

Retailers oppose debt-relief plan

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Retailers have joined the banks in opposing prescriptive "one-size-fits-all" debt-relief measures, arguing that debt review and debt counselling provide a "robust framework" for consumers to seek voluntary debt relief.



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The argument was made in a submission by the National Clothing Retail Federation of SA to Parliament's trade and industry portfolio committee which is considering whether legislation on debt relief is necessary. The committee expects to reach a decision before Parliament goes into recess in two weeks' time.

Speaking on behalf of the federation, Foschini Financial Services MD Jane Fisher emphasised that standardised debt relief for predetermined groups of consumers such as farmers or students would foster a culture of nonpayment among these groups and drive up the cost of credit.

Where retail customers became overindebted, retailers offered personalised and customised repayment options to assist in rehabilitation. These took into account individual circumstances and included extending the repayment period, reducing the monthly repayment amount, waiving fees on highly delinquent accounts and settlement campaigns in the case of default.

Fisher said the federation would support the inclusion of the principles of the voluntary debt counselling rules system in the industry's code of conduct so that they could be used by the entire credit industry to assist with overindebtedness.

Another suggestion was for credit providers to be able to list consumers who were under statutory debt counselling or part of a voluntary debt-relief programme with a credit bureau to prevent them from becoming further indebted.

Adrian Williams, an ANC MP and chairman of the subcommittee tasked with formulating recommendations for debt relief, criticised clothing retailers for making credit too easily available. But Fisher said retailers applied low credit limits until customers established a good track record. The rate of decline of applications exceeded 50%.

DA spokesman on trade and industry Geordin Hill Lewis said he found "inexplicable" the court challenge by Foschini, Truworths and Mr Price against the legal obligation on credit providers to require proof of income when undertaking affordability assessments of their clients.

Fisher said it was often impossible to get proof of income from workers in the informal market such as street traders or from domestic workers.

Summit Financial Partners CEO Clark Gardner made an impassioned plea for amendments to the National Credit Act to allow complainants direct access to the National Consumer Tribunal and to the courts without having to obtain a certificate from the National Credit Regulator which he said was weak and ineffective. Gardner and philanthropist Wendy Appelbaum have been critical of the National Credit Regulator for its failure to enforce the act against reckless lenders.

Source: Business Day

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