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**STRUGGLING TO
MAKE PAYMENTS?
TAKE THESE STEPS**

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Struggling to make payments? Take these steps

Take immediate action if you are struggling to make payments.

When you sign a credit agreement and accept credit from a credit provider, you have entered into a **legal contract** whereby you agree to the terms and conditions of the contract. That means you agree to pay back the amount stated (the principal amount) at the specified interest and costs within the required period of time.

If you fail to pay, you are in *breach* of that contract. It is your responsibility to manage your loan effectively, and manage all your debt obligations efficiently, so that you honour your agreements.

“A debt is still unpaid, even if forgotten.” – Irish Proverb

Checklist



You are heading for **credit trouble** if **one or more** of the following situations applies to you:

- ☐ You depend on inconsistent, unpredictable income such as overtime or an extra part-time job to pay your bills, or you are always looking for extra cash by selling goods to pay your debts.
- ☐ Your expenses exceed your income and you run out of money before the end of the month.
- ☐ You borrow money from family members and friends to get through the month.
- ☐ You are repeatedly at or near the maximum credit limits on your credit or store cards and lines of credit.
- ☐ You often struggle to even make the minimum payments on any of your credit agreements.
- ☐ You regularly miss payments and find yourself falling further and further behind every month.
- ☐ You are not able to set aside any money for savings, or you often need to take money from your savings account to pay your bills.
- ☐ You regularly find yourself taking loans, or cash advances on your credit cards, to make ends meet.



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There are consequences for not making regular payments. Remember that every time you skip a payment, or pay less than the minimum instalment, this is regarded as negative credit behaviour. You should also know that all credit and payment information is reported to all registered credit bureaus in South Africa on a daily, weekly, or monthly basis.

Sometimes, no matter how good our intentions are to make regular payments, unforeseen events cause us to miss a payment. When this occurs, it is important for you to be proactive and take action before you skip a payment by contacting your credit providers directly to make an arrangement that might give you some relief. By using the steps and tips given on the following pages, you can stay in charge of your credit and make it work for you.

Be proactive

When you find yourself in financial distress and are unable to meet your payment obligations, the following steps can be used to help you when you land in financial difficulties:

1. Draw up a **budget**, manage it on a monthly basis and revise it when necessary.
2. Stop increasing your debt. Talk to your family and get everyone's buy-in to start reducing debt for the family's future. Close unnecessary accounts and **limit yourself** to only a few accounts.
3. Start **tracking your expenses** – keep a record of all money that goes in and out of your accounts. Identify areas where you overspend and reduce those expenses. Identify expenses on luxury items and cut out these expenses.
4. **Add income** – sell anything you don't need and use your hobby to make some extra cash.
5. Have a credit health check-up – get a copy of your **credit report** at least once a year as a way of assessing your current financial health.
6. **Contact credit providers** to negotiate and make an arrangement for lower instalments with an extension of the term or a reduction in fees, or speak to them about the possibility of a consolidation loan. If you agree to a new payment plan, stick to it!
7. Once you have paid off one account, redistribute the money to **pay more** on another.
8. Look at your insurance products and see if you can **switch** to a cheaper option.
9. Keep your eyes on the future – sacrifices today will mean **rewards for tomorrow**.
10. Draw up a **debt checklist** as shown in the table on the next page. This can help you to prioritise your debts so that you can determine where to allocate any surplus money you have identified from your budget. You should try to pay off those debts that might bring you the greatest relief sooner, for example where legal action has been initiated or an asset will be attached and sold, or where there is a loan with a very high interest rate.

Do not hesitate to seek professional advice if you need further assistance.

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Debt Checklist

Debts	Monthly repayment	Amount outstanding	Name and contact number of credit provider	Have you contacted your credit provider yet?	
Priority debts				YES	NO
e.g. Bond					
Other					
Secondary debts				YES	NO
e.g. XYZ loan					
e.g. XYZ credit card					
Other					
Loan from family/ friend					

Learn more

Taking one large loan to pay off your other smaller accounts is called **debt consolidation**. This means that you can avoid having to pay a number of instalments with their associated costs, and instead you pay back only one instalment on one loan. You do however need to consider what the **total cost** of this loan over the entire period will be. This is what consolidation will mean for you:

- If you consolidate your debts, you will not be listed at a credit bureau, although the loan itself will reflect on your report.
- It means one monthly payment rather than many, which spares you the effort of servicing many debts, and keeping track of payments is therefore easier.
- It should require a lower monthly payment than all your previous instalments added together.
- It should improve your credit profile over time because you will not have so many debts or accounts reflected.
- It might mean you need to pay the loan off over a longer period than you took your original loans for.

Remember that if you take a consolidated loan you should not take any more credit as this will sink you further into debt.



