
Standing Committee on Finance:

Briefing on VBS Mutual Bank & Capitec Bank

30 May 2018



National Credit Regulator

Presenters

Presenters:

Ms. Nomsa Motshegare – Chief Executive Officer

Mr. Lesiba Mashapa – Company Secretary

Outline of presentation

- Mandate of the NCR;
- Functions of the NCR;
- Compliance monitoring tools;
- Latest Pro-Consumer Regulations;
- VBS Mutual Bank's Compliance;
- VBS – Gross Debtors Book
- Capitec Bank's Compliance

Mandate of the NCR

- NCR operates under the ambit of the National Credit Act, No. 34 of 2005 (the Act);
- NCR was established in June 2006 and the Act came into effect in June 2007;
- Purpose: facilitate access to credit especially to those who have historically been unable to access credit; encourage responsible borrowing and discourage reckless lending; improve consumer credit information; provide for resolution of disputes; and enforce the Act.

Functions of the NCR

- Register credit providers, credit bureaus, debt counsellors, alternative dispute resolution agents, and payment distribution agents;
- Promote informal resolution of disputes;
- Monitor compliance with the Act;
- Develop public awareness of provisions of the Act;
- Study trends & developments in the consumer credit industry, conduct research and recommend policies to the Minister;
- Enforce the Act.

Compliance Tools

The following are the main tools employed by the NCR to monitor compliance with the National Credit Act, No. 34 of 2005:

- Complaints resolution;
- Compliance monitoring;
- Assurance engagement reports;
- Investigations;
- Statistical Returns.

Latest Pro-Consumer Regulations

- Review in interest rate caps: interest rate caps reduced - unsecured and short-term loans: 27.5% p.a and 5% per month for first loan and 3% for subsequent loans;
- Introduction of credit life insurance caps: R4.50 per R1000;
- Affordability assessment regulations: decreases in consumer impairments – adverse listings and judgement debt reduced;
- Determination of threshold for credit provider registration.

VBS: COMPLIANCE

- **Complaints Resolution:** Since registered as a credit provider in 2007, we have not received any complaints from consumers;
- **Assurance engagement reports:** No issues of non-compliance were reported by the auditors.
- **Investigations and enforcement:** No formal investigations or enforcement action have been taken against VBS;
- **Curatorship:** Bank is currently under curatorship.

VBS: Gross Debtors Book

- Banks own 81.6% of the R1.76 trillion debtors book of consumer credit
- VBS Mutual bank's book represent 0.05% of the share of banks' credit book;
- Credit products: Mortgage loans, Secured credit and Un-secured credit;
- The highest average loan sizes for secured credit was R1.8m extended in the 4th quarter (Q4) of 2015; for mortgage loans it was R3.3m extended in Q1 of 2017;

VBS: Gross Debtors Book (cont.)

- The average number of mortgage loans between Q3 2015 and Q3 2017 was 706; Secured credit was 146; unsecured was 56. Thus VBS' total accounts in terms of gross debtors book were 916 by Q3 2017.

Capitec Compliance

- Assurance Engagement Report: no issues of non-compliance with the Act were identified;
- During 2017, NCR conducted a compliance monitoring exercise which revealed that Capitec was issuing multiple loans to consumers within a short space of time; concerns with potential risks to consumers and the bank; bank advised to stop the practice;
- NCR has intensified its reviews on Capitec's lending practices.

THANK YOU