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FINAL REPORT:  
IMPACT ASSESSMENT 2010

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## Background and Objectives

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This report documents the details of the **2009/2010 Impact Assessment**. This is a tracking study that has been conducted annually since 2008, and this is the third tracking assessment. The main aim of the tracking study is to evaluate the effectiveness of the awareness campaigns as well as the performance of the NCR in terms of implementing the Act. The NCR, as the new credit regulator has a mandate to promote a fair, transparent, competitive, sustainable, responsible, efficient, effective and accessible credit market and industry, and to protect consumers. Consumer education is the cornerstone of consumer protection. The NCR has adopted a multi-pronged strategy towards their communications drive that includes an education component, and an awareness creation component.

The education campaign is implemented through capacity building workshops with various stakeholders i.e., industry stakeholder, non-governmental organization, trade unions, government departments, parliamentary constituency offices, and employers. Awareness creation is accomplished through media especially print. In order to accomplish the above main objectives and track performance of the NCR, the same sub-objectives tracked last year were investigated this year and include:

- ☐ To measure awareness levels on the NCA with reference but not limited to:
  - Disclosure
  - Initiation fees
  - Interest
  - Pre-agreements
  - Redress
  - Reckless Lending and Over-Indebtedness
  - Debt Counseling
- ☐ To measure awareness levels of the NCR amongst consumers
- ☐ To establish the stakeholders' general perception of the NCA
- ☐ Establish whether the NCA has achieved its intended purpose thus far
- ☐ Establish perceptions regarding the general awareness of the Act
- ☐ Make recommendations on areas that need improvement

## The Methodology

The original methodology was replicated to ensure validity and consistency of the results. The methodology comprised of a combination of qualitative and quantitative research methodologies, although the main methodology of the study was mainly qualitative. Information was collected through secondary research in the form of literature reviews and qualitatively through focus group discussions, telephonic and face-to-face interviews as well as written submissions. To make the information more reliable and easy to track, the questionnaires were designed to include quantitative questions.

## The Research Process

The research methodology was implemented in 4 phases that is literature reviews; stakeholders' interviews; focus group discussions and reporting.

**An extensive literature review** was conducted mainly to check what the other studies on the NCR and the NCA have reported, as well as to review the NCR's internal reports and literature.

- Published reports reviewed included the 2009 Finscope Report and the Bureau of Market Research.
- NCR internal reports included:
  - The Credit Bureau Monitor
  - Monthly website statistics in terms of debt counseling; complaints and general financial trends.
  - The consumer education statistics regarding the number of workshops and people who have attended; this also to provide the results with a context.
  - Media analysis of different media, the topics and the type of coverage the NCR received (positive or negative) during 2009.

## Stakeholder Interviews

As with the previous study, primary research was conducted through in- depth interviews with **industry stakeholders** and role players. In other cases, stakeholders provided feedback through written submissions. The purpose of this 'leg of the study' was to gather inputs/views from the stakeholders in terms of the NCR's general performance on implementing the Act and the impact and effectiveness of the NCR's education workshops. The purpose is to identify areas of weakness, strengths and gather recommendations. The stakeholders who participated in the study included credit providers, retailers, Trade Unions, Consumer Representatives, Debt Counselors and Parliamentarians.

Information from these stakeholders was collected through structured questionnaires which consisted of both quantitative questions as well as qualitative probes. This questionnaire enabled quantification of the results, but also allowed interviewers to have a robust discussion with stakeholders, revealing their thoughts and experiences regarding the on-going implementation of the NCA. For this tracking study, **a total of 30 stakeholders** participated in the study as follows:

Category	Organization	Total
Lenders/Banks	<ul style="list-style-type: none"> <li>▪ FNB</li> <li>▪ Absa</li> <li>▪ Standard Bank</li> </ul>	3
Retailers	<ul style="list-style-type: none"> <li>▪ Edcon</li> <li>▪ Woolworths</li> </ul>	2
Credit Bureaus	<ul style="list-style-type: none"> <li>▪ ITC</li> <li>▪ CompuScan</li> <li>▪ XDS</li> </ul>	3
NGOs	<ul style="list-style-type: none"> <li>▪ Black Sash</li> <li>▪ Free State Advice Office</li> </ul>	2
Provincial Consumer Desks	<ul style="list-style-type: none"> <li>▪ Gauteng Consumer Desk</li> <li>▪ Western Cape Consumer Desk</li> <li>▪ KZN Consumer Desk</li> </ul>	3
Trade Unions	<ul style="list-style-type: none"> <li>▪ NUM</li> <li>▪ Popcru</li> </ul>	2
Debt Counselors	<ul style="list-style-type: none"> <li>▪ Individual Debt Counselors</li> </ul>	4
Stakeholders	<ul style="list-style-type: none"> <li>▪ Department of Trade and Industry</li> <li>▪ Department of Justice</li> <li>▪ Banking Association</li> <li>▪ Banking Ombudsman</li> <li>▪ SALGA</li> <li>▪ Parliamentarians</li> </ul>	9
Legal Experts	<ul style="list-style-type: none"> <li>▪ Individual Legal Experts</li> </ul>	2
<b>Total</b>		<b>30</b>

