# 2020 ANNUAL REPORT

THE YEAR THAT CHANGED THE WORLD

CREDIT OMBUD

Enforcing Fairness in Credit and Credit Bureaux Matters

# MISSION STATEMENT

**THE OFFICE OF THE CREDIT OMBUD WILL**

Effectively resolve disputes between members of the credit industry and credit receivers (consumers and businesses) with regard to credit and credit information matters.

Act as an educator of the public in matters pertaining to the credit industry.

At all times act honestly, independently and fairly; balancing the rights of all parties.

# VALUES

**FAIR**

We will act in the best interests of all parties, taking both sides into consideration and considering the merits of each case carefully.

**INDEPENDENT**

We will not take sides and will remain impartial at all times. No individual or organisation will be in a position to unduly influence us.

**HONEST**

We will deal openly with any issue brought before us, asking the relevant questions and communicating clearly and transparently.

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# MESSAGE FROM THE CHAIRPERSON

THE COVID-19 PANDEMIC HAS HAD A DEVASTATING IMPACT ON THE CREDIT INDUSTRY. CONSUMERS OF CREDIT EXPERIENCED SEVERE CHALLENGES INCLUDING LOSS OF INCOME AND JOBS, WITH MANY UNABLE TO SERVICE THEIR DEBTS. ON THE OTHER HAND, CREDIT PROVIDERS RESPONDED BY PROVIDING CONSUMERS WITH ASSISTANCE SUCH AS PAYMENT HOLIDAYS AND OTHER MEANS TO OVERCOME THE PRESSURE ON CONSUMERS.

TEFO RADITAPOLE

THE COVID-19 pandemic has had a devastating impact on the credit industry. Consumers of credit experienced severe challenges including loss of income and jobs, with many unable to service their debts. On the other hand, credit providers responded by providing consumers with assistance such as payment holidays and other means to overcome the pressure on consumers. This placed serious constraints on credit providers' own bottom lines, as they had to absorb lower revenue and challenging changes to their operational environment. At the level of households, many families have been mourning the loss of loved ones and have been experiencing extreme suffering as they struggle to maintain food security.

The pandemic also had a major impact on the operations of the Credit Ombud. During the lockdown period our office closed and as the restrictions were lifted, all the protocols were put in place in line with the regulations to open our office on a scaled down level. In April 2020, all our performance indicators dropped dramatically, as is evidenced in this report. Our management team equipped all staff with the tools to be able to work from home and by May the office was operating efficiently. It is heart-warming to see how our staff rose to the challenge in this time.

Despite the pandemic, the Office of the Credit Ombud received 30 120 calls and SMSes, which generated 16 338 general enquiries. A total of 3 143 disputes were opened. Our case managers closed 3 111 disputes. These numbers are substantially down on 2019 and reflect the impact of the pandemic and also the agreement with the Banking Association of South Africa that the Credit Ombud will no longer deal with credit information matters from consumers against the banks. These matters are now dealt with by the Ombud for Banking Services.

At the end of 2019, the Council conducted a strategic review of our operations in the light of loss of revenue due to the withdrawal of the banks. The strategic approach developed was called "Fit for Purpose." We had a change of leadership with the appointment of the Interim Credit Ombudsman; we retrenched staff and we reduced the size of the Council. I am happy to report that these measures paid off and we have a vibrant organization ready to serve both consumers and credit providers.

In this report we present the audited financial statements. I want to thank the management team for the prudent management of our finances over the year. Especially now that we have turned a loss in 2019 to a surplus in 2020.

The Council has been monitoring our interaction with the regulatory authorities on an on-going basis. Chapter 14 of the Financial Sector Regulation Act No. 9 of 2017 came into operation on 1 November 2020. This chapter provides for the establishment of an Ombud Council and the regulation of the Ombud schemes in the financial sector. We look forward to working with the Ombud Council to provide a vibrant service to both consumers and credit providers in our sector.

I confirm that the Credit Ombud complies with all statutory and regulatory obligations, including section 10(1)(b)(ii) of the Financial Services Ombud Schemes (FSOS) Act, 2004. In addition, the Council are happy that the Credit Ombud, in accordance with our constitution, is in compliance with all statutory requirements.

The Council continues to protect and promote the mission statement of the Credit Ombud to:

- Effectively resolve disputes between members of the credit industry and credit receivers (consumers and businesses) with regard to credit and credit information matters.
- Act as an educator of the public in matters pertaining to the credit industry.
- At all times act honestly, independently and fairly, balancing the rights of all parties.

During the year, all the Council meetings were held virtually and were well attended. Also during the year, Mr. Brooks resigned as a member of the Council and Mr. Lawrence was appointed as a Council member. I wish Mr. Brooks well and want to thank him for his service to the Credit Ombud and welcome Mr. Lawrence as a Council member. I want to express my appreciation to all Council members for the excellent work they have done over the year.

Towards the end of the year the Council advertised the post of the Credit Ombud. After a transparent recruitment process the Council appointed Mr. Howard Gabriels as the Ombudsman. Mr. Gabriels has acted as the Interim Ombudsman since November 2019 and we are confident that he will lead the organization over the next three years, as we enter into a period of tremendous change and renewal in our organization.

It remains for me to thank all our stakeholders on behalf of the Council – our subscribing members, our partners and our management team and staff for their support during the past year.

