

Changes to the NCA not as drastic as some think

 By [Mike van Alphen](#)

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The removal of adverse consumer credit information and information on paid up court judgments, published in new regulations of the National Credit Act 2005 on 25 February 2014 has caused some alarm in the property sector.



Some commentators see this amendment as totally nullifying the role of South Africa's Credit Bureau, which have played such an important part in identifying those bond applicants with blemished credit records.

The reason for this is that the regulations, at first glance, appear to ban all information about non- or late payments of credit accounts. However, this is not the case.

Some noteworthy changes

It will still be possible for the banks and other lenders to have access to a client's current debt situation, including a list of his current credit accounts.

What is no longer permitted is for a credit bureau or any other researcher to reveal if a client has had a debt judgment passed against him if the client had settled the capital of the debt.

Also now banned are classifications (opinions) by the credit bureau that could be to the client's disadvantage. In the regulations, certain phrases are specifically mentioned: 'delinquent', 'default', 'slow paying', 'absconded', or 'not contactable'. These, and similar subjective descriptions, are now not permitted.

Certain symbols indicating the creditors rating in the eyes of the bureau and any mention of disputes in which the clients may have been involved, no matter what the outcome, are also now classified as not for dissemination.

Comments to the commentators

At this stage, many commentators are saying that the amendment will work against bond applicants because, lacking full information, the banks are likely to be more cautious and to ask for higher interest rates and deposits while at the same time imposing stricter loan conditions.

At the same time it's worth noting that the rating agency, 'Fitch', has pointed out that this may make the banks more focused on their own clients for whom they often have extensive records which they know are reliable.

The main benefit of the new regulations will be that the many thousands of defaulters with comparatively small blemishes on their records, which they have now rectified, will once again be eligible for a loan and this in turn will stimulate the economy.

The government's attitude appears to be influenced by some 48% of South Africa's 20.3 m credit active consumers being listed as defaulters even when the defaults of which they are guilty may involve small sums and, in some cases, be due to poor clerical/admin skills rather than an inability to pay. Such people should, in my view, be given another chance if it enables them to move from renting to building up an asset of their own through home ownership.

Let us hope that many who had abandoned plans to become home owners will now start saving for a deposit on a home and for the other start-up costs involved in buying a home which, as we recently pointed out, are quite high.

ABOUT MIKE VAN ALPHEN

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