



MANAGE MY CREDIT RESPONSIBLY

THEME 3

Debt relief options: An overview

There are various ways in which you can pay off your debt. Talk to your credit provider first and see if you can agree on a way forward. When this no longer appears to be a workable option, it is time to consider alternative options.

Once you have realised that you are experiencing severe financial difficulties, it is time to make serious changes. The first thing you need to do is to stop spending or incur any further debt. It is time to stop being in denial and to face the truth about your financial health, and to revise your budget to suit your current situation.

Reach out to your credit providers for assistance. However, if you had already reached out to your credit providers for assistance and you did not kept to your new payment arrangement with them, there are further steps you can consider.

If you have a problem managing your repayments, it might be an option to combine all your loans together into a single loan. Or you might want to consider debt review or sequestration. You need to understand these options in order to make an informed decision that is right for you. It is not too late for you to help yourself and take steps towards rehabilitation.

Debt relief option	What is it?	Why is it a good choice?	Limitations
Voluntary surrender of goods	<p>For example if you have bought a vehicle on credit, you can choose to give the vehicle back when you are unable to make payments.</p> <p>The retailer will sell it and you will only be liable for the difference between what you owe and the amount recovered from the sale of the vehicle.</p>	<p>This becomes a good choice when:</p> <ul style="list-style-type: none"> you have bought the asset and you know you cannot afford to pay it back; you know you will get good value for the sale of the asset; or you have a number of luxury assets. 	<ul style="list-style-type: none"> You will no longer be in possession of the asset. You will still be liable for the difference.

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Debt review or debt counselling	<p>This is a process whereby a debt counsellor helps you manage your money more effectively. This process will protect you from any possible legal action taken against you by your credit providers.</p> <p>The debt counsellor is responsible for negotiating a new repayment plan with your credit providers.</p>	<ul style="list-style-type: none"> Debt repayments are combined into an affordable monthly repayment, which is distributed among all credit providers. Debt repayment terms are extended. Interest, costs and fees of debts may be reduced. This plan allows you to still meet your obligations, but in a way that provides you with some relief. Credit providers cannot take further legal action on credit agreements subject to debt review. 	<ul style="list-style-type: none"> This process is not free, and you have to pay a once-off payment to the debt counsellor, monthly debt review fees, as well as possible legal and payment distribution agent (PDA) fees. You must keep up with the agreed repayments or your debt review will be terminated and credit providers can then take legal action. You will not have further access to credit while you are under debt review. This plan is court-based and legally binding. It does not apply to debts where legal action has already been taken by the credit provider.
Debt administration	<p>This is where you get a debt administrator to arrange to pay off your debts. The administrator will apply to the court to have some of your income set aside for basic living expenses, and the rest will be used to pay off credit providers.</p> <p>Your debt instalments are reduced and the credit providers receive a debt repayment once every three months.</p>	<ul style="list-style-type: none"> If this is made an order of the court, listed credit providers cannot take further action. This plan is suitable when your total debt is less than R50 000. 	<ul style="list-style-type: none"> Administration is not an option when your debts are more than R50 000. Payments are distributed only every three months, so interest can add up. This is a long-term option, with an associated high cost. You will be excluded from receiving more credit while under administration. This plan is court-based and legally binding. The process is lengthy and takes much longer than debt counselling. The fees are 12.5% + VAT + distribution costs per month.



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Voluntary sequestration	<p>You go to court with your own attorney with a petition to prove to the court that you are insolvent.</p> <p>The idea is to sell your current assets in order to pay off or lessen your current debt. This means you are declaring personal bankruptcy.</p>	<ul style="list-style-type: none"> There is no minimum debt and no upper limit. The plan is adopted when you have too much debt and where the debt has very little chance of being paid back. Most debt is discharged or written off. Debt is discharged even when not included on the petition. Interest, charges and recovery action is stopped from the petition date. 	<ul style="list-style-type: none"> You must have assets or cash in order to sequestrate. This is a court-based and legally binding remedy. This is an expensive process and costs a great deal in legal fees. Bankruptcy can adversely affect tenancy, employment, and business activity. You have to sell all your personal assets, e.g. home, car, furniture, or valuables. Sequestration is not an option unless it is in the credit providers' best interests, so you have to offer at least 15% of what you owe. Rehabilitation is only possible after a period of five years. Many petitions to the court are not granted.

Take Note



You should take all steps possible to avoid legal action, as this will all be at your cost. That means you will be responsible for paying the legal costs incurred by the credit provider when trying to recover the outstanding debt from you. While you do have the legal right to defend yourself if you feel you have a case, you must be sure that you have a real chance of winning.



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