# OPERATIONAL REPORT of the INTERIM CREDIT OMBUD

HOWARD GABRIELS

**2020 WAS A DIFFICULT YEAR, PRIMARILY DUE TO THE IMPACT OF THE COVID-19 PANDEMIC. THE PANDEMIC HAS HAD A SEVERE IMPACT ON CONSUMERS AND CREDIT PROVIDERS. IT ALSO DISRUPTED THE OPERATIONS OF THE CREDIT OMBUD. THE PANDEMIC SHOWED US HOW VULNERABLE WE ARE AS HUMAN BEINGS.**

**FOR THE CREDIT OMBUD, 2020 WAS THE YEAR OF CONSOLIDATION. AFTER THE DRAMATIC EVENTS IN 2019, OUR COUNCIL CONDUCTED A STRATEGIC REVIEW OF THE ORGANIZATION AND DEVELOPED A PLAN WHICH WAS CALLED "FIT FOR PURPOSE."**

By its nature, this strategic approach was very much inward-focused. We reviewed all our policies and strengthened our internal controls. The result is that we have a strong, focused team, imbued with the desire to deliver a quality service to both consumers and credit providers in our industry. In this respect, the implementation of Lockdown Level 5 at the end of March 2020 proved to be very disruptive to the operations of the Credit Ombud. This is not dissimilar to other organizations, except that we were in the process of introducing extreme changes brought on by our new reality. We had to equip our staff to work remotely and had to make a substantial investment in improving our technological capability.

In our report on the performance indicators, the impact of the pandemic is strongly evident, although our numbers indicate the recovery in the second half of the year. Over the year, we dealt with 30 120 calls to our offices from consumers. These calls generated 16 338 complaints and general enquiries. We opened 3 143 disputes and closed 3 111 disputes. Disputes closed in favour of the consumers increased to 62% compared to 57% in 2019. The average cost of disputes closed declined to R2 952.00 per dispute and the value of recoveries or savings in favour of consumers was R3.44 million. On average it took us 46 days to resolve disputes. Over the year in our consumer satisfaction survey, 85% of our consumers indicate that they are happy with our services and 90% said they will refer others to the Credit Ombud.

Throughout the year we continued to engage with our members and the associations that represent our members. We held regular meetings with Micro Finance South Africa, the Furniture Traders Association, National Clothing Retail Federation and the Large Non-Bank Lenders Association. We thank them for the support they have given to me and the Credit Ombud. We also engaged with various consumer bodies, including the Black Sash and the South African National Consumer Union.

Consumer education and awareness is an important mandate of the Credit Ombud. Our mission statement states that the Credit Ombud must "… act as an educator of the public in matters pertaining to the credit industry." All our services are FREE to consumers. As a result of the pandemic, we had to refocus our campaign to address our role in consumer education and awareness.

We could no longer participate in mall activations and workshops. Instead, we increased our efforts in spreading our message through the media. We conducted 70 radio interviews and appeared on 14 TV programmes, while a total of 183 articles were published. These activities generated a media exposure equivalent to R28.6 million.

We also continued to participate in all the activities of the National Consumer Financial Education Committee (NCFEC) under the leadership of National Treasury and the Financial Sector Conduct Authority (FSCA). Our participation in NCFEC was extremely useful as our colleagues in a broad range of organizations could share experiences and approaches to deal with the impact of the pandemic on these organizations. Unfortunately, the normal activities of the Money Smart Week were cancelled and together we developed a comprehensive approach to continue the campaign in a different format.

In this Annual Report we present the audited financial statements for 2020. We are delighted that we turned the loss in 2019 to a surplus in 2020. This was mainly due to the prudent management of our resources and a deliberate effort to reduce costs as far as possible without compromising on our delivery of a quality service to our stakeholders. In a strange way, the pandemic impacted positively on our finances as many of our meetings are now held online, resulting in savings on our original budget for the year.

Over the year we continued to hold regular consultations with the various regulatory authorities in our sector, including National Treasury, FSCA and the National Credit Regulator (NCR).

We negotiated a Memorandum of Understanding (MoU) with the NCR, which was signed after the end of the financial year. The MoU will see the NCR and Credit Ombud work together on several areas of co-operation. The main elements include the following:

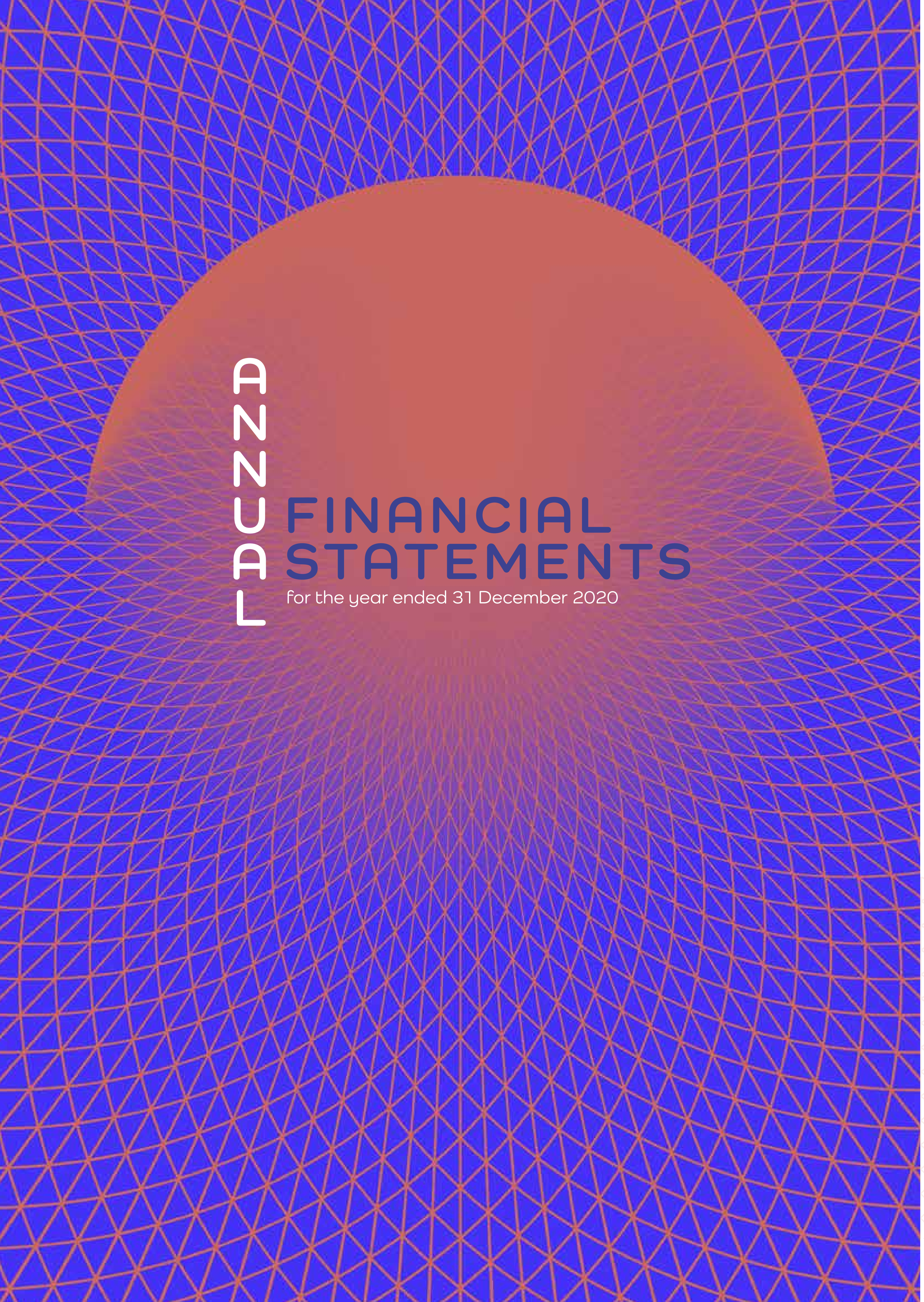
- As an alternative to disputes being investigated by the NCR against subscribing members of the Credit Ombud, the NCR shall refer non-bank credit agreements and credit information matters to the Credit Ombud;
- The Credit Ombud will report to the NCR on a quarterly basis regarding the resolution of disputes referred by the NCR;
- Cooperation on capacity building and training programmes;
- Cooperation on consumer education and awareness as well as outreach initiatives; and
- Cooperation on research and information sharing.

