

Banks likely to implement stricter lending regulations

Banks are now more than ever before likely to continue to implement stricter lending regulations.



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This is the reaction by Gary Palmer, CEO of Paragon Lending Solutions, following the announcement by the Governor of the South African Reserve Bank, Lesetja Kganyago, to increase repo rate by 25 basis points to 6% per annum and interest rates by the same magnitude to 9.5% per annum.

"An interest rate hike has been on the cards for a long time, especially with inflation increasing fuelled by petrol and food price hikes and the devaluing of the rand, which may reduce business confidence further," Palmer says. "As such, all indications are that consumers will battle with the price hikes and consequently default on loan payments and lead to banks tightening their lending restrictions once again."

Palmer says that banks are favouring bigger property transactions over smaller ones and that as a result, high net worth individuals wanting to transact smaller property deals are turning to non-bank lenders for finance, as they are not bound by the same stringent regulations as banks, and are able to assist with loan and origination transactions.

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