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# **Standing Committee on Finance:**

## **Briefing on VBS Mutual Bank & Capitec Bank**

**20 March 2018**



National Credit Regulator

# Presenters

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## Presenters:

**Ms. Nomsa Motshegare – Chief Executive Officer**

**Mr. Lesiba Mashapa – Company Secretary**

# Outline of presentation

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- Compliance monitoring tools
- VBS Bank: Compliance and statistics
- Capitec Bank: Compliance

# COMPLIANCE TOOLS

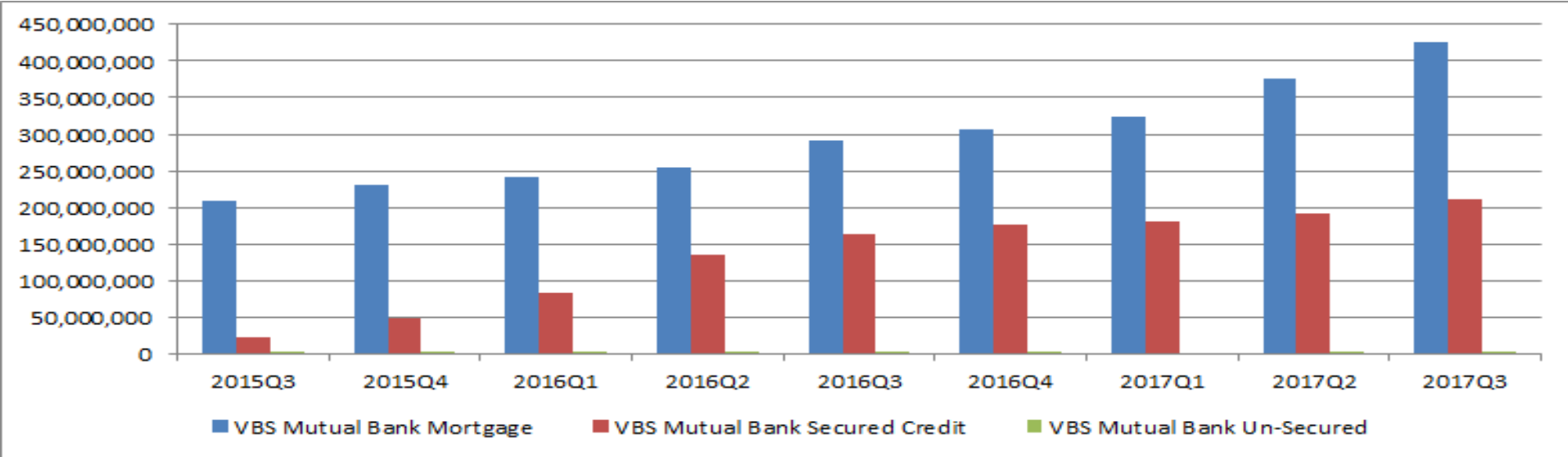
The following are the four main tools employed by the NCR to monitor compliance with the National Credit Act, No. 34 of 2005:

1. Complaints resolution;
2. Compliance monitoring;
3. Assurance engagement reports;
4. Investigations and enforcement;
5. Statistical Returns.