The Financial Sector Regulation Act (FSRA) was promulgated in 2017. The implementation of Chapter 14 of the Act, which provides for the establishment of the Ombud Council and the regulation of the Ombud schemes in the sector, was delayed. Chapter 14 of the FSRA became operational on 1 November 2020. We understand that National Treasury is in the process of appointing the Ombud Council and the Chief Ombud. We look forward to working with the newly appointed Ombud Council to promote an effective service to consumers and credit providers. Chapter 14 also places an obligation to all financial institutions to belong to an Ombud scheme. We anticipate that this provision will contribute significantly to the increase in our membership base.

During the past year National Treasury appointed the World Bank Diagnostic Team to review the Ombud system in the financial sector in South Africa. We had several engagements with the consulting team and completed extensive questionnaires. We also engaged with the other voluntary Ombud Schemes in our sector to prepare for our engagements with the consulting team. One of the outcomes of this process is the voluntary Ombud Schemes agreed to explore greater cooperation between themselves, in order to deliver an improved service to consumers. We understand that the report of the World Bank Diagnostic Team will be presented to National Treasury in January 2021 and we await to receive the report and look forward to our further engagements with National Treasury and the other voluntary Ombud Schemes.

Finally, let me express my appreciation to both the Council and all staff for their dedication to the Credit Ombud. Our staff continue to deliver a professional service to both consumers and the credit providers to resolve disputes in our industry. I want to say a special word of appreciation to both Mr. Lee Soobrathi (Head: Case Management) and Ms. Avitha Nofal (Council Secretariat and Head: Call Centre) who have taken on responsibilities beyond their job descriptions. They have demonstrated their commitment to the Credit Ombud and we value the contribution they have made over the year.

My thanks also go to the members of the Council and especially to the Chairperson of the Council who is always available to guide us in our work.




# Financial Statements for the year ended 31 December 2020

## GENERAL INFORMATION

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | Ombudsman |
| **Council** | TN Raditapole<br>NN Zungu<br>TP Zulu<br>A Hlubi<br>JM van der Merwe<br>J Naude Viljoen<br>M Lawrence |
| **Registered office** | 1st Floor, Block 3<br>Fernridge Office Park<br>Ferndale<br>Johannesburg<br>2123 |
| **Postal address** | PO Box 805<br>Pinegowrie<br>2123 |
| **Bankers** | Absa |
| **Auditor** | Infocus Auditors and Accountants<br>Chartered Accountant (SA)<br>Registered Auditor<br>1124 Pretorius Street<br>Hatfield<br>Pretoria<br>0082 |
| **Level of assurance** | These financial statements have been audited in compliance with the applicable requirements of their Constitution and in line with the Companies Act 71 of 2008. |
| **Issued** | 26 January 2021 |
| **Legal entity** | Association of persons |

# Financial Statements
# for the year ended 31 December 2020

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The reports and statements set out below comprise the financial statements presented to the members:



**Level of assurance**

These financial statements have been audited in compliance with the applicable requirements of their Constitution and in line with the Companies Act 71 of 2008.

**Published**

26 January 2021



# Financial Statements
# for the year ended 31 December 2020

## COUNCIL'S RESPONSIBILITIES AND APPROVAL

The council is required by the Constitution and in line with the Companies Act 71 of 2008, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the association as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium- sized Entities. The external auditor is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The council acknowledge that they are ultimately responsible for the system of internal financial control established by the association and place considerable importance on maintaining a strong control environment. To enable the council to meet these responsibilities, the council sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the association and all employees are required to maintain the highest ethical standards in ensuring the association's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the association is on identifying, assessing, managing and monitoring all known forms of risk across the association. While operating risk cannot be fully eliminated, the association endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The council is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The council have reviewed the association's cash flow forecast for the year to 31 December 2021 and, in the light of this review and the current financial position, they are satisfied that the association has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the association's financial statements. The financial statements have been examined by the association's external auditor and their report is presented on page 5.

**Approval of financial statements**

**Chairperson**

# Financial Statements
for the year ended 31 December 2020

## COUNCIL'S REPORT

The council has pleasure in submitting their report on the financial statements of Credit Ombud Association for the year ended 31 December 2020.

