



**the dti**

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Department:  
Trade and Industry  
**REPUBLIC OF SOUTH AFRICA**

**Draft National Credit Amendment Bill, 2017 – Committee Bill on Debt Interventions.**

**Response to submissions received on specific published clauses.**

**1 August 2018.**

# INTRODUCTION

The Draft National Credit Amendment Bill seeks to introduce Financial Literacy training which is two fold:

- Financial Literacy Counselling (Section 86A(5)(a)) and
- Financial Literacy Training (Section 87A(2)(b)(ii)).



## GENERAL OVERVIEW ON TRAINING IMPLEMENTATION

- In implementing the financial training, the following must be in place:
  - **Development of training material:**

The NCR will consider any existing material, including any material used by the industry, which will be adapted to suit the targeted debt intervention consumers, including the translation thereof into all official languages.
  - **Appointment of suitably qualified trainers:**
    - The NCR to appoint internal trainers.
    - The Provincial Consumer Protection Offices and/or the relevant Seta's to be approached to determine their capacity to assist with training of consumers, which will include the use of their trainers and/or venues.
    - Outsourcing to external trainers.

## TRAINING METHODS

Training methods for Financial Literacy Counselling (Section 86A(5)(a)) will be the following:

- Online applicants- online training video to be developed;
- Cell phone app applicants- online training video to be developed;
- Applications received through the call centre- telephonic counselling will be provided;
- All other applicants- Face to face counselling through the NCR's resources or the Provincial Consumer Protection Offices resources.
- Radio sessions.

## TRAINING METHODS (continued)

Literacy training in terms of Section 87A(2)(b)(ii) will be as follows:

- Consumers able to attend face to face training-
  - Training to be provided by the NCR , any relevant Seta's as well as the Provincial Consumer Protection Offices.
- Applicants who are not able to attend face to face training-
  - Online training programme to be developed.

## Funding

It is envisaged that an estimated amount of R47 million will be required to successfully implement the prescribed financial literacy training, and this amount can be funded from the following financial resources:

- PDA interest;
- Increase in registration fee; and
- Increase in **the dti** allocation

**Immediate implementation  
actions: next 6 months**

- Review and revision of registration fees-last updated in 2016, and only once since 2007.
- Consultation and agreements with key stakeholders who provide financial literacy-develop MOUs.
- Further consultations with National Treasury.
- The development of the training materials.
- Ensure issues of accessibility, simplicity, literacy and language translations are taken into consideration.

## NT Comments

### Comments

- ✓ To provide for mandatory credit life insurance. The clause is supported, provided that it is done in such a way that it is cost effective and eliminates a need to subsequently extinguish debt on this basis. ➤
- ✓ A deeper discussion on the effects of these proposals in consultation with Financial Sector Conduct Authority and industry is recommended. ➤
- ✓ To enable the Minister to prescribe a credit intervention. The Bill overrides credit contracts by allowing Minister to prescribe debt intervention. Clause may be unconstitutional-may increase cost of credit and reduce the volume of credit. Clause should be deleted. ➤
- ✓ Minister to prescribe a financial literacy and capability programme. Efforts be coordinated to avoid duplication with the mandate of the FSCA under section 57 (b) (ii) of providing financial customers and potential financial customers. ➤

### Reponses by the dti

As already prescribed in s106 of the NCA, **the dti** will co-ordinate with NCR and Treasury together with FSCA to approach the industry to come up with a unique product specifically designed for debt intervention applicants.

The matter to be decided upon by the Committee. It has been noted and under discussions as per legal opinions sought.

The main focus of our training programme will be on access to credit, over indebtedness, debt intervention and debt review and other related aspects. The training will be streamlined to deal with credit and related aspects.

Other financial aspects in relation to sector specific laws, **the dti** will consult with National Treasury.

## Comments

- The term debt intervention application may be advisable to indicate that it refers to individuals as current wording may entail some sole proprietors and trusts may qualify. ➤
- The definitions of financial literacy and financial capability. It is proposed that financial literacy be deleted and financial capability be recaptured. ➤
- The proposed aims to extend the scope of the debt counsellor to decide on the maximum interest. The lack of defined guidelines on how fees are charged may render process unworkable. ➤

## Reponses by the dti

- The Bill is clear on who the debt intervention applicant is.
- The definition proposal has been considered to be amended. Financial literacy is an acceptable and more widely used term in policy discussions. Definition proposed to be amended.
- The clause advertised addresses the powers of the courts to reduce interest and fees, maximum of which is zero. Debt counselors make recommendations on the restructuring to the court. Debt counselors are not empowered to decide on interest.



## Comments

- Section 171 (2A) (a)-Still disagree with Regulation powers granted in terms of the section 171 debt intervention to be prescribed and recommend that the clause be removed.
- Socio economic impact assessment-implore that it focuses on both the impact and implementation of debt relief Bill

## Reponses by the dti

- The powers of the Minister to be decided upon by the Committee. The matter has been noted as per the legal opinions received.
- The impact assessment addresses both impact and the implementation of the Bill.



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THANK YOU