# VBS COMPLIANCE

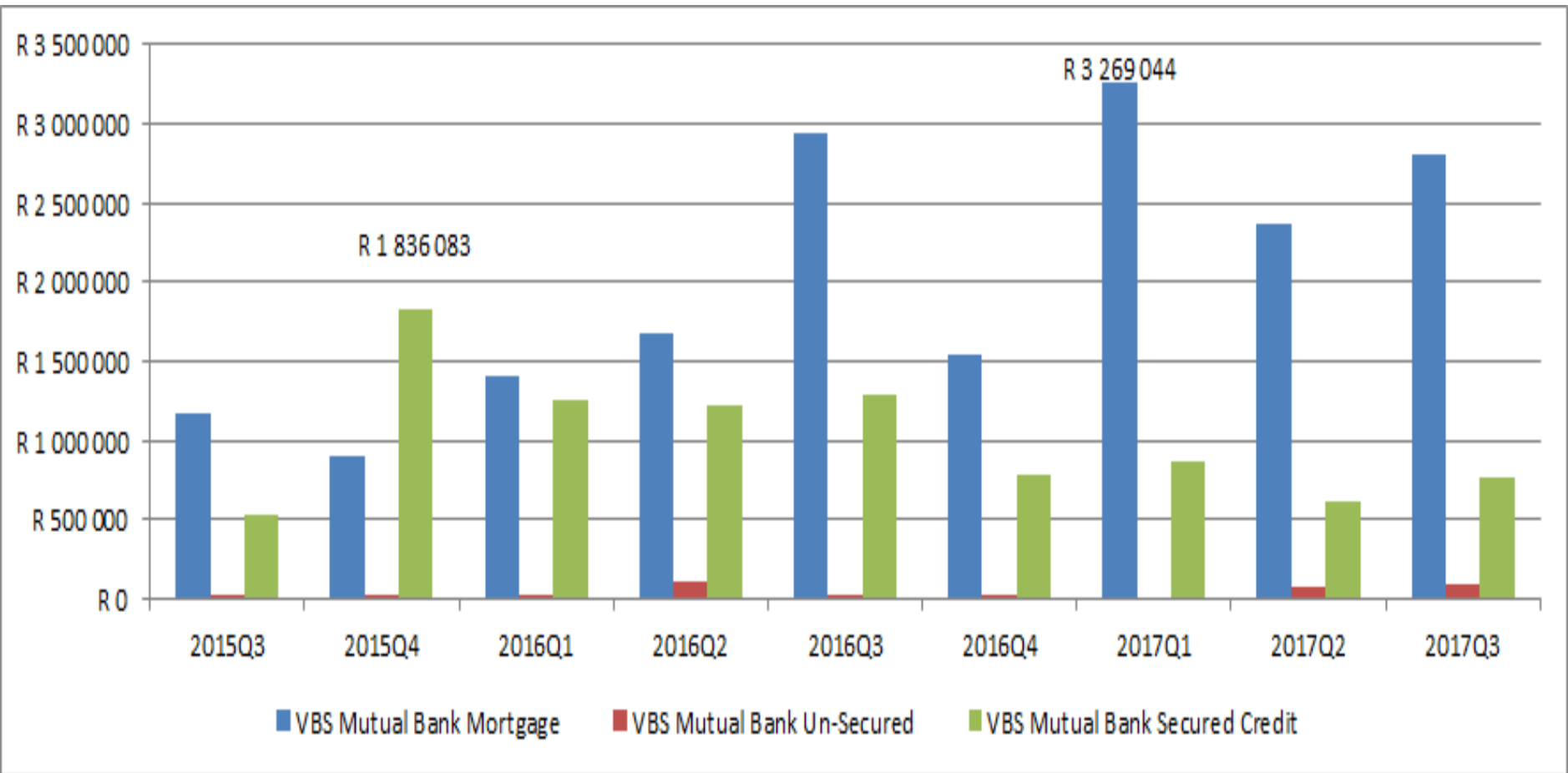
- **Complaints Resolution:** Since registered as a credit provider in 2007, we are not aware of any complaints received from consumers;
- **Compliance Monitoring:** No issues of non-compliance were identified through compliance monitoring;
- **Assurance engagement reports:** No issues of non-compliance have been reported by the auditors.
- **Investigations and enforcement:** No formal investigations or enforcement action have been taken against VBS.