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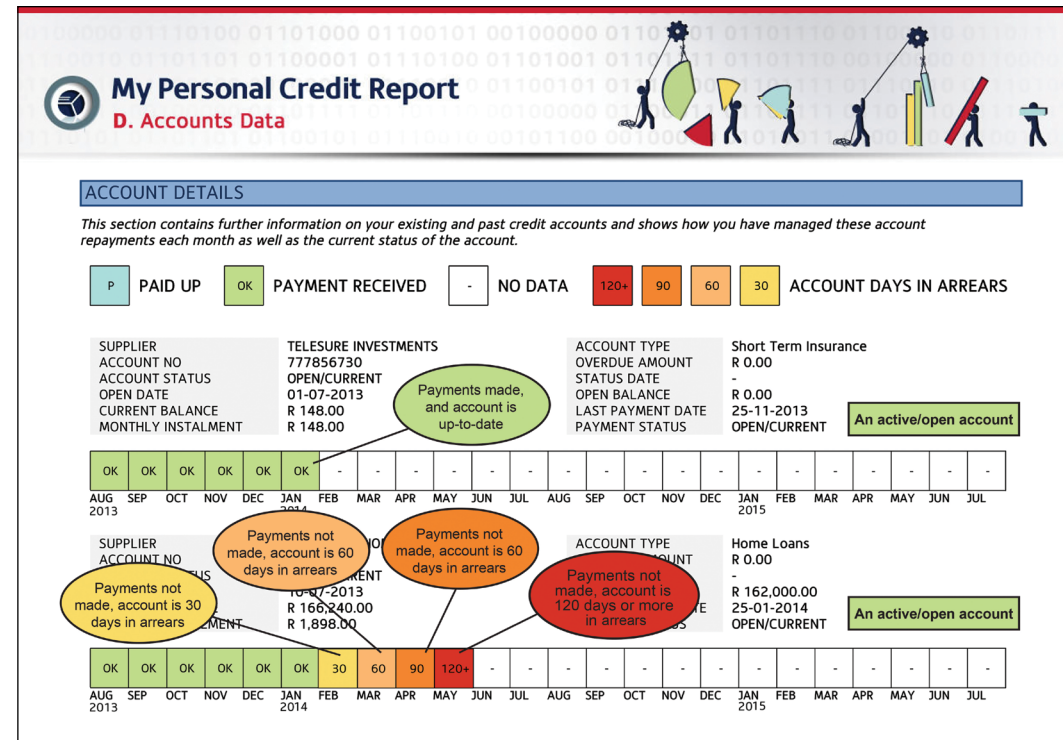
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Take Note

Remember that every time you miss a payment, or pay less than the minimum instalment, it is regarded as negative credit behaviour. You should also know that all credit and payment information is reported to all registered credit bureaus in South Africa on a daily, weekly, or monthly basis.

That is why you should not wait for your credit provider to contact you only when you have already missed a payment. Rather be proactive: contact your credit provider when you think you might miss a payment, and you may find that your provider would be willing to accept a reduced instalment.

This example of the payment history section of a credit report shows you the impact of skipped payments, and what credit providers will see when they access your credit profile.





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Every time you make a late payment, or skip a payment, there are consequences.

- **Costs and charges** are incurred and are added to your remaining balance, so you are getting deeper into debt.
- You must also remember that all missed or late payments are recorded on your credit profile, and show as negative or **adverse information** which can affect your ability to obtain new credit.
- You suffer **stress and anxiety**, which can affect your home or work life.
- **Legal action** may be brought against you, which can lead to repossession of your assets, judgements, and your salary being garnished (i.e. attached).

Learn more

You must understand the **cost of defaulting** on your credit agreements. If you had a credit card with a balance of R10 000 and an interest rate of 19% per annum, and you skipped payments for six months, you would have to **pay R988.41 in interest alone** over that six-month period because of the effect of compound interest.

You are also liable for default administration charges and collection costs.

- Default administration charges are those that a credit provider can charge you for advising you that your account is in arrears, and is the cost of sending you a Section 129 letter.
- Collection costs are those incurred by the credit provider to collect outstanding debt from you. This will include telephone calls and legal fees.

Remember that these charges and costs are then added to your total amount outstanding, and then interest is charged on that.



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Overview of the collections process

Every credit provider's collection policy is different, but the generic process is as follows:

Step 1	You receive an SMS, e-mail, or telephone call. This could be as a simple reminder to make payment, to an attempt to make arrangements with you to settle the outstanding amount. Some credit providers might use a number of these.
Step 2	If you do not settle your arrears you will receive a Section 129 notice (or letter of demand) notifying you of the default and requesting you to make a payment, negotiate with the credit provider, or seek debt relief assistance from a debt counsellor, alternative dispute resolution agent, consumer court or ombudsman.
Step 3	Legal action is instituted, with a summons to appear in court or a court order to repossess or sell assets.
Step 4	You are required to make a court appearance to defend the matter, and a judgement may be issued against you.

To avoid the escalation of the process, and a negative impact on your credit profile or record, you should take action to bring your account up to date, or reach out to your credit provider who can advise you of the best way forward.

