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Update: Debt relief for customers

In the two weeks between 25 April to 09 May 2020, Banking Association South Africa (BASA) members extended an additional R3,84 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 R11,58 billion.

This amount will continue to grow as banks process applications for Covid-19 debt relief. As at 09 May, applications for relief have been received from individuals with more than two million credit agreements. So far, over 1,7 million have been granted.

In the two weeks between 25 April and 09 May 2020, BASA members provided additional cash flow relief, including payment breaks, to commercial and small and medium enterprises worth R1,7 billion. This brings the cumulative assistance offered by BASA members to commercial and small and medium enterprises to a total to date of R9 billion.

Of the 116 000 applications received for relief from commercial and small and medium enterprises, over 109 000 have already received assistance.

The cumulative amount of assistance offered to individuals and commercial and small and medium enterprises businesses amounts to R20,58 billion. 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 relief measures are available to customers in good standing, who may not be able to meet their credit agreement payments in the short-term as a result of the impact of the Covid-19 pandemic, and who will most likely be able to meet their obligations after the relief period and as the lockdown is eased. Customers are considered to be in good standing if they were up to date with their repayments on 29 February 2020 and have a good track record of paying their debts on time.

Remedies offered by the banks differ, but may include:

- Assistance with processing credit life insurance claims. Credit life insurance policies typically cover a period of loan repayments or the outstanding debt in the event of death, disability or retrenchment or loss of income. Banks are communicating with their customers that have credit life insurance and are helping them to initiate a claim, where the policy is linked to the bank's credit agreement. In many cases this is the most viable remedy for customers with this cover.
- Instalment reduction for a limited period. Interest and fees on loans will still accumulate and will have to be paid by the customer. This could result in an extension of the term of the loan, which could incur higher costs.
- A payment break. Interest and fees on the respective loans will still accumulate and will have to be paid by the customer. This may result in an extension of the term of the loan, which could incur higher costs. Such payment breaks vary from between one and three months – and are provided either pro-actively by the bank or at the request of the customer - depending on their credit risk guidelines.
- The relief measures also apply to Shariah compliant financial services and products. Customers who are uncertain as to what relief is available for Shariah compliant products, are urged to contact their bank.

- Customers who are already in debt review should contact their debt counsellor who will then motivate a new repayment proposal to the bank, which will be considered case-by-case.
- Small businesses that are already in business rescue should contact their Business Rescue Practitioner (BRP). Banks will deal with these enterprises case-by-case.

It is in the best interests of all bank customers to continue to meet their obligations as best they can. Bank 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 do not envisage debt write-off, but rather leniency in terms of the repayment of loans for a period.

Due to the volume of calls being received, reduced staff levels, social distancing and other health and safety requirements to which banks must adhere, customer channels are inevitably experiencing delays. This is being addressed by banks, but we ask customers to understand the circumstances in which staff are operating at present.

BASA will continue to 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.

ENDS

Issued on behalf of The Banking Association South Africa

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