### Consumer Groups

**As with the previous tracking study**, information from consumers/borrowers on the awareness levels of the NCR and NCA was collected through **focus group discussions**. To enable easy tracking of the results, 75% of the consumer questionnaire consisted of standard questions repeated annually, and the other 25% consisted of questions relating to specific goals of the NCR in the past financial year. The questionnaire consisted of:

- ☐ The standard questions based on the NCA variables, i.e., :
  - Disclosure; Initiation fees; Interest; Pre-agreements; Redress; Reckless Lending and Over-Indebtedness and Debt Counseling.
- ☐ Communication needs and media preference

To ensure consistency of the **sample**, focus groups were conducted in the same provinces as in the 2008 and 2009 assessment, and the same recruitment criterion was utilized. This was done to ensure consistency in the demographics of the sample to make tracking of the results valid and easy to compare. As a result, a total of nine (9) focus groups were conducted in Gauteng, KZN and the Western Cape. Respondents for the focus groups were recruited amongst economically active South Africans, working either part-time or full time using the following criteria:

- Respondents had to be active banking clients

- Respondents must have taken a loan since 1<sup>st</sup> June 2007
- Groups were stratified according to income level, and respondents were grouped into 3 different groups, that is:
  - Low-income groups - monthly gross income of R4 999 and less
  - Middle income groups - monthly gross income between R5 000 and R14 999
  - High income groups – monthly gross income of R15 000 and above

### **Timing**

The project commenced in December 2009. Fieldwork commenced from 15 January 2010 and the final report was submitted on 29 April 2010.

## Overview of the Results

Sample	Achievement	Challenges
Consumer Groups	<ul style="list-style-type: none"> <li>Improved awareness levels of the NCR since 2009</li> <li>Improved awareness levels of the NCR and NCA amongst low income consumers</li> <li>Improved awareness levels and knowledge of debt counseling and its benefits</li> </ul>	<ul style="list-style-type: none"> <li>Awareness of the NCA reached a plateau</li> <li>Knowledge of the NCA's consumer protection qualities still limited</li> <li>Knowledge of financial terms still not improving</li> <li>Knowledge and awareness of contracting information still limited</li> <li>Minimal improvement on redress and complaints mechanisms still low</li> </ul>
Credit Providers/Lenders	<ul style="list-style-type: none"> <li>NCR's regarded as efficient in providing support on compliance reports</li> <li>NCR's regarded as proactive on anticipating and tackling problems</li> </ul>	<ul style="list-style-type: none"> <li>Pace of resolving debt review issues referred to as slow</li> <li>Creditors complained on the NCR's lack of feedback and slow turn around time</li> <li>Low entry requirements for debt counselors, resulting in the accreditation of low caliber practitioners</li> </ul>
Primary Stakeholders	<ul style="list-style-type: none"> <li>Stakeholders were satisfied with the continued improvement of the NCR's awareness levels</li> <li>Were impressed with the credit industry's ability to better manage over-indebtedness</li> <li>NCR's ability to implement the NCA regardless of the legislative deficiencies and capacity problems</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholders complained about the complaints process which was not well 'mapped out' and communicated.</li> <li>Low awareness of the NCA and NCR amongst poor and rural consumers</li> </ul>
NGOs and Consumer Desks	<ul style="list-style-type: none"> <li>NCR's ability to maintain and sustain the relationship with its intermediaries</li> <li>Communication on the awareness of the NCA regarded as effective by the consumer desks and NGO's</li> </ul>	<ul style="list-style-type: none"> <li>The number of capacity building workshops and funding for NGO's has decreased</li> <li>That debt counseling is not yet accessible to rural consumers</li> </ul>
<b>Recommendations –</b> <ul style="list-style-type: none"> <li>Prioritize legislative amendments to address the debt review and court issues</li> <li>Capacitate NCR staff so as to provide efficient and prompt feedback to creditors and other registrants</li> <li>Create linkages and form new partnerships to increase awareness of the NCA, redress mechanisms and consumer rights issues</li> <li>Strengthen and communicate the complaints process</li> </ul>		

