



NATIONAL CREDIT REGULATOR - STATEMENT

November 2011

Spend wisely this festive and start the New Year debt-free

In collaboration with the South African Savings Institute (SASI) as part of its “Spend Wisely” campaign this festive season, the National Credit Regulator (NCR) is focusing on educating consumers about using credit responsibly during and after the festive season and spending within their means.

“If you spend too much at Christmas it means falling behind on your debt repayments in the new year,” says NCR Manager Darrell Beghin. “Not planning ahead for festive season expenses is one of the main reasons people slip into further into debt.”

The Credit Bureau Monitor compiled by the NCR shows that there are 18.84 million credit active consumers of which 53.3% are in good standing and 46.7% have impaired records. Consumers have impaired records if they are classified as three or more months in arrears, have an adverse listing, reflect a judgment or an administration order. Numbers also show that more than 278 000 consumers have applied for debt counselling.

“While it’s easy to get drawn in by the marketing and advertising hype and to overspend during the festive season, the most important thing is to avoid borrowing to fund expensive gifts and holidays,” advises Beghin.

“Putting presents under the Christmas tree is a good idea if you’ve budgeted for them, but if not and they are bought on credit, come new year, you’ll be left with high bills with interest repayments,” says Beghin.

Interest rates can be as high as 22.1% on credit cards and store cards and as much as 32.1% on personal loans. This is interest only and does not include other fees such as service fees, initiation fees etc.

“You could still be paying off this year’s shopping spree well into the new year, if you do not budget” says Beghin.

She says one of the first steps to take is to draw up a budget, planning how much extra you want to spend over the festive period. Your budget should include living expenses such as rent, lights and water, insurance, debt, school fees, stationery, school uniform etc and also make provision for savings. "Don't forget to take your bonus into consideration, she adds."

Christmas often involves entertaining as well as buying presents and donating to charities, so it's important to make sure you make provision for all unseen expenses. Compare this to your income and see if you really can afford it.

Beghin points out that if money available after payment of essential expenses is not enough to pay debt, consumers are advised to cut or adjust their spending. Cutting or adjusting items such as entertainment, alcohol, gambling or Pay TV can help. "If you find that you still cannot make ends meet, you need to speak to your credit providers about your situation. Consumers should not wait until they receive final demand letters from credit providers," says Beghin.

The National Credit Regulator was established as the regulator under the National Credit Act (NCA) and is responsible for the regulation of the South African credit industry. It is tasked with carrying out education, research, policy development, registration of industry participants and investigation of complaints.

The NCR is also tasked with the registration of credit providers, credit bureaus and debt counsellors; and enforcement of compliance with the NCA. During the festive season, the NCR is running a campaign to encourage consumers to spend and borrow wisely.

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