

## Impaired records due to economy concern NDMA

High levels of unemployment and increased levels of real inflation have led to more consumers not being able to service their debt, says Magauta Mphahlele, CEO of the National Debt Mediation Association (NDMA).

National Credit Regulator (NCR) figures for the June quarter showed an increase in the number of consumers with impaired records of 170,000 to 9.22 million, from 9.05 million in the previous quarter. Mphahlele said the increase was concerning.

Mphahlele said with nearly 1 in 5 consumers more than three months in arrears, they were most likely in the process of being handed over for legal action and may have already received a legal letter in terms of the National Credit Act. "Experience has shown that most consumers don't respond to this letter and don't understand how to negotiate the restructuring of their debt repayments, which means they are then vulnerable to legal action."

She said consumers could choose to go under formal debt counselling if their debt stress is serious and likely to be long term, but where the debt stress is short term or a legal notice has been issued, consumers can approach the credit provider directly to work on a plan to bring payments up to date, or they can approach consumer courts or other alternate dispute resolution agents for assistance.

She said another alternative was to approach the NDMA which would assist them to develop an income and expenditure document as well as a proposed repayment plan to bring their repayments up to date. After assisting hundreds of consumers with this process, the NDMA says it is aware that many consumers find it very difficult to draw up and provide all the documents required by the credit provider who needs certain information before providing concessions.

A customer with an impaired record refers to one who is three or more months in arrears and whose accounts have been handed over to debt collectors, or written off.

She said it was worrying that the NCR figures showed that consumers regarded as being in good standing fell by 60,000 to 10.38-million. "This means that nearly half of the 19.6-million credit-active consumers at the end of June were not in good standing."

A client in good standing refers to one who has not missed more than one or two instalments, who does not have court judgments for debt against him or her, and whose account has not been written off or handed over to debt collectors.

The NCR said 14.4% of consumers were 1-2 months in arrears; 19.9% were three or more months in arrears; while 13.3% had an adverse listing against them; and 14.2% had judgments or administrative orders against them. Only 38.6% of consumers were currently up to date with their repayments.

"It's not a pretty picture, with more consumers likely to fall behind on their payments due to the tough economic environment," says Mphahlele. "Over-indebted consumers need to talk to their credit providers as soon as they realise they may not be able to make their repayments - the sooner the better."

Mphahlele explained that organisations such as the NDMA are there to assist consumers through this difficult and intimidating process and urged them to take advantage of this free and independent service.

For more, visit: <https://www.bizcommunity.com>