

RANDS & SENSE

The National Credit Act (NCA) is good news for you because it protects you from unscrupulous lenders and gives you more rights against being ripped off. Here's how you can use the NCA to your advantage.

The NCA: It's a Good News Act!

On 1 June the National Credit Act (NCA) replaced all previous credit legislation and now governs all consumer credit transactions. You will have heard a lot about the NCA and may be a bit confused about what it means to you.

Well, this piece of legislation is very good news for you, the consumer. We now have more rights than ever before to ensure we are treated fairly when borrowing money or buying something on credit. A few of the more significant regulations govern:

- how you are protected against reckless lenders;
- how to get your free credit record and how you to use this to your advantage; and
- the maximum fees and interest rates that can be charged.



Reckless lending

Before you borrow money or buy something on credit, the credit provider now has to make sure you can afford the monthly repayments. You are obliged to correctly disclose all your income, all your expenses and your available credit facilities. The credit provider must take all this into account when deciding if you can afford the repayments.

You must disclose any unused credit facilities. For example, if you have a bond facility of R300 000 but only owe R200 000, the credit provider must take into account that you could borrow another R100 000 on your bond and then your bond repayments will increase.

If you have honestly disclosed all your income and expenses and the credit grantor lends you money that you can't afford to pay back, then this may be deemed reckless lending and the grantor will not be able to institute legal proceedings to recover the money.

Unfortunately, there are no specific guidelines issued regarding affordability. However, as a guide, I recommend the following:

- your monthly repayments on a bond should not exceed 30% of your income.
- monthly repayments on all other debt (car, credit card, personal loans, store cards etc) should not exceed 20% of your income.
- if you don't have a bond, you should stick to the 20% rule.

Learn to control your own budget. Don't let the credit grantor tell you how much you can afford!

• Rands & Sense is written by Paul Barnard of North Star Solutions, specialists in financial education who run workshops to help people acquire money management skills.

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Your credit report

Under the NCA, you are entitled to one free credit report per year from one of the credit bureaus. You should get your credit report as soon as possible for two main reasons:

1. Make sure all information on your report is correct (ID theft is common is SA!);
2. You can use your good credit report to your advantage when negotiating interest rates and facilities with a credit provider.

It is easy to get a copy of your credit report. Contact either of the two main credit bureaus (below) for your report via post, fax or email.

- Experian
086 110 5665 www.experian.co.za
- Transunion ITC
086 148 2482 www.transunionitc.co.za

Credit Amnesty

In terms of the NCA, on 1 June 2007, credit bureaus were obliged to erase old, negative information from your credit record. This was called the Credit Amnesty.

Please note that only your bad payment behavior is erased and not the actual debt. When you have requested and received your credit report, you should check that old, nega-

tive information on your record (such as judgments less than R500 prior to 1 September 2006, bad accounts less than R500, dormant accounts and various other negative information), has been removed. You should check with the credit bureau that the credit amnesty was correctly applied to you.

Fees and Interest Rates

Prior to the NCA, credit grantors could charge any interest rate on certain categories of loans. It was not uncommon for the cost of credit on micro loans to be as high as 120%!

All interest rates and fees are now regulated by the NCA. It is important that you know that these are maximum interest rates and fees. Depending on your credit risk, you should be able to negotiate lower fees and interest rates. Remember the prime rate of interest is the rate the banks charge their good risk customers, currently 14%.

Don't let a credit provider tell you that they have to charge a fee because of the NCA! The NCA simply sets maximum fees. The provider could choose to not to charge a fee at all.

Prime and NCA interest rates are linked to the 'repo' rate. At the time of writing, repo was 10,5%. The maximum permitted interest rates per the NCA are shown in the table below.

Further Information about the NCA

The NCA also regulates marketing of credit products (no more pushy credit salespeople!), has put an end to 'fine print' in contracts, provides for a five day 'cooling-off' period before signing a contract, and makes provision for debt counseling. If you want to know more about the NCA, please contact either of the two credit bureaus mentioned above or:

- National Credit Regulator
086 062 7627 www.ncr.org.za
- Credit Information
086 166 2837 www.creditombud.org.za
- In the next edition we will be discussing the importance of a savings plan and how to save no matter what your income.

