

NATIONAL CREDIT REGULATOR

PROGRESS REPORT ON DEBT FORGIVENESS PROGRAMME

*Presentation to the Portfolio Committee on
Trade & Industry*

*By Ms Nomsa Motshegare, NCR CEO
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PROPOSALS FROM THE STUDY

(1) To introduce various debt forgiveness programmes:

- *Retrenched workers in the mining and steel sectors – UIF & NSF to fund programme;*
- *Credit providers – Voluntary participation in assuming losses for debt relief;*
- *Residual Debt Services Limited (African Bank bad book): Audit to identify reckless loans;*
- *NSFAS: Student loan forgiveness programme;*
- *Engagements with relevant key stakeholders to commence to obtain buy in;*

(2) Proposal to extend NCR powers: a Bill to be drafted & has been drafted

BACKGROUND

- *State of the consumer credit industry as at 30 June 2016: Total outstanding consumer credit balances was R1.66 trillion (increase of 2.3% yr-on-yr); 23.88million credit active consumers - Number of accounts at 84 million; Impaired accounts increased from 19.9million to 20.2 million (repr. 24% of # of accounts): 0.48% increase;*
- *The Portfolio Committee on Trade & Industry raised concerns about levels of indebtedness and over-indebtedness of consumers in the country: In March 2016, NCR mandated to conduct study into feasibility of debt forgiveness for especially the poor consumers;*

ENGAGEMENT WITH KEY STAKEHOLDERS

1. Unemployment Insurance Fund (UIF)

UIF mandate is to provide assistance to workers who have lost jobs through unemployment benefits:

- *Retrenched workers; illness; maternity/adoption; dependent claims in the event of death of a contributor;*
- **Labour Activation Programmes:**
- **Training Lay-Off Scheme** – temporary suspension of workers who may be retrenched to be sent for training (for 6mths) for companies in distress – trainers forego normal wage and are paid training allowance: reduced costs of payroll for employer and improved skills of workers at no cost to company.

ENGAGEMENT WITH KEY STAKEHOLDERS continues

- ***Training of the Unemployed and Social Plan Funding*** – skilling of the unemployed beneficiaries – to increase chances of employment

The NCR met with UIF in June & October 2016: Potential Collaboration in the following areas:

- *Identification of reckless loans extended to retrenched workers: NCR powers enhancement through the bill;*
- *Obtain list of retrenched workers: identification of retrenched vs claims;*
- *Debt forgiveness (once off) for retrenched workers in the mining and steel sectors: Not within the UIF mandate, therefore intervention of 3 Ministers required. (dti, Departments of Labour and Finance).*

ENGAGEMENT WITH KEY STAKEHOLDERS continues

2. National Student Financial Aid Scheme

The NCR met with NSFAS in May 2016 and formally tabled a request to fund debt forgiveness for students who have graduated, but cannot obtain certificates due to outstanding fees and, therefore, are unable to start looking for jobs. From their submission, government through NSFAS has made and continues to make financial resources available to students in different circumstances.

3. National Skills Fund

They are already funding a comprehensive re-training programme for retrenched workers.

ENGAGEMENT WITH KEY STAKEHOLDERS continues

4. Credit Providers

The NCR has also commenced engagements with the credit providers, especially the banks and big retailers to voluntarily participate in the programme. The engagements have been positive. Standard Bank, FNB, Absa Bank and African Bank have submitted proposals which are under review. Awaiting further meetings and proposals from other credit providers.

5. Audit of Residual Debt Services Limited (RDSL) book for reckless lending:
Auditors appointed.

ENGAGEMENT WITH KEY STAKEHOLDERS continues

6. Amendments to the National Credit Act to effect debt forgiveness and extend the powers of the NCR

The NCR and the dti drafted amendments to the National Credit Act to effect debt forgiveness and extend the powers of the NCR to conduct pro-active investigations and audits, and to settle cases in appropriate circumstances.

Thank You

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