## The Executive Summary

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This is the 2010 Impact Assessment Report, which details the findings of the study conducted to assess the 2009 activities. This is the 3<sup>rd</sup> tracking study conducted, the initial study was conducted in 2008 and data from this study formed the baseline information, and the NCR's performance is assessed based on these results. The aim of this study is to track the changes in performance of the NCR in terms of the effectiveness of the media campaigns for awareness creation and the effectiveness of the educational campaign on the implementation of the NCA and general consumer education. The methodology of the study has been kept the same, and a combination of qualitative and quantitative methods were utilized to gather information.

The sample of the study included four main categories, that is, consumers; creditors; industry stakeholders, and NGOs/Consumer Desks. For consumers, information was collected through focus groups discussions, although the questionnaire contained quantitative questions to ensure easy tracking of the NCR's performance. 9 focus group discussions were conducted in Gauteng, Cape Town and Durban and the sample was divided into low, middle and high income consumers. The respondents were recruited from South Africans who took credit since the inception of the NCA, that is, 1<sup>st</sup> June 2007. The creditors included major retailers and banks, whilst primary stakeholders<sup>1</sup> included representatives from various government departments and industry associations. Information from these respondents was collected mainly through written submissions which were followed by either face-to-face or telephonic interviews. The consumer awareness results were compared to FinScope 2009 results to ensure validity of the data.

As already mentioned, one of the major aims of the study is to assess the effectiveness of the NCR's awareness campaigns. This study assessed the communication activities from January to December 2009. The **2010 results** are against the backdrop of 407 workshops conducted in the past 10 months and 33 682 people participated during the workshops; 60 TV interviews were conducted; 216 radio interviews and 109 106 website visits. The 2010 assessment results indicate that:

### Consumer Groups

- Consumers' awareness of the NCR has marginally improved from 65% in 2009 to 66% in 2010. Awareness levels amongst low income consumers although still relatively low, have increased this year. TV and radio were largely responsible for awareness generation, followed by print. The NCR billboard on the N1 highway seemed effective, with Gauteng consumers pointing to its value.
- Awareness levels of the NCA reached a plateau at 65%. Although high income consumers are aware of the Act's consumer rights attributes, most consumers still do not know how the Act can protect them and where to complain when they have problems. The NCA is narrowly recognized for curbing over-indebtedness and forcing creditors to be more responsible when granting credit.
- Knowledge of financial terms is still low with many consumers only able to describe interest rates and monthly installments. FinScope 2009 also reported

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<sup>1</sup> SALGA, Department of Justice, Department of Trade and Industry, Banking Association, Banking Ombudsman, Legal Experts and Debt Counselors



that financial literacy has marginally improved since the 2008 study, with many consumers showing limited understanding of basic financial terms used on a daily basis.

- As with the 2009 results; consumers are still not aware of their rights to receive quotations/pre-agreement statements. Results also point that creditors still don't offer quotations except in cases of mortgage transactions. There is also an indication that consumers still enter into credit agreements that they do not understand.
- A worrying trend that does not seem to improve is the reluctance of consumers to read and understand their contracts. There is a perception that the NCA will completely take over the responsibility for consumers as this high income consumer pointed out; *'They cannot bring in the NCA and except me to be responsible, the government is already treating me like an irresponsible child. So why should I read my contract'* CTH, HI
- Few consumers seemed aware of redress mechanisms, although the role of the NCR was well understood in this regard. However, a large majority of consumers still had limited knowledge of where to complain and the role of other complaints entities was not well known.
- Interestingly, there was a marked improvement on the knowledge of debt review and its role for over-indebted clients. This awareness was attributed to the vast media coverage that debt review received in the past year. The sentiment amongst consumers though was that low-income and rural consumers still need to be informed on debt review and how it can benefit them.
- **In conclusion:** Generally; the awareness levels of the NCR has improved however, more information is still needed to empower low-income and rural consumers on the role of the regulator. Knowledge of the NCA has reached a plateau and more creativity is needed to ensure that consumers' understanding of the NCA's consumer rights attributes is better understood. The tools utilized to generate awareness still seem effective; however media reach needs to be extended so as to penetrate the low-income and rural consumers. Creating linkages with private and government entities is still encouraged, so as to augment on the media already utilized.