Falling behind on your payments can often lead to extra charges. This means that the amount of money you owe will increase. So it is important to take control of the arrears, and start taking responsibility for your debts as soon as you can. Defaulting on your obligations will have a snowball effect, causing rolling debt, and pushing you into a debt spiral from which it will be more and more difficult to recover.

Contacting your credit provider

When you find yourself struggling to make payments, you must contact your credit provider immediately to negotiate a new payment arrangement. You can ask for a lower instalment or interest rate or an extended repayment period. You could use a letter to do this, and an example is provided to help you. If you make an arrangement, whether it be face to face or telephonically, you should get the new arrangement in writing wherever possible, and you should keep a copy for your records.

Take Note

Remember that if your credit provider does reduce payments or grant you a payment holiday, the provider will still be adding interest and service fees every month, and you should be prepared to repay the higher payments once your financial crisis has been resolved. So you should measure the consequences of any new arrangement made carefully.



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AXYBZ Credit Provider
Accounts department

To whom it may concern
Re: Account/Ref No 123456789

I am writing to inform you of my current financial situation and that my circumstances have changed due to illness / death / loss of income / your reason. As a result of this, I unfortunately find myself in a financial crisis where I am unable to meet all my debt obligations and monthly payments, including the amount of R356.78 on account 123456789.

Included is a copy of my budget where I have indicated all basic minimum expenses and all my monthly debt repayments showing that my liabilities exceed my income. Therefore I am contacting all my credit providers to ask for reductions in my monthly instalments so that I can try and improve my current financial situation.

Therefore I humbly request the following: [CHOOSE ONE OF THE FOLLOWING]

1. A reduction of the amount of repayments to R256.78 a month starting 1 January 2015 for 6 months, without extending the original loan term through paying higher instalments in following months.
2. A reduction of the amount of repayments to R256.78 a month starting 1 January 2015, by extending the original loan term.
3. A postponement of three months from 1 January 2015 to 1 April 2015.

After 6 months we can review the budget and the repayment plan again. I hope that we can negotiate in order to find a solution that is mutually beneficial to both of us.

I really appreciate your understanding in this regard, and invite you to please contact me with any questions or information. Looking forward to receiving a positive response.

Yours sincerely
Your name
Contact number and / or e-mail

Your 1st address line
Your 2nd address line
City
Post Code
Today's date

Section 129 letter of demand

When you sign your credit agreement you have to choose how you would like to receive this letter in the event of default, i.e. either:

- (a) by registered mail; or
- (b) delivered to an adult person at the location designated by you, for example at your home.

You will be liable for the cost of delivery of this letter, and having it personally delivered to you will incur a higher cost than postage. After you have received the letter, you have 10 days to act on it. Should you not understand the letter of demand, you can contact your credit provider for more information. By responding to the Section 129 letter, you can protect yourself from legal action being taken against you, and from paying extra fees for a debt collector.

If you do not respond to the Section 129 letter, Section 130 of the Act says that your credit provider can take you to court to get an order to enforce a credit agreement when you have been in default under the agreement for at least 20 business days, and:

- at least 10 days have passed since you were notified of the default with a Section 129 letter and you have not responded to the notice, or you rejected the credit provider's proposals for repayment; and
- in the case of an instalment agreement, secured loan or lease, you have not surrendered the relevant property to the credit provider, for example the furniture you bought on account.

What is a Section 129 letter?

A **Section 129 letter** is a notification from a credit provider to a consumer in terms of Section 129 of the National Credit Act. If a consumer is in default the credit provider must notify the consumer of his or her default in writing. This is effectively a letter of demand. This letter will inform you of the following:

- That your account will be handed over if it is not brought up to date or settled within 10 business days.
- That you have the right to visit a debt counsellor, alternative dispute resolution agent, consumer court or ombudsman with jurisdiction with the intent to resolve any dispute or to agree on a plan to bring payments up to date.

FAQ

It is important to remember that this letter is an example only, and each credit provider has their own methods or processes for new payment arrangements.



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You should take this letter seriously as it is a precursor to legal action, and the letter is a notice from the credit provider to give you 10 business days to settle the arrears. The letter serves the following purposes:

- It serves as a request from your credit provider to approach them to try to find a way forward that works for both of you.
- It informs you of your right to approach a third party (debt counsellor or attorney) for assistance if you are unable to make payments.
- It also warns you that, should you not choose any of these options, then the credit provider has the right to take legal action.

Contact your credit providers to make an arrangement, or visit your nearest branch for a resolution. It is important to negotiate a new payment arrangement with them that suits your budget, and to **stick to the arrangement** as this will prevent the credit providers from being forced to take action against you. Remember, legally they are allowed to take legal action against you once you have skipped even one payment.

Take Note



A credit provider is legally (in terms of the National Credit Act) entitled to take legal action very quickly after your first default, as long as:

- you have been in default for 20 business days; and
- ten business days have passed since you received the Section 129 letter.