

The National Credit Act (NCA) summarised

The National Credit Act (NCA), which comes into effect on **1 June 2006**. It aims to amongst other things, protect the consumer from being granted credit recklessly, and the creation of a fair and non-discriminatory credit market.

Two new regulatory institutions have been established to administer the NCA: The National Credit Regulator (NCR) is the administrative regulator dealing with issues such as research and policy development, registration of industry participants and investigation of serious complaints. The NCR will take responsibility for the enforcement of the NCA. The National Consumer Tribunal (NCT) will conduct hearings into complaints relating to the NCA.

Why is the NCA being implemented?

The NCA aims to:

- Ensure credit providers lend in a responsible manner.
- Prevent consumers committing themselves to more than they can repay.
- Protect consumers, regulate the granting of credit, and the prevention of over indebtedness and reckless credit. The NCA introduces such concepts as a National Credit Regulator, a National Consumer Tribunal, and a debt counseling service.
- Educate and help consumers make informed choices.

Which transactions are covered by the NCA?

The NCA applies to all credit products where payment is deferred and where interest or a fee is payable. These include overdrafts, credit cards, instalment agreements, leases, secured loans and credit guarantees.

The NCA applies to credit agreements entered into with all natural persons and trusts that have less than 3 trustees where neither of the trustees is a juristic person.

It applies to all juristic persons that have an annual turnover or asset value of less than R1m, unless that juristic person enters into a credit agreement in excess of R250 000,00. Juristic persons include entities such as close corporations, companies, partnerships and trusts with 3 or more trustees or with less than 2 trustees where one of more of the trustees is juristic person.

The NCA does not apply to credit agreements entered into with the State or to juristic persons that have an asset value or annual turnover in excess of R1m.

How will the NCA affect you?

The NCA introduces fundamental consumer rights. These include:

- The right to be given reasons for credit being refused or discontinued (reason(s) to be given in writing on request of the consumer).
- The right to documentation that is required under the NCA in the official languages that will be prescribed by the Regulator. In this regard, credit providers must choose two official languages, which will then be assessed and approved by the National Credit Regulator.
- The right to information in plain and understandable language.
- The right to have access to and to challenge credit records and information held by credit bureau, to have incorrect records corrected and to be given notification before negative information is reported to the credit bureau.

Applying for credit under the NCA

Here is a list of the things that will change:

- Quotations must disclose the full costs of the credit applied for including all fees.
- The quotation is binding on the credit provider for 5 days. The consumer may however take up the Quotation before the expiry of the 5-day period. The consumer needs to provide detailed information (e.g. statement of income and costs, household budget) to the credit provider for a credit assessment to be done.
- All information relating to the agreement and the account must be reported to a credit bureau. Credit providers also need to keep records of all credit applications and credit agreements for a prescribed period.
- Where a consumer is married in community of property, the consent of his spouse must be obtained before entering into loan agreements – previously this was only necessary for credit agreements.

Application requirements: Credit providers must provide consumers with a Quotation and a pre-agreement statement, before entering into a credit agreement with a consumer. These documents contain the main features of the proposed agreement and a quotation of the costs.

Credit assessment: The consumer will be required to provide detailed information to the credit provider. This includes a detailed statement and proof of the consumer's income and expenditure, a household budget and details of other credit commitments, in order to enable the credit provider to assess the consumer's affordability and level of indebtedness.

Consumer credit records: The NCA requires the credit provider, upon entering or amending or terminating a credit agreement, to report the transaction to a credit bureau, or to the National Loans Register when it is operational.

Records: The NCA requires that credit providers keep records of all applications for credit, credit agreements and credit accounts for a prescribed time.

Payment of accounts: A consumer may pre-pay any amount owing at any time, and fully pay out the account at any time. In the case of agreements in excess of R250 000.00 this is subject to a termination charge of not more than three months' interest, if the consumer has failed to give notice of its intention to settle the agreement.

Spouse's written consent: The NCA has amended the Matrimonial Property Act. The effect of this is that in the case of loan agreement the spouse of the consumer must consent to this in writing and this consent must be signed by two witnesses. Formally this applied to credit agreements such as instalment agreements and leases.

What interest rate will I be charged?

The NCA specifies the maximum interest rate that you can be charged. Within this boundary, Volkswagen Financial Services will determine the interest rate by assessing **your credit rating and credit history** (the status of your finances – how much debt you have).

What other costs will I be liable for?

An initiation or processing fee – a once-off fee payable in cash or as part of the principle debt (whereupon interest will be charged), subject to the limitation set out in the NCA

A service fee - as determined by your credit provider, subject to the limit as set out in the NCA

Costs of optional extras – for example, the actual costs of

- an extended warranty;
- delivery of the vehicle;
- extras like a radio and air-conditioning;
- your first tank of petrol;
- credit life or credit insurance premiums;
- default administration costs and collection charges;
- and interest.