



South African Reserve Bank

National Credit Amendment Bill (Debt relief)

**Presentation to the Portfolio
Committee on Trade and Industry
17 October 2017**

Summary comments

- Thank you for the opportunity to engage with the Portfolio Committee
- We generally support the initiative to provide relief to over-indebted poor South Africans ('NINAs')
- Impact can only be assessed by us once the possible options are clearly defined, we request the opportunity to do a Quantitative Impact Study
- We think the role of debt counselling needs to be taken into account
- Insufficient evidence from our point of view to support proposed Ministerial powers
- Reckless lending enforcement?
- Financial stability needs to be protected

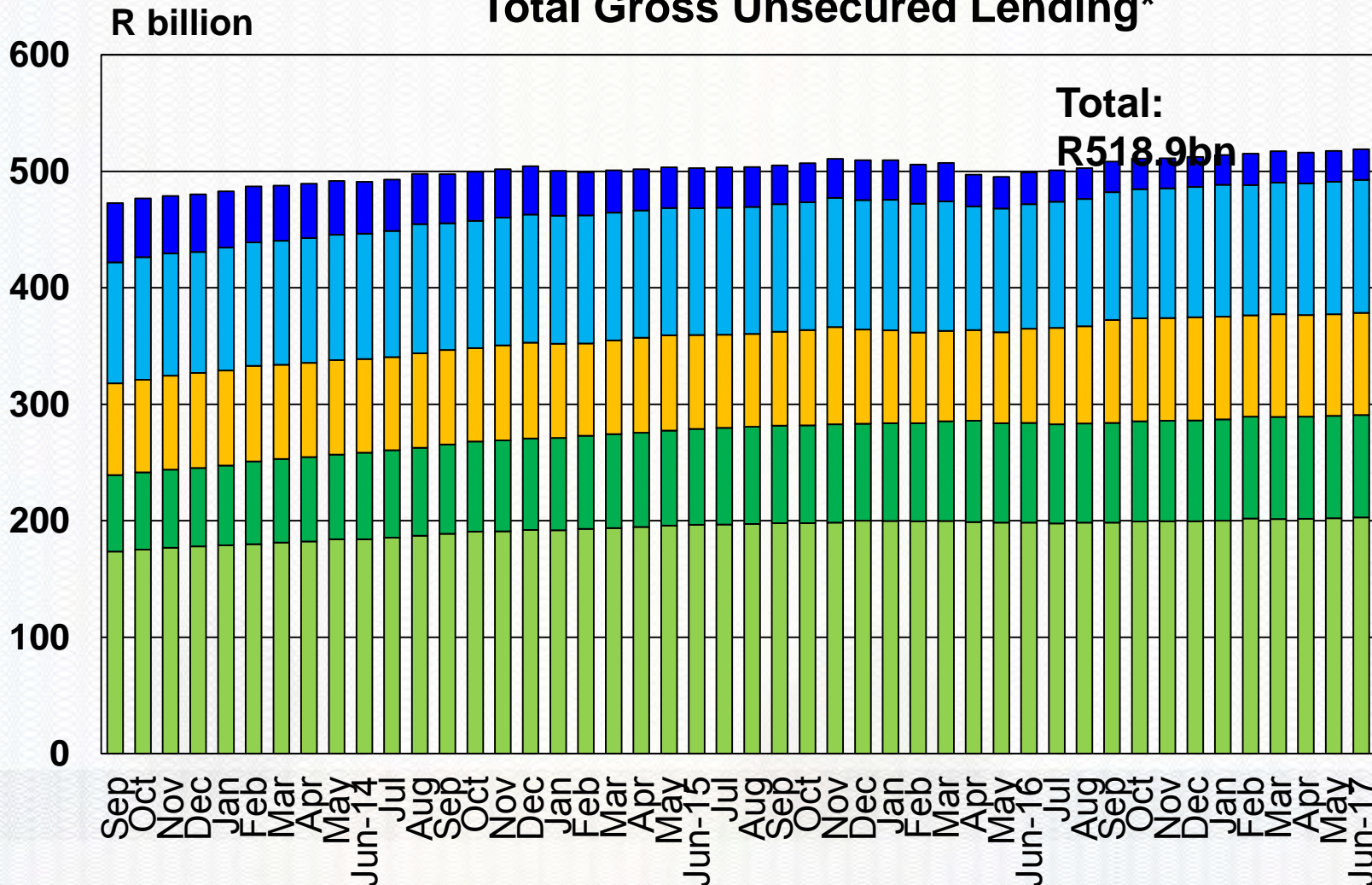
Specific comments – Basel impact

- If debt is suspended, it is likely to result in
 - Increased provisions for bad debts
 - Increased capital requirements
 - Basel 2 Standardised and IRB approaches to credit risk
 - The loss given default ratios are likely to increase
 - A negative impact on profits and therefore a knock-on effect on capital supply