## The creditors

Creditors were requested to assess the NCR's performance in terms of the quality and value of the capacity building workshops/information sharing sessions as well as the support the regulator provided creditors on the implementation of the Act with regards to disclosure requirements; Marketing practices; Compliance and reporting; Over-indebtedness; Consumer Credit Information; Consumer Rights and Debt Counselling.

The same creditors who participated in the 2009 study were also targeted this year and information was collected through the same questionnaire utilized since the 2008 assessment. This was to ensure easy tracking of the results; to identify areas of improvement as well as areas that need improvement. The sample of creditors included major retailers as well as banks. Information collected from this sample has identified that:

- Creditors still feel that the NCA provides enough guidance on disclosure requirements, marketing practices; over-indebtedness; consumer credit information as well as consumer rights.
- Positively, the regulator was praised for their efficiency in providing support on compliance reports, assistance on specific issues and being proactive on tackling issues. Creditors mentioned that the compliance report guidelines would ensure

easy reference and standardization of reporting, and urged the NCR to prioritize finalization of this documentation.

However, dissatisfaction was mostly on:

- ☐ The pace of resolving debt review issues which include the clarification of the court process and the training and accreditation of debt counselors. The entry requirements of debt counselors were thought to be low, resulting in the accreditation of low caliber debt counselors with no capacity to deal with legal issues.
- ☐ The NCR's provision of feedback and poor turn around time. Creditors complained that the NCR's staff did not provide feedback on reports submitted as well as attending to their queries. Where feedback was provided, it was provided late or after numerous reminders from the creditors.

Generally, creditors feel that the NCR's performance is gradually improving despite the legislative restrictions they operate under. In order to improve its performance, creditors recommended that the NCR concentrate on:

- ☐ Capacitating its staff to ensure speedy and efficient provision of feedback
- ☐ Finalizing compliance report guidelines for easy reference and standardization of the information provided and
- ☐ Attending to the debt review backlogs so that debt review matters can be easily settled both with creditors and at the courts.

### **Industry Stakeholders**

Industry stakeholders were requested to assess the NCR's performance on implementing the Act and its overall performance. Generally, stakeholders reported a growing satisfaction with the manner in which the NCR is implementing the Act and its general performance. Stakeholders were impressed with:

- ☐ The improving awareness levels of the NCA and NCR amongst consumers.
- ☐ The management of over-indebtedness as most creditors seemed more careful when granting credit and as most over-indebted consumers were assisted through debt counseling.
- ☐ The NCR's ability to implement its mandate amidst legislative deficiencies and capacity problems.

Concerns were mainly with debt review as a result of unclear court process, the wrong impression created of 'payment holidays' by consumers and the low skills level of debt counselors.

- ☐ That the complaints process was still not well mapped and not well communicated to consumers.
- ☐ The lack of the regulators' capacity to deal to with the public's complaints and enquiries from its registrants.
- ☐ That small retailers and lenders still ignored the Act with impunity and continued to exploit consumers and
- ☐ The low awareness levels of the NCR and NCA amongst the poor and rural communities.

As a result, stakeholders recommended that the NCR:

- ☐ Prioritize legislative amendments to address debt review issues
- ☐ Strengthen the complaints process
- ☐ Create linkages and find communication partners to increase the aware levels amongst the poor and rural communities.

## **NGOs and Consumer Desks**

NGOs and Consumer Desks act as the capacity building intermediaries for the NCR, as they replicate training and awareness programs on behalf of the regulator. They were thus requested to assess the impact of the NCR's capacity building programs. The intermediaries' results indicate that:

- ☐ The NCR has been successful in maintaining the relationships with the NGOs and Consumer Desks
- ☐ Intermediaries regard the NCR's communication with the public on the Act and Consumer Rights as effective.
- ☐ The NCR's workshops are valuable and informative

However, intermediaries complained that:

- ☐ The number of workshops have decreased, impacting negatively on the reach and sustainability of consumer education and
- ☐ That although public awareness of debt counseling has increased, the rural consumers still have no access to debt counseling information and services.

They therefore recommended that the NCR re-look at its intermediaries' funding model so as to create more capacity and maximize reach of educational programs.

