

# Credit amnesty a challenge for credit lenders

Credit lenders should rather look for new ways of deriving consumer information on which to base their lending decisions, and not complain about the new credit amnesty which was implemented on 1 April 2014.



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Speaking at the dawn of the new credit amnesty Nathan January, CEO of online credit lender wanna loan?, says the regulation may prove to be an opportunity for the industry in the long run. "Lending decisions are too reliant on consumers' credit history. This regulation and future regulations will force credit providers to be more innovative about data and data sources that inform their decisions," explains January.

The credit amnesty is an intervention by government to open up opportunities for consumers whose credit record unfairly discriminates them from accessing credit and from securing work opportunities. "It is, however, important to note that this regulation does not 'wipe' the slate clean for consumers," says January.

## Adverse credit information

As part of its roll-out, credit bureaus are legislated to, within the next two months, remove from their registers all adverse credit information about consumers who have settled their debt. They are also prohibited from displaying or providing information that ought to be removed to anyone.

According to January, credit history and credit judgements are in any case not necessarily an accurate reflection of consumer behaviour. "There are other variables at play. Lending decisions that are based primarily on traditional methods, such as credit history, are short-sighted and outdated." He says their lending decisions are derived using information other than just credit data held by bureaus.

According to the FinScope SA 2013 Consumer Survey, 36% of people took out unsecured loans for building and

renovations. 11% took out a loan for education (8% for their child, 25% for themselves). 19% took out a loan for monthly fees or unexpected personal expenses such as doctors' bills.

## **Consumer education**

"We are in support of this regulation and what it seeks to achieve," says January. However, its success will be dependent upon other factors, including consumer education. "There isn't enough information about this regulation. Without adequate consumer awareness, this credit amnesty could become a flop."

But it's not up to government alone to educate consumers, concludes January. "The credit industry must also engage in consumer education - and banks, particularly, have a bigger role to play compared to micro and online lenders."

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