# VBS gross debtors book: Rand values

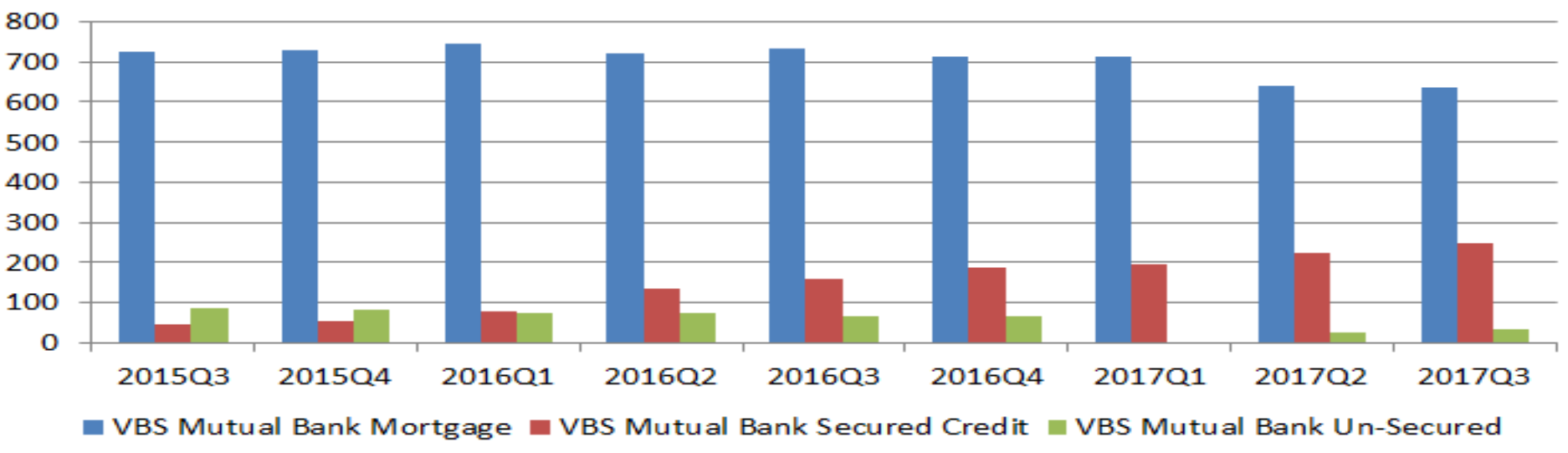


| Item                  | Gross value of Debtors book |             |             |             |             |             |             |             |             |             |
|-----------------------|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sum of Rand Value     |                             |             |             |             |             |             |             |             |             |             |
| Name of Entity        | Credit type                 | 2015Q3      | 2015Q4      | 2016Q1      | 2016Q2      | 2016Q3      | 2016Q4      | 2017Q1      | 2017Q2      | 2017Q3      |
| VBS Mutual Bank       | Mortgage                    | 208,132,735 | 230,303,285 | 240,805,160 | 254,912,351 | 291,564,534 | 307,213,451 | 323,471,044 | 375,783,757 | 425,337,479 |
|                       | Secured Credit              | 23,201,266  | 48,791,698  | 84,312,418  | 135,775,576 | 163,964,772 | 177,486,915 | 179,952,430 | 191,063,881 | 211,719,829 |
|                       | Un-Secured                  | 1,710,766   | 1,751,603   | 1,589,263   | 2,022,317   | 1,914,051   | 1,721,573   |             | 2,086,000   | 2,916,000   |
| VBS Mutual Bank Total |                             | 233,044,767 | 280,846,586 | 326,706,841 | 392,710,244 | 457,443,357 | 486,421,939 | 503,423,474 | 568,933,638 | 639,973,308 |

# VBS Loan Sizes



# VBS gross debtors book: Number of accounts



| Name of Entity               | Credit type    | 2015Q3     | 2015Q4     | 2016Q1     | 2016Q2     | 2016Q3     | 2016Q4     | 2017Q1     | 2017Q2     | 2017Q3     |
|------------------------------|----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| VBS Mutual Bank              | Mortgage       | 724        | 729        | 746        | 721        | 734        | 711        | 714        | 642        | 637        |
|                              | Secured Credit | 44         | 53         | 78         | 134        | 158        | 186        | 197        | 222        | 246        |
|                              | Un-Secured     | 85         | 83         | 75         | 75         | 66         | 64         |            | 25         | 33         |
| <b>VBS Mutual Bank Total</b> |                | <b>853</b> | <b>865</b> | <b>899</b> | <b>930</b> | <b>958</b> | <b>961</b> | <b>911</b> | <b>889</b> | <b>916</b> |



# Rand Value Gross Debtors Book Share By Banks

- Banks own 81.9% of R1.73 trillion debtors book of consumer credit in South Africa;
- VBS Mutual bank has only 0.05% share of the banks' credit book;
- Capitec Bank has 3.24% of the banks' share of debtors book;
- VBS lends to consumers in rural areas and townships.

# Capitec Compliance

- Complaints Resolution: During 2017, 90 complaints were received from consumers, and 86% of these complaints were resolved;
- In general the nature of complaints against banks relate to reckless lending, dispute on outstanding balances and terminations from debt review.

# Capitec Compliance (Cont.)

- **Compliance Monitoring:** During 2017 the NCR conducted a compliance monitoring on the Banks to establish whether any of them may have conducted business as was highlighted in the “Wells Fargo” saga.
- In Capitec multiple loans being issued to a consumer within a short space of time were discovered. This conduct is not necessarily in contravention of the NCA, but concerns raised were about potential risks to consumers and the bank.

# Capitec Compliance (Cont.)

- NCR advised the bank to stop the practice and this information was shared with the South African Reserve Bank;
- **Assurance engagement reports:** No issues of non-compliance have been reported by the auditors.

# Capitec Compliance (Cont.)

- **Investigations & enforcement:** 2 matters
- 1 matter resulted in a referral to the National Consumer Tribunal (NCT) – The NCR lost the case on technical grounds. The NCT ruled that the NCR did not have reasonable suspicion to investigate Capitec. This was further confirmed by the High Court on appeal;
- 2<sup>nd</sup> matter - investigation revealed no issues of non-compliance.

**THANK YOU**