



# 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





# The National Credit Act in a nutshell

## 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

