



The National Credit Act in a nutshell

Reckless credit

Reckless credit is prohibited under the NCA and is defined as lending money to customers without first:

- Ensuring they have enough income to pay it back
- Assessing a customer's debt repayment history
- Ensuring a customer understands the costs, risks and obligations of the credit agreement



The contract



- Documents should be written in plain understandable language so all customers can understand them
- Customers will receive a pre-agreement quote that will list all costs when borrowing money. This quote is valid for a minimum of five days

Fee structure

The NCA specifies that customers may be required to pay the following as part of the principal debt:

- An initiation fee, connection fees, levies or charges
- The cost of any extended warranty agreement
- Service fees, default and collection fees



- Taxes, licence or registration fees
- Credit insurance

The NCA also lays down maximum initiation and service fees and interest rates depending on the type of credit agreement

Interest rates and changes

The NCA states that:

- A credit provider may charge a customer an interest rate that varies during the term of the agreement, but only if the variation is linked to a reference rate
- Customers should be notified in writing five days in advance of any changes to the interest rate or fees



Insurance matters

Credit providers may require customers to take out credit life insurance for the duration of the credit agreement, however:

- The amount of insurance may not exceed the total outstanding debt owed to the credit provider under the agreement



- Insurance must not exceed the full replacement value of a property or the outstanding amount on a vehicle agreement
- Customers must be informed of their right to waive a proposed policy from the credit provider and provide a policy of their own choice
- Where the credit provider arranges insurance for a customer, the credit provider may not charge any additional amount over and above the actual cost of the insurance

Complaints

The National Consumer Tribunal was launched on 1 September 2006. It acts as an informal court to resolve problems that customers experience with credit transactions, credit bureaus and credit providers



Demographic reporting

Credit providers will have to report to the National Credit Regulator the volume and type of credit extended





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Get all the facts

The NCA seeks to inform customers on these major issues:

- Quotations must disclose the full cost of the credit applied for including all fees
 - Interest rate payments and the effect of not paying a deposit
 - The cost of skipping payments and "free for the first six months" offers
 - Penalties, hidden costs and implications of compound interest on long-term loans



Why does SA need the Act?

The NCA will ensure that:

- Credit providers lend money in a responsible manner
- Customers don't borrow more than they can afford to repay
- If customers are over indebted they can apply for debt counselling
- Customers are protected from unfair discrimination



Credit Bureau information

Credit providers must:

- Ensure that the information submitted is accurate, up to date, relevant, complete, valid and not duplicated

- Give the customer 20 business days' notice before they submit their name to a Bureau

The Bureau must:

- Ensure that the information they hold is accurate, up to date and remains confidential and secure

Any person may question the validity or accuracy of their credit record

Can customers afford the loan?

- Credit providers are obliged to make sure customers can afford to repay their debt
- Customers will need to provide details on income and expenses when applying for credit



Advertising and marketing

The NCA aims to stop misleading or deceptive advertising:

- Words like "no credit checks required", "free credit" and "guaranteed loans" cannot be used
- Negative option marketing where the credit provider enters into a credit agreement is not allowed without a customer's express consent



No more pushy salesmen

The NCA specifically prohibits credit providers from:

- Harassing customers to apply for credit or to enter into a credit agreement
- Increasing the limits on a customer's credit card, overdraft or any other credit facility without their consent



Spousal consent

Married in community of property? The NCA requires all customers applying for credit to obtain their spouse's consent