1. **Review of financial results and activities**

   The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Constitution and in line with the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

   Full details of the financial position, results of operations and cash flows of the association are set out in these financial statements.

2. **Council**

   The council in office at the date of this report are as follows:

| Council | Changes |
|---|---|
| TN Raditapole | |
| NN Zungu | |
| TP Zulu | |
| MC Brooks | Resigned, 13 October 2020 |
| A Hlubi | |
| JM van der Merwe | |
| J Naude Viljoen | |
| M Lawrence | Appointed, 13 October 2020 |

3. **Events after the reporting period**

   The council is not aware of any material event which occurred after the reporting date and up to the date of this report.

4. **Going concern**

   The council believe that the association has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The council has satisfied themselves that the association is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The council is not aware of any new material changes that may adversely impact the association. The council is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the association.

5. **Auditors**

   Infocus Auditors and Accountants continued in office as auditors for the association for 2020.



# Financial Statements
for the year ended 31 December 2020

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| Figures in Rand | Note(s) | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Fixed assets | 2 | 47 830 | 105 192 |
| Staff loans | | 242 847 | – |
| | | **290 677** | **105 192** |
| **Current Assets** | | | |
| Trade and other receivables | 3 | 2 361 315 | 744 242 |
| Cash and cash equivalents | 4 | 8 804 983 | 8 741 377 |
| | | **11 166 298** | **9 485 619** |
| **Total Assets** | | **11 456 975** | **9 590 811** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Retained income | | 6 166 470 | 3 470 054 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 5 | 5 290 505 | 6 120 757 |
| **Total Equity and Liabilities** | | **11 456 975** | **9 590 811** |

# Financial Statements for the year ended 31 December 2020

## STATEMENT OF COMPREHENSIVE INCOME

| Figures in Rand | Note(s) | 2020 | 2019 |
|---|---|---|---|
| **Revenue** | | | |
| Membership fees | | 11 948 134 | 14 340 637 |
| **Other income** | | | |
| Interest received | | 338 217 | 524 748 |
| **Operating expenses** | | | |
| Accounting fees | | 17 326 | 8 950 |
| Advertising | | 118 090 | 84 461 |
| Auditors remuneration | | 39 725 | 23 175 |
| Bank charges | | 8 368 | 38 011 |
| Cleaning | | – | 5 078 |
| Combined projects | | 3 705 | 55 505 |
| Computer expenses | | 844 404 | 1 192 402 |
| Consulting fees | | 29 745 | – |
| Consumer education | | 744 | 337 021 |
| Council fees | | 316 719 | 980 311 |
| Depreciation | | 57 362 | 67 373 |
| Document storage | | – | 433 |
| Employee costs | | 6 615 871 | 11 701 742 |
| Entertainment | | 15 870 | 25 328 |
| Gifts and flowers | | – | 4 530 |
| HRM services | | 28 820 | 57 450 |
| Insurance | | 54 184 | 65 095 |
| Legal expenses | | – | 33 925 |
| Membership fees | | 21 883 | 68 042 |
| Office expenses | | 14 397 | 54 710 |
| Postage | | 296 | 338 |
| Printing and stationery | | 91 326 | 182 672 |
| Rent paid | | 653 296 | 714 262 |
| SARS interest and penalties | | 23 282 | – |
| Security | | 12 647 | 8 001 |
| Special audit remuneration | | 77 950 | – |
| Telephone and fax | | 113 617 | 110 949 |
| Training | | 18 075 | 121 623 |
| Travel and accommodation | | 4 308 | 106 438 |
| | | **9 182 010** | **16 047 825** |
| **Profit (loss) for the year** | | **3 104 341** | **(1 182 440)** |



# Financial Statements for the year ended 31 December 2020

## STATEMENT OF CHANGES IN EQUITY

| Figures in Rand | Retained income | Total equity |
|---|---|---|
| **Balance at 01 January 2019** | **4 652 494** | **4 652 494** |
| **Loss for the year** | **(1 182 440)** | **(1 182 440)** |
| **Balance at 01 January 2020** | **3 470 054** | **3 470 054** |
| **Profit for the year** | **3 104 341** | **3 104 341** |
| Prior year VAT correction | (407 925) | (407 925) |
| **Total changes** | **(407 925)** | **(407 925)** |
| **Balance at 31 December 2020** | **6 166 470** | **6 166 470** |

# Financial Statements
for the year ended 31 December 2020

## STATEMENT OF CASH FLOWS

| Figures in Rand | Note(s) | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in) generated from operations | 6 | (274 611) | 3 261 147 |
| Interest income | | 338 217 | 524 748 |
| **Net cash from operating activities** | | **63 606** | **3 785 895** |
| **Cash flows from investing activities** | | | |
| Purchase of fixed assets | 2 | – | (27 906) |
| **Total cash movement for the year** | | **63 606** | **3 757 989** |
| Cash at the beginning of the year | | 8 741 377 | 4 983 388 |
| **Total cash at end of the year** | 4 | **8 804 983** | **8 741 377** |



# Financial Statements
for the year ended 31 December 2020

## ACCOUNTING POLICIES

**1. Basis of preparation and summary of significant accounting policies**

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Constitution and in line with the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

**1.1 Fixed assets**

Fixed assets are tangible assets which the association holds for its own use and which are expected to be used for more than one period.

Fixed assets is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of fixed assets and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of fixed assets, the carrying amount of the replaced part is derecognised.

Expenditure incurred subsequently for major services, additions to or replacements of parts of fixed assets are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the association and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Fixed assets is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the association.

The useful lives of items of fixed assets have been assessed as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Furniture and fixtures | Straight line | 6 Years |
| Office equipment | Straight line | 6 Years |
| IT equipment | Straight line | 3 Years |
| Computer software | Straight line | 3 Years |

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of fixed assets, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

# Financial Statements for the year ended 31 December 2020

## ACCOUNTING POLICIES

**1.2 Financial instruments**

**Initial measurement**

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

**Financial instruments at amortised cost**

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

**1.3 Tax**

**Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

The tax liability reflects the effect of the possible outcomes of a review by the tax authorities.

