

Credit amnesty - an attractively disguised threat



By [Michelle Dickens](#)

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There are 19.69 million active credit consumers, of which 53.1% are considered to be in good standing. The number of consumers with impaired credit records has slowly been deteriorating from only 37.7% (in late 2007) to the current level of 46.9%.

Importantly, a credit amnesty was applied in June 2007 just prior to the inception of the National Credit Regulator's (NCR) reporting on the level of good standing of consumers. The 2007 credit bureau amnesty applied resulted in the automatic deletion of certain judgements. Research undertaken by the Credit Bureau Association on a sample of 600 000 affected consumers revealed that 64% of these consumers who benefited from the amnesty entered into new credit agreements and 74% of the individuals who obtained credit had bad (3+) or adverse accounts.

Further strain on monthly repayments?

This exposes a crucial consideration: Did the 2007 amnesty result in credit granting to consumers who were still stressed but not reflecting such in their credit profiles, putting further strain on their monthly repayments; and did affected consumers benefit from any key learning's regarding how to manage their credit and their credit profiles?

There are currently consultations underway to assess a second credit information amnesty. The Department of Trade and Industry (DTI) and NCR recently provided interim feedback on the key findings of an impact assessment.

Some of these key findings include:

- The need for appropriate affordability assessment guidelines.
- Appropriate credit literacy programme.
- Any amnesty should take place after affordability assessment guidelines have been implemented and should include a consumer education process highlighting the amnesty does not result in a writing off of the debt nor the obligation to pay but merely expunges the display of the judgement or adverse information on the credit bureau.

The findings seem to relate to the removal of judgements, dormant accounts and adverse information under R10 000. Specifically, the removal of adverse information under R10 000, which would benefit 86% of people earning less than R15,000.

The final report is expected sometime next month; which will give clarity on what the final amnesty will include.

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