

## Calls for yet another credit amnesty

Credit information services company Experian SA found that more than 2-million South Africans could be affected by a proposed credit information amnesty that seeks to provide relief to indebted consumers and improve their access to credit.

By Helmo Preuss 7 May 2013



Experian SA was commissioned by the National Credit Regulator (NCR) and the Department of Trade and Industry (DTI) to investigate the effect of the proposed credit information amnesty.

If implemented, this would be the second such amnesty in six years.

The new amnesty proposed that any judgments granted against consumers between 2006 and 2011 equating to or below R10,000 be removed from the records, irrespective of non-payment, but not written off.

It also proposed that judgments above R10,000 granted between 2006 and 2011 be removed from all credit records on submission of evidence of settlement.

Furthermore, accounts on which no payment was received for a period of at least 24 months up until December last year will be removed if the amnesty is implemented. These exclude accounts where there is no contractual requirement for monthly payments to be made.

In February SA's banking sector rejected a proposal by the DTI for a credit amnesty for highly-indebted individuals.

The sector told Parliament that an amnesty was a "bad idea" because it would create risk and encourage inappropriate "culture and practice" among other things.

Parliament has been pushing hard for a proposed second credit amnesty, which would see certain blacklisted individuals removed from the credit providers' blacklists.

### Removal of public information

Experian SA found that of the affected consumers, about 70% earn less than R10,000 per month.

"The removal of public information - judgments and defaults - does not change the fact that these accounts are performing badly as profile information doesn't change. These behavioural trends are still identified by scorecards that are the main tool used to assess probability of poor repayment," said David Coleman, head of analytics at Experian SA.

"As such, based on our findings, the only industry that the amnesty will have some impact on would be the micro lending sector, where affected consumers are expected to score higher. More stringent affordability criteria need to be considered, the definition of dormant information should be redefined and the impact of the global financial crisis on the middle class should be considered," he said.

The National Credit Regulator recommended in February that African Bank be fined R300m for failing to prevent some of its agents and customers from colluding to obtain loans fraudulently.

Meanwhile, market jitters over African Bank's unsecured lending led to its share price falling by 4% on Monday (6 May) after it shed 17% on Friday (3 May) after the bank warned, in a trading statement, that its earnings were expected to be between 25% and 28% lower, partly as a result of loan defaulters.

African Bank's interim results are due to be published later this month.

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