6,5m South Africans blacklisted

By Maureen Marud and Murray Williams

Nearly 6,5 million people are currently blacklisted at credit bureaus and as interest rates, food and fuel prices rise, more and more debtors are expected to go on the list.

The blacklisted defaulters are among almost 17 million "credit-active" consumers who owe about R1-trillion, according to the National Credit Regulator.

And of the roughly 10 million in good standing, 12,6 percent are in arrears with monthly payments and "on the radar screen of potentially risky clients", said Marlene Heymans, manager for research and statistics at the Regulator.

This news comes as consumers face the most severe cash squeeze in years with soaring prices of food and petrol and increased interest rates.

Petrol will rise by 61c a litre at midnight on Wednesday, pushing the price of unleaded petrol at the coast over the R8 mark.

Tony Twine of Econometrix in Johannesburg said on Monday morning: "Unfortunately, during the run-up to the imposition of the National Credit Act, financial institutions and other places that extend credit furniture shops, et cetera went on some fairly hair-raising drives to get people on to their credit books prior to June 1, because the Act differentiates between someone already on the books and those who come on after the coming into effect of the Act.

"There were lots of very aggressive credit extensions, and since then interest rates have increased four times by half a percentage point each.

"So one can imagine that a lot of the weaker credit applicants are now in a lot of trouble."

Twine said recent figures showed that 64 percent of all households had been in good credit standing, but that this had now dropped to 62 percent.

"As discretionary spending power gets squeezed, with higher fuel prices, higher interest burdens, we would expect more and more casualties," Twine said.

"It's not disastrous at the moment, but people have to be increasingly careful and increasingly credit-averse."

The figures, as they stood last September, according to the latest quarterly reports to the regulator by credit bureaus showed that about 2 million consumers had one or more judgments against them for defaulting on debts.

About 80 percent of the R1-trillion debt was made up by mortgages, with the rest owed on vehicle financing, furniture and clothing accounts, micro and personal loans and credit cards.

Strict prohibitions against reckless lending, introduced with the National Credit Act and implemented in June, meant many consumers no longer qualified for credit.

Heymans advised individuals needing credit to ask for their existing credit limits to be lowered by banks and retailers, because the limits, even if unused, were factored into calculations credit providers now had to make before they could grant more credit, under the National Credit Act.

"Lots of consumers now have to go back to retailers and banks to ask for their credit limits to be reduced, so that they can qualify for a new loan," Heymans said.

But Johannesburg attorney Stephen Logan warned that consumers faced a struggle to break free of credit limits increased by providers just before the prohibitions on reckless credit were implemented.

Logan said consumers could not take for granted the willingness of credit providers to allow other creditors to make inroads into their stake in the credit landscape.

In the months leading up to June and the reckless-lending prohibition, credit bureaus had received about 116 million inquiries from credit providers about the credit standing of credit applicants.

By September, after the new rules were introduced, that figure had dropped to 88,5 million inquiries.

But by then credit limits had been doubled for countless numbers of consumers who had been "locked in" by the higher limits.

"While the National Credit Act says credit providers must reduce credit limits, the first reaction when requested to do so will likely be a delaying tactic, such as a demand that the request be in writing," Logan said.

"Credit providers are not going to benefit by reducing limits.

"Their credit volumes will decrease, and they will automatically make less money.

"Also, the risk will decrease with the credit limit, and so should the interest rate they are charging."

Logan advised consumers to insist on lower credit limits, as well as lower rates.

The number of disputed entries at credit bureaus was continuing to increase, Heymans said.

Consumers had lodged more than 35 000 disputes at bureaus between June and September. Altogether 85 percent of the credit reports resulting in disputes were provided free of charge.

These indicated that consumers were becoming more aware of their right to one free report a year from the bureaus.

When information on an individual's credit record was challenged, credit bureaus were bound by law to immediately "mask" that information from banks.

Bureaus then had 20 days to verify the information, and to supply the consumer with credible evidence in that time.

If they could not do so, they were obliged to remove the disputed information from the record.

"The consumer has the right to reasonable compensation from the person who lodged the wrong information," Heymans said.

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