**Tax expenses**

The association is taxed in terms of section 30 of the Income Tax Act, 1962, and the receipts and accruals are exempt from income tax in terms of 10(1)(cN) of the Act.

**1.4 Trade and other receivables**

Most membership fees are made on the basis of normal credit terms and the receivables do not bear interest. Where credits on accounts that received the benefits of the association extend beyond normal credit terms, receivables are measured at amortised cost using the effective interest method.

**1.5 Trade and other payables**

Trade payables are recognised when:

- the association has an obligation at the reporting date as a result of a past event; and
- the amount of the obligation can be estimated or confirmed reliably.

**1.6 Revenue**

Membership income are recognised as revenue once members are invoiced. Membership fees are invoiced yearly, based on the proportional amount as per the approved budget. When the inflow of cash and cash equivalents is deferred, the fair value of the consideration receivable is present value of all future receipts using imputed rate of interest.

Interest is recognised, in profit or loss, using the effective interest rate method.



# Financial Statements for the year ended 31 December 2020

## NOTES TO THE FINANCIAL STATEMENTS

| Figures in Rand | 2020 | 2019 |
|---|---|---|

**2. Fixed assets**

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Cost or revaluation | Accumulated depreciation | Carrying value | Cost or revaluation | Accumulated depreciation | Carrying value |
| Furniture and fixtures | 330 000 | (330 000) | – | 330 000 | (330 000) | – |
| Office equipment | 30 690 | (24 694) | 5 996 | 30 690 | (22 763) | 7 927 |
| IT equipment | 985 741 | (952 986) | 32 755 | 1 005 223 | (928 397) | 76 826 |
| Computer software | 227 887 | (218 808) | 9 079 | 227 887 | (207 448) | 20 439 |
| **Total** | **1 574 318** | **(1 526 488)** | **47 830** | **1 593 800** | **(1 488 608)** | **105 192** |

**Reconciliation of fixed assets - 2020**

| | Opening balance | Depreciation | Closing balance |
|---|---|---|---|
| Office equipment | 7 927 | (1 931) | 5 996 |
| IT equipment | 76 826 | (44 071) | 32 755 |
| Computer software | 20 439 | (11 360) | 9 079 |
| | **105 192** | **(57 362)** | **47 830** |

**3. Trade and other receivables**

| | 2020 | 2019 |
|---|---|---|
| Interest receivable | 16 739 | 29 780 |
| Prepayments | 4 400 | 109 501 |
| Staff loans | 12 000 | 282 447 |
| Trade receivables | 2 328 176 | 322 514 |
| | **2 361 315** | **744 242** |

**4. Cash and cash equivalents**

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents consist of: | | |
| Bank balances | 382 201 | 1 949 854 |
| Short-term deposits | 8 422 782 | 6 791 523 |
| | **8 804 983** | **8 741 377** |

# Financial Statements
# for the year ended 31 December 2020

## NOTES TO THE FINANCIAL STATEMENTS

| Figures in Rand | 2020 | 2019 |
|---|---|---|
| **5. Trade and other payables** | | |
| Accrued employee cost | 70 797 | 196 742 |
| Accrued leave pay | – | 200 573 |
| Amounts received in advance | 4 662 136 | 4 738 289 |
| Trade payables | 71 575 | 229 668 |
| VAT | 485 997 | 755 485 |
| | **5 290 505** | **6 120 757** |
| **6. Cash (used in) generated from operations** | | |
| Profit (loss) before taxation | 3 104 341 | (1 182 440) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 57 362 | 67 373 |
| Interest received | (338 217) | (524 748) |
| Changes in working capital | (407 925) | (241 981) |
| **Changes in working capital:** | | |
| Trade and other receivables | (1 617 073) | (111 954) |
| Prepayments | (242 847) | – |
| Trade and other payables | (830 252) | 5 254 897 |
| | **(274 611)** | **3 261 147** |

# CORPORATE GOVERNANCE REPORT

THE CREDIT OMBUD IS A NON-STATUTORY OMBUD SCHEME THAT RESOLVES DISPUTES FROM CONSUMERS AND BUSINESSES THAT ARE NEGATIVELY IMPACTED BY CREDIT BUREAUX INFORMATION OR WHEN A CONSUMER HAS A DISPUTE WITH A MEMBER OF THE CREDIT INDUSTRY. THE CREDIT OMBUD ACTS AS AN EDUCATOR TO THE PUBLIC IN MATTERS PERTAINING TO THE CREDIT INDUSTRY.

AVITHA NOFAL

# THE

Credit Ombud is a non-statutory Ombud scheme that resolves disputes from consumers and businesses that are negatively impacted by credit bureaux information or when a consumer has a dispute with a member of the credit industry. The Credit Ombud acts as an educator to the public in matters pertaining to the credit industry. The mission of the Credit Ombud Council is to facilitate the provision by the Credit Ombud office in performing these functions independently, equitably, speedily and cost effectively. The Credit Ombud Council is ultimately accountable and responsible to all its stakeholders, members and the public for the performance and affairs of the Credit Ombud.

The Credit Ombud Council is steadfast in its aim to achieve the highest level of standards of corporate governance and takes reasonable measures to ensure compliance by adherence to the Credit Ombud Constitution, applicable laws and regulations and codes of best practice, transparency, fairness, accountability and responsibility.

The role of the Council is to provide direction, guidance and advice to senior management while effectively carrying out the strategic decision-making of the office. The Credit Ombud Council seeks to ensure that the corporate governance outcomes of good performance; legitimacy; ethical culture and effective control, as required in the King IV principles, are met. The Credit Ombud Council and the management team remain committed to strengthening and adopting applicable policies that perpetuate integrity and compliance. There is consistent monitoring and at the least, an annual revision of policies, procedures, plans and governance structures.

