54%
Developmental Credit	32,249,176	33,567,090	36,885,125	37,882,941	41,344,465	2.47%	9.14%	28.20%
Total	1,632,872,759	1,643,273,977	1,658,222,516	1,663,291,651	1,671,556,397	100.00%	0.50%	2.37%

There was a q-o-q growth of R8.26 billion (0.50%) in the value of gross debtors book for the period ended September 2016 as indicated in Table 1.6. The corresponding y-o-y growth was R38.68 billion (2.37%). The Mortgage credit book grew by R1.18 billion (0.14%) q-o-q and by R4.99 billion (0.58%) on a y-o-y basis. The Secured book grew by R4.47 billion (1.19%) q-o-q and by R17.72 billion (4.90%) on a y-o-y basis.

Table 1.7: Gross debtors book – industry type

Industry	2015-Q3 R000	2015-Q4 R000	2016-Q1 R000	2016-Q2 R000	2016-Q3 R000	2016-Q3 % Distribution	% Change (Q3/Q2)	% Change (Y/Y)
Banks	1,360,180,846	1,361,226,785	1,372,295,561	1,373,255,171	1,375,553,447	82.29%	0.17%	1.13%
Retailers	35,315,312	36,701,223	35,560,391	35,298,222	35,895,469	2.15%	1.69%	1.64%
Non-bank vehicle financiers	80,305,480	85,607,679	87,711,398	90,396,445	93,312,822	5.58%	3.23%	16.20%
Other credit providers	157,071,122	159,738,291	162,655,166	164,341,814	166,794,660	9.98%	1.49%	6.19%
Total	1,632,872,759	1,643,273,977	1,658,222,516	1,663,291,651	1,671,556,397	100.00%	0.50%	2.37%

Figure 1.3: Gross debtors book – industry type



There was an increase q-o-q (0.50%) and y-o-y (2.37%) in the gross debtors book per industry type as indicated in Table 1.7 and illustrated in Figure 1.3.

Table 1.8: Gross debtors book – number of accounts

Agreements	2015-Q3 000	2015-Q4 000	2016-Q1 000	2016-Q2 000	2016-Q3 000	2016-Q3 % Distribution	% Change (Q3/Q2)	% Change (Y/Y)
Mortgages	1,815	1,790	1,784	1,771	1,758	4.45%	-0.75%	-3.17%
Secured credit	4,200	4,184	4,012	3,894	3,836	9.72%	-1.49%	-8.67%
Credit facilities	26,253	26,334	26,139	25,969	25,728	65.20%	-0.93%	-2.00%
Unsecured credit	6,561	6,518	6,391	6,137	5,891	14.93%	-4.00%	-10.21%
Short-term credit	1,377	1,295	1,123	1,268	1,089	2.76%	-14.09%	-20.89%
Developmental credit	1,085	1,122	1,141	1,136	1,159	2.94%	1.99%	6.79%
Total	41,292	41,241	40,589	40,175	39,461	100.00%	-1.78%	-4.43%

The number of accounts that make up the debtors book decreased by 1.78% from 40.18 million to 39.46 million for the quarter ended September 2016. The total number of accounts decreased by 4.43% on a y-o-y basis. Credit facilities had a biggest share of 65.20% of the total number of accounts for the quarter ended September 2016 as indicated in Table 1.8.