Product	Prime rate	Maximum NCA rate	Maximum service fee	Maximum initiation fee (once-off fee at beginning of contract)
Unsecured Credit Transaction (eg. personal loan repayable over more than six months)	14%	43,1%	R50 per month	R150 plus 10% of loan over R1 000. Maximum fee = R1 000
Credit Facility and other credit transactions (credit cards, store cards, car loans)	14%	33,1%	R50 per month	R150 plus 10% of loan over R1 000. Maximum fee = R1 000
Mortgages	14%	28,1%	R50 per month	R1 000 plus 10% of loan over R10 000. Maximum fee = R5 000

Before computers ... a brief history

Many people who work on computers all day don't really understand how they work, and others won't even touch one because they seem complicated and difficult to use.

Computers are certainly complex, but they represent some quite simple, old ideas – to be able to count, to perform calculations quickly and accurately, to display and store that information, and share it with others.

Counting tools – the calculator

People have long wanted to be able to record numbers. The earliest examples are 'tally sticks' where marks were cut into a stick or bone to record an amount. The oldest known tally stick is from Swaziland – the 'Lebombo bone'. This is a baboon calf bone with 29 notches carved into it, dates to 5 500

years ago, and is thought to represent the phases of the moon and the seasons.

Things have moved on and now we use hard drives, CDs and DVDs, 'flash memory' and many other devices (including paper) to store information. But the idea is the same.

Once we had learned to store numbers, we wanted to be able to perform calculations. Ancient Babylonian and Egyptian 'counting tables' and the abacus – a set of beads strung on wires – were early tools, and the abacus is still widely used in India and China.

Many early 'computers' were actually navigational tools. The 2 100-year-old 'Antikythera mechanism', found in a shipwreck off the Greek coast, is believed to be a bronze mechanical calculator for calculating astronomical positions.

Many of us work on computers. Ever wondered how this amazing invention came about?



The Antikythera mechanism is a 'computer' in the sense that it could perform complicated calculations more quickly and accurately than a person could (though it would not have been called that because until fifty years ago a 'computer' meant a person who was good at performing calculations, not a machine).

Other early computers included astrolabes for navigation (such as the 16th Century Persian one pictured), and the slide rule, invented in the 1600s and in use until the 1970s (most of the calculations for the Apollo space missions and moon landing were done on slide rules).

• Now calculations are performed electronically by digital computer. In the next issue of Contact learn how that came about.



Fraud busters: Vincent Botto, Johan van Zijl, Pamela Steenkamp and Chris Maurer.

Fraudline at your service

Harry de Klerk was a very unhappy man. Each time he called Fraudline, he was left on hold for so long, that he hung up. He complained in a letter to Contact.

For the men heading up Fraudline, Vincent Botto, Manager of Forensic Services and Chris Maurer, Head of Investigations, the complaint was a first and they are very concerned about it. They wish to give staff an understanding of how Fraudline works.

Anonymity is not negotiable

Chris Maurer says that the Fraudline service offers absolute caller anonymity and swift, effective and accountable follow-up. Nobody, not even the Mayor, can be exempt from investigation.

To ensure callers' names remain secret, the Fraudline call centre function is outsourced to KPMG, a financial services firm.

KPMG provides a 24-hour-a-day answering service in all languages and a detailed monthly breakdown of all calls. The one thing they don't provide is the caller's identity, or any information that could lead to its discovery. Not even the Mayor or City Manager can access those details.

When a tip off is received by Fraudline, the relevant information is immediately sent to Forensic Services. The department is not part of any Directorate. This ensures immunity from political or personal interference. For administration purposes, the unit reports to the City Manager's office.

It's for ratepayers too...

Vincent points out that Fraudline isn't only there for City employees to use. Their mandate is to protect the ratepayers' money by investigating reports of fraud, theft, corruption and maladministration. This means that ratepayers are also encouraged to make use of Fraudline.

It's cost-effective – KPMG charges less than R4 000 a month. By comparison, Forensic Services deals with big sums. For example, a recent case involved five employees and a R30-million fraud, but swift reaction by Forensic Services limited the damage to R12-million. In all cases, guilty parties face both internal disciplinary procedures and criminal prosecution.

Forensic Services has six employees, but their numbers will soon swell to about 24. Their resources will include experts in law, accounting, forensic investigation and information technology.

As the saying goes, 'The only thing necessary for evil to flourish is for good people to do nothing'.

- If you suspect any fraud, theft, corruption or maladministration call Fraudline on 0800 32 31 30. If you have any queries or complaints about Fraudline, the number to call is 021 487 2018.