## COUNCIL MEMBER'S FIDUCIARY RESPONSIBILITY

Council members are expected to act judiciously in good faith and for proper purpose in the best interests of the Credit Ombud utilizing the degree of care, skill and diligence that may be reasonably expected of a person carrying out the same functions in relation to the Credit Ombud as those carried out by that Council member when fulfilling their fiduciary duties towards the Credit Ombud. At the beginning of each meeting, they are required to provide a notice of declaration of their pecuniary and personal interests. Council meetings are steered in line with a formal agenda, which ensures that substantive items are comprehensively traversed by the Council.

## COMPOSITION OF CREDIT OMBUD COUNCIL

The Council is made up in terms of the Credit Ombud Constitution and provides for representation of the credit industry, consumer bodies and independents. The credit industry constituency comprises of a maximum of three representatives; consumer bodies and independents comprise of a maximum of two representatives for each constituency.

The Council is chaired by an independent member, Tefo Raditapole. There is a distinct separation of the role of the chairperson and the Ombudsman, Howard Gabriels. The chairperson is tasked to ensure that all Council members are fully involved and participate in the pursuit of good corporate governance. The deputy chairperson is Thandiwe Zulu of the Black Sash who represents the consumer bodies constituency.

The Council currently comprise of 7 members.
The Council members are :

- TEFO RADITAPOLE (Chairperson)
  Independent
- THANDIWE ZULU (Deputy Chairperson)
  Black Sash
- MARIE VAN DER MERWE
  South African National Consumer Union
- ARTHUR HLUBI
  Large Non Bank Lenders Asssociation
- JEANNINE NAUDE VILJOEN
  Credit Bureaux Association
- THULI ZUNGU
  Independent
- MICHAEL LAWRENCE
  National Clothing Retail Federation of SA

## COUNCIL MEETINGS FREQUENCY, QUORUM AND ATTENDANCE

During the year under review, the Council held quarterly meetings to fulfil its duties pursuant to the Constitution. Where circumstances may require, additional meetings may be convened. Comprehensive reporting on strategic, governance, operational and financial activities of the office are presented to the Council for deliberation.

The Council secretary distributes meeting packs encompassing essential information and facts to members of the Credit Ombud Council regarding the strategic, governance, operational and financial recommendations, allowing Council members an opportunity to satisfactorily prepare before decisions are taken at the Council meeting. Due to the COVID-19 pandemic challenges, meetings of the Credit Ombud Council were generally held by electronic means. Council members have access to guidance and advice on matters of business ethics and good governance.

Michael Lawrence, representing the National Clothing Retail Federation of South Africa, was appointed from 13 October 2020 and Mike Brooks, representing the Consumer Goods Council of South Africa, resigned on 13 October 2020.

A total of five Council meetings were held during 2020. This included a special Council meeting held in December 2020 in respect of the appointment of the Ombudsman.

**The following table sets out the number of meetings attended by the Council members.**

| COUNCIL MEMBERS | ATTENDANCE AT FIVE COUNCIL MEETINGS |
|---|---|
| Tefo Raditapole (Chairperson) | 5 |
| Thandiwe Zulu (Dep Chairperson) | 4 |
| Marie van der Merwe | 5 |
| Mike Brooks | 2 |
| Arthur Hlubi | 5 |
| Jeannine Naude Viljoen | 4 |
| Thuli Zungu | 5 |
| Michael Lawrence | 2 |

## GOVERNANCE, HUMAN RESOURCES AND FINANCE COMMITTEE (EXCO) MEETINGS FREQUENCY, QUORUM AND ATTENDANCE

The Council is assisted by the Governance, Human Resources and Finance Committee (EXCO) to discharge its duties, with the ultimate accountability for the Council duties and responsibilities remaining with the Council. The committee is chaired by Thandiwe Zulu. EXCO provides a consultative forum for corporate governance and compliance requirements; HR policies, processes and procedures, standards and practices in relation to the appointment of staff, the annual adjustment of remuneration, succession planning and the evaluation of the performance of the Ombud; and finance and audit requirements. The EXCO meets frequently as circumstances would require, but not less than once a year.

**The following table sets out the number of meetings attended by the committee members.**

| EXCO MEMBERS | ATTENDANCE AT FOUR EXCO MEETINGS |
|---|---|
| Thandiwe Zulu (Chairperson) | 3 |
| Tefo Raditapole | 3 |
| Arthur Hlubi | 3 |
| Howard Gabriels | 3 |
| Lee Soobrathi | 3 |
| Avitha Nofal | 3 |

## COUNCIL APPRAISAL

Board evaluations have been recognized as best practices for good corporate governance and a useful tool to improve the performance of the Board. The key results of a Board evaluation should be inputs to an action plan, followed up by the Board. This demonstrates ethical culture and effective practices, which highlights the reputation of the Chairperson, Council members and the Credit Ombud office.

Pursuant to the Credit Ombud Constitution, an annual confidential review to assess the effectiveness of the Council was undertaken in December 2020 to review and evaluate the mix of skills, experience, and other qualities in assessing the effectiveness of the entire Council. Results from the survey identified that ongoing training sessions for Council members and senior management be held.

## COMPLIANCE FOCUS AREAS

Various topics and articles had been disseminated to the Credit Ombud employees providing training and awareness; as well as updates on industry, regulatory and legislative points of interest. In addition, areas of possible concerns and potential breaches at the Credit Ombud are highlighted.

## EFFECT OF COVID-19

On 15 March 2020, a National State of Disaster was declared in South Africa, with a nationwide lockdown imposed from 27 March 2020. The regulatory environment in which businesses operated in South Africa changed sporadically as the most effective means of protection of the people against the spread of the pandemic was being considered by government. The Credit Ombud swiftly implemented policies setting out precautionary measures, registers, and daily monitoring in compliance with the COVID-19 guidelines and regulations that had been published. Employees were trained in compliance with the COVID-19 policy.

