

9 MARCH 2016

FINANCE AND BANKING ALERT

IN THIS ISSUE

NEW LIMITS FOR CONSUMER CREDIT CHARGES

On 6 May 2016, the Limitations on Fees and Interest Rates Regulations (Final Regulations) in terms of the National Credit Act, 2005 (NCA) will come into effect. The Final Regulations effectively amend interest rates and fees, which credit providers can levy on, *inter alia*, consumers' home loans, credit cards, store cards and unsecured credit transactions.

NEW LIMITS FOR CONSUMER CREDIT CHARGES

Consumers need to understand the maximum interest rates and fees that are allowed and check that charges levied are legitimate before accepting credit quotations.

Whether or not these Final Regulations will be amended is yet to be seen, for now, consumers and credit providers should be aware of their rights and obligations when entering into new credit agreements.

On 6 May 2016, the Limitations on Fees and Interest Rates Regulations (Final Regulations) in terms of the National Credit Act, 2005 (NCA) will come into effect. The Final Regulations effectively amend interest rates and fees, which credit providers can levy on, inter alia, consumers' home loans, credit cards, store cards and unsecured credit transactions.

Given our current economic climate, the proposed changes could be viewed positively as many consumers are over-indebted and the interest rate cycle is predicted to start trending upward. The repo rate and the prime rate both increased in January 2016 and these were only the first of many interest rate hikes, with economists predicting further increases later in the year. Consumers need to understand the maximum interest rates and fees that are allowed and check that charges levied are legitimate before accepting credit quotations.

The maximum interest rates based on the current repo rate of 6.75%, which may be levied by credit providers in respect of:

- home loans will be 18.75% per year;
- credit cards and store cards will be 21,48% per year; and
- unsecured credit transactions will be 26,48% per year.

The maximum initiation fees which credit providers may levy on in respect of:

- home loans will be R5 250;
- credit cards and store cards will be R1050; and
- unsecured credit transactions, short term credit transactions and other credit agreements will be R1050.

Lastly, the maximum monthly service fee will be increased from R50 to R60.

Although, consumers should be financially healthy and protected from over-indebtedness, these proposed changes do not take into account the financial realities required to serve lower income clients. For this reason, the Portfolio Committee on Trade and Industry (Committee) recently requested a legal opinion on whether it has the power to amend the Final Regulations. The Committee is of the opinion that the Final Regulations require further amendment in order to ensure that the rights of consumers and businesses are protected. Further, the Committee chairperson said that the constitutional principle of equity must be observed, second degree human rights in the Constitution must be taken into account and in complying with the Constitution it is necessary to take into account the economic environment to avoid negative externalities.

Whether or not these Final Regulations will be amended is yet to be seen, for now, consumers and credit providers should be aware of their rights and obligations when entering into new credit agreements.

Bridget King and Raaziq Ismail

OUR TEAM

For more information about our Finance and Banking practice and services, please contact:



Deon Wilken
National Practice Head
Director
T +27 (0)11 562 1096
E deon.wilken@cdhlegal.com



Biddy Faber
Director
T +27 (0)11 562 1439
E biddy.faber@cdhlegal.com



Carmen de Villiers
Director
T +27 (0)11 562 1324
E carmen.devilliers@cdhlegal.com



Stephen Gie
Director
T +27 (0)21 405 6051
E stephen.gie@cdhlegal.com



Temba Kali
Director
T +27 (0)11 562 1482
E temba.kali@cdhlegal.com



Adnaan Kariem
Director
T +27 (0)21 405 6102
E adnaan.kariem@cdhlegal.com



Bridget King
Director
T +27 (0)11 562 1027
E bridget.king@cdhlegal.com



Jacqueline King
Director
T +27 (0)11 562 1554
E jacqueline.king@cdhlegal.com



Izak Lessing
Director
T +27 (0)21 405 6013
E izak.lessing@cdhlegal.com



Zaaheda Mayet
Director
T +27 (0)11 562 1324
E zaaheda.mayet@cdhlegal.com



Mashudu Mphafudi
Director
T +27 (0)11 562 1093
E mashudu.mphafudi@cdhlegal.com



Gavin Noeth
Director
T +27 (0)11 562 1371
E gavin.noeth@cdhlegal.com



Jackie Pennington
Director
T +27 (0)11 562 1131
E jackie.pennington@cdhlegal.com



Preshan Singh Dhulam
Director
T +27 (0)11 562 1192
E preshan.singh@cdhlegal.com



Pierre Swart
Director
T +27 (0)11 562 1717
E pierre.swart@cdhlegal.com



Hunter Thyne
Director
T +27 (0)11 562 1383
E hunter.thyne@cdhlegal.com

Pride Jani
Senior Associate
T +27 (0)21 405 6103
E pride.jani@cdhlegal.com

Nirvana Ajodha
Associate
T +27 (0)11 562 1438
E nirvana.ajodha@cdhlegal.com

Chloe Brockman
Associate
T +27 (0)21 481 6309
E chloe.brockman@cdhlegal.com

Michael Dippenaar
Associate
T +27 (0)11 562 1206
E michael.dippenaar@cdhlegal.com

Sanelisiwe Mpfana
Associate
T +27 (0)11 562 1267
E sanelisiwe.mpfana@cdhlegal.com

Sidasha Naidoo
Associate
T +27 (0)11 562 1422
E sidasha.naidoo@cdhlegal.com

Gareth Munnick
Associate
T +27 (0)11 562 1563
E gareth.munnick@cdhlegal.com

Wandile Sishi
Associate
T +27 (0)11 562 1697
E wandile.sishi@cdhlegal.com

BBBEE STATUS: LEVEL TWO CONTRIBUTOR

This information is published for general information purposes and is not intended to constitute legal advice. Specialist legal advice should always be sought in relation to any particular situation. Cliffe Dekker Hofmeyr will accept no responsibility for any actions taken or not taken on the basis of this publication.

JOHANNESBURG

1 Protea Place, Sandton, Johannesburg, 2196. Private Bag X40, Benmore, 2010, South Africa. Dx 154 Randburg and Dx 42 Johannesburg.
T +27 (0)11 562 1000 F +27 (0)11 562 1111 E jhb@cdhlegal.com

CAPE TOWN

11 Buitengracht Street, Cape Town, 8001. PO Box 695, Cape Town, 8000, South Africa. Dx 5 Cape Town.
T +27 (0)21 481 6300 F +27 (0)21 481 6388 E ctn@cdhlegal.com

©2016 0949/MAR