

28 May 2020

Update: Debt relief for customers

In the two weeks between 09 May and 23 May 2020, Banking Association South Africa (BASA) members extended an additional R3 billion of debt relief to individual customers experiencing financial distress due to the Covid-19 pandemic and national lockdown. This brings the cumulative amount of relief offered by BASA members since they started assisting individuals to R14,48 billion. This amount will continue to grow as banks process applications for Covid-19 debt relief. As at 23 May, applications for relief have been received from individuals with more than 2,46 million credit agreements. So far, over 2,15 million have been granted.

In the two weeks between 09 May and 23 May 2020, BASA members provided additional cash flow relief, including payment breaks, to commercial and small and medium enterprises worth R1,26 billion. This brings the cumulative assistance offered by BASA members to commercial and small and medium enterprises to a total to date of R10,26 billion. Of the 140 000 applications received for relief from commercial and small and medium enterprises, over 132 000 have already received assistance.

The cumulative assistance offered to individuals and commercial and small and medium enterprises businesses amounts to R24,84 billion. This is before the introduction of the R100 billion Covid-19 Loan Guarantee Scheme. Figures for the uptake of the loan guarantee scheme are not yet available.

Cash flow relief for eligible businesses and individuals is an important part of keeping the economy functioning and preserving companies and jobs during the Covid-19 pandemic and national lockdown. The cumulative cuts in interest rates by the South African Reserve Bank (SARB), which reduced the prime interest rate to 7.25%, has also been a significant source of debt and cash flow relief for business and individuals.

Banks understand that the COVID-19 pandemic lockdown has increased the financial stress of many of their customers through no fault of their own and that we have a responsibility to do what we can to help clients and the economy through this challenging time. However, it is in the best interests of all bank customers to continue to meet their obligations as best they can. Banks hold in trust the salaries and savings of South Africa's workers, professionals and businesses. Our customers are both depositors and borrowers. Deposits extended as home and personal loans, among others, must be recovered to allow banks to repay, with interest, customers who expect their money on demand. The relief measures granted by banks therefore do not envisage any debt write-off, but rather leniency in terms of the repayment of loans.

From 01 June 2020, South African banks will no longer absorb the cost of automatic teller machine (ATM) cash withdrawals and Saswitech network charges for their customers. These were waived to facilitate social distancing at social security payment points and other high traffic areas during the initial lockdown. However, government has now regulated the wearing of masks in public and other social distancing practices. Prudent business practice now requires that banks recover the cost of maintaining and operating ATMs and point-of-sale (POS) networks to ensure the sustainability of these operations.

BASA will publish industry debt relief data, from time to time, to demonstrate the significant role our members are playing to help their customers and the economy in these challenging times.

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