## CREDIT OMBUD AUDIT REPORT

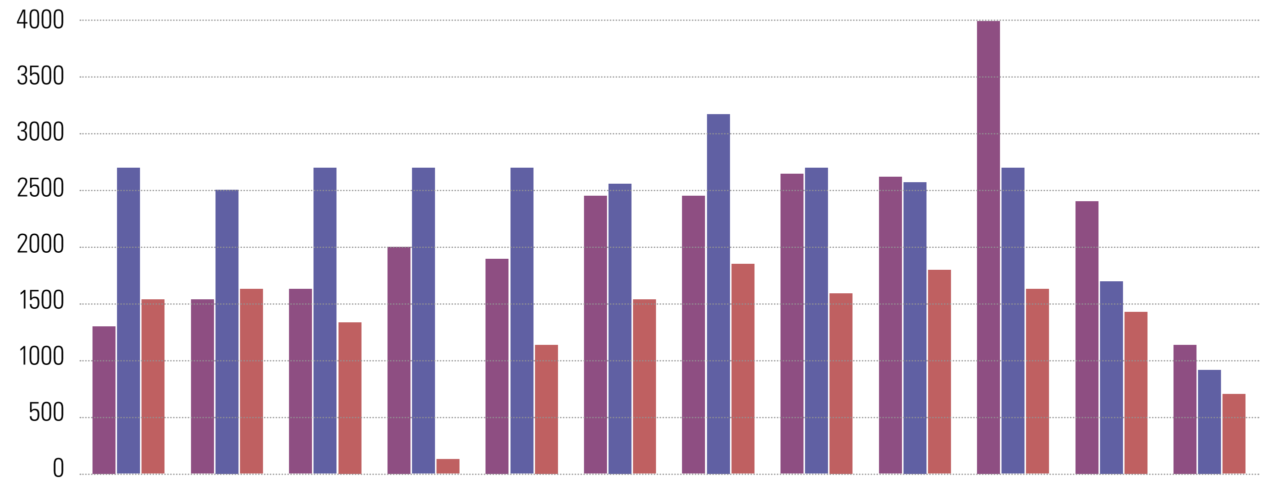
The books of account of the Credit Ombud were audited by Infocus Auditors and Accountants who were re-appointed by the Council to complete the audit for the 2020 financial year. The financial statements as required by the Constitution and in line with the Companies Act 71 of 2008, have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. The Council has set proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The annual financial statements for the 2020 financial year present fairly, in all material respects, the financial position of the Credit Ombud.

## STRATEGIC RELATIONSHIPS

Member engagement and relationship with the regulators are a crucial part in enabling the Credit Ombud to deliver on its mandate. The Credit Ombud has initiated a project which will see us liaising with our members and industry associations on a periodic basis. We have already found such engagements to be informative and re-iterate the value proposition of the office to member stakeholders. Meetings are held with regulators like the Department of Trade and Industry and Competition, National Treasury, Financial Sector Conduct Authority and the National Credit Regulator; on a quarterly basis.

# PERFORMANCE STATISTICS

## COMPLAINTS AND ENQUIRIES

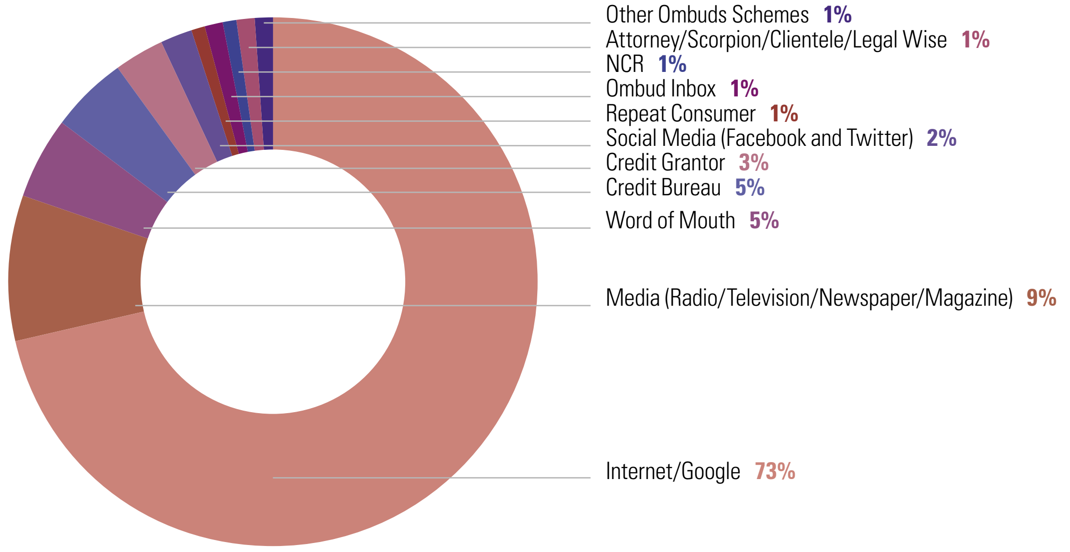



| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 1 288 | 1 524 | 1 673 | 2 036 | 1 885 | 2 414 | 2 432 | 2 645 | 2 661 | 3 983 | 2 394 | 1 130 |
| 2019 | 2 686 | 2 512 | 2 678 | 2 706 | 2 677 | 2 521 | 3 220 | 2 695 | 2 536 | 2 694 | 1 686 | 899 |
| 2020 | 1 540 | 1 631 | 1 310 | 157 | 1 126 | 1 542 | 1 862 | 1 607 | 1 799 | 1 615 | 1 461 | 688 |