Specific comments – Potential impact on banks and consumers

- Unintended consequences
 - Pricing – increased interest rates charged based on perceived riskiness
 - Access to credit decreased
 - Negative impact on bank-consumer relationship
 - Credit policies of banks may be redirected to less risk
- Less access from formal sector might drive vulnerable consumers to informal sector

Total Gross Unsecured Lending*

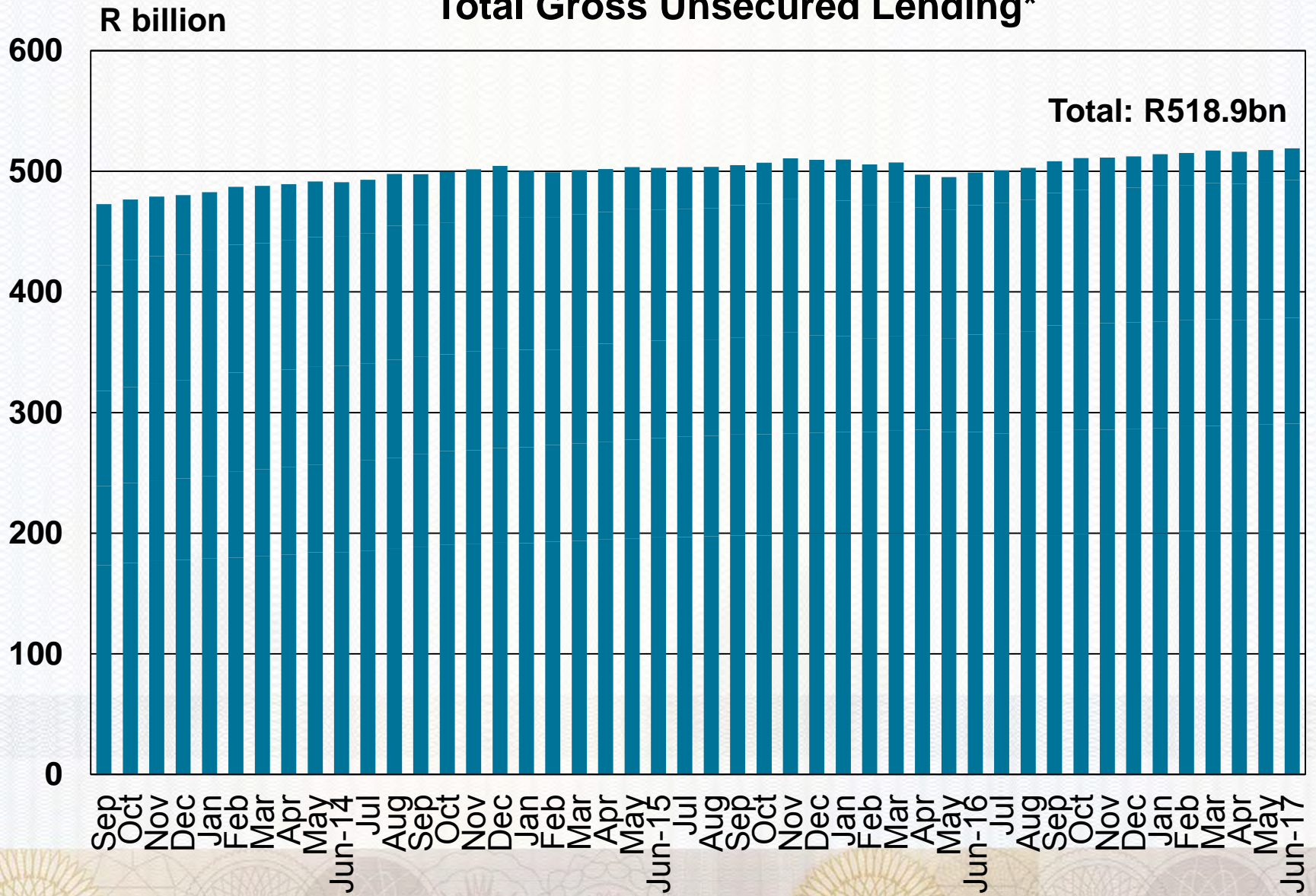


- Credit cards
- Other retail revolving credit
- SME retail
- Retail other (> R30 000)
- Retail other (<= R30 000)

*Note: Analysis includes 8 banks contributing >90% to the total unsecured lending market



Total Gross Unsecured Lending*



*Note: Analysis include 8 banks contributing >90% to the total unsecured lending market



Exposure to unsecured lending

- Unsecured lending is 11% of total credit and 27% of total retail credit
- We recommend that a Quantitative Impact Assessment be done based on specified criteria. Our understanding is that the criteria are still being discussed at a policy level.



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Thank you