YEAR TO DATE COMPARISON vs 2019: DOWN 45%

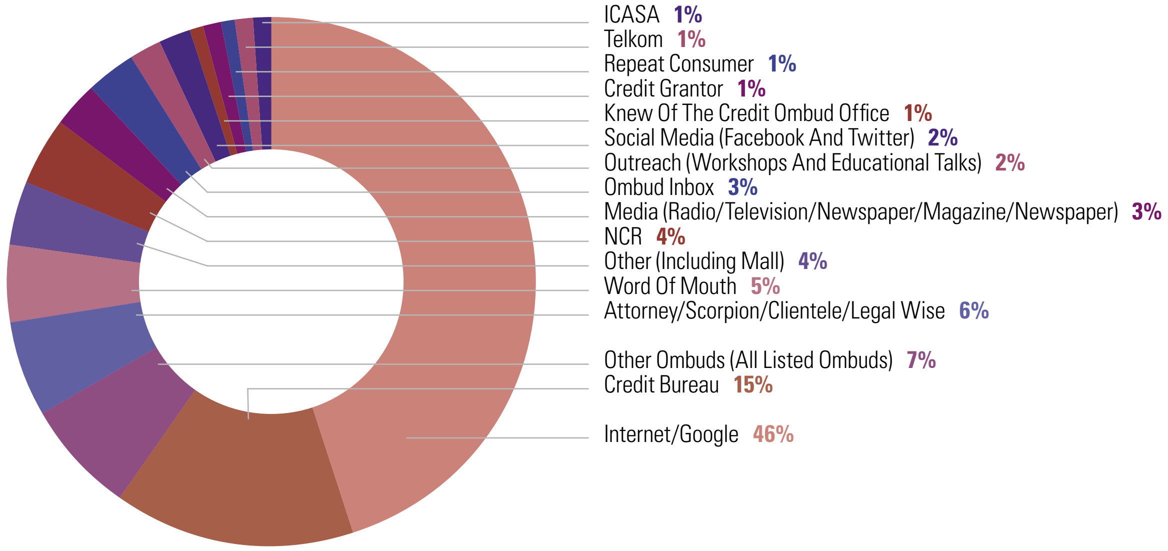
## HOW DID CONSUMERS HEAR ABOUT THE CO?

### GENERAL ENQUIRIES



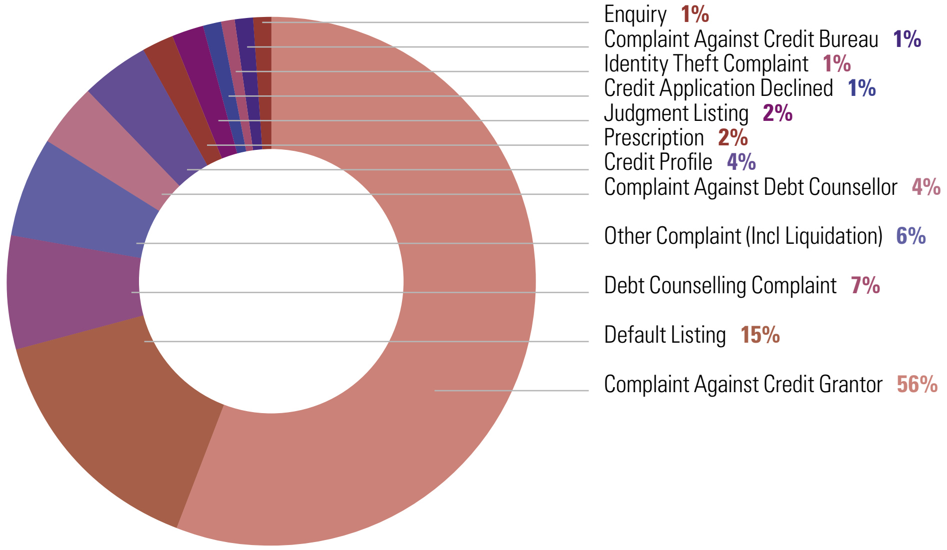
## HOW DID CONSUMERS HEAR ABOUT THE CO?

### DISPUTES (SOURCE): ALL DEPARTMENTS



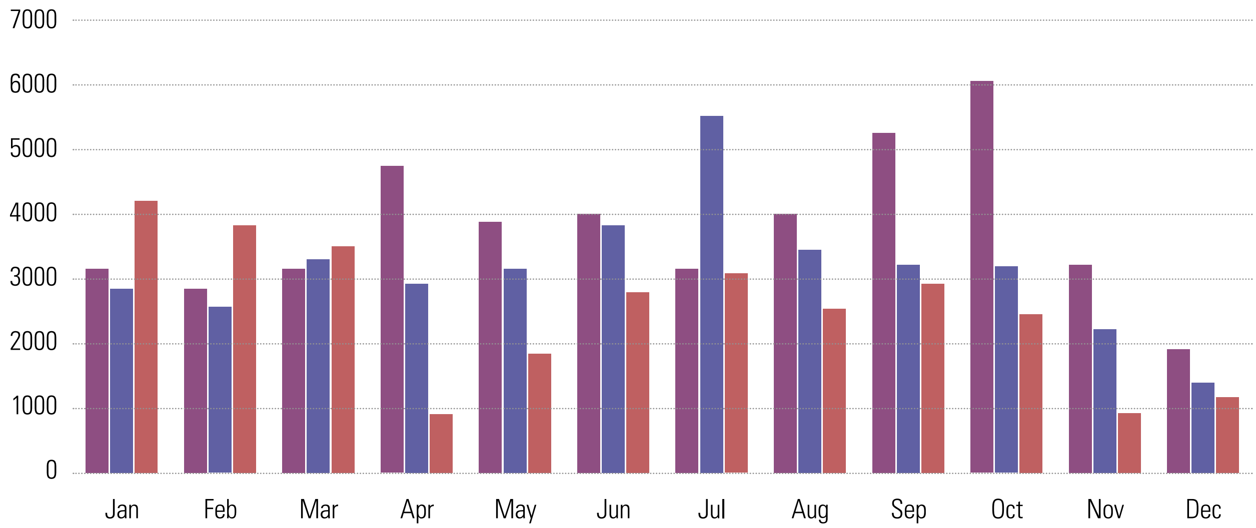

## GENERAL ENQUIRIES

### TYPES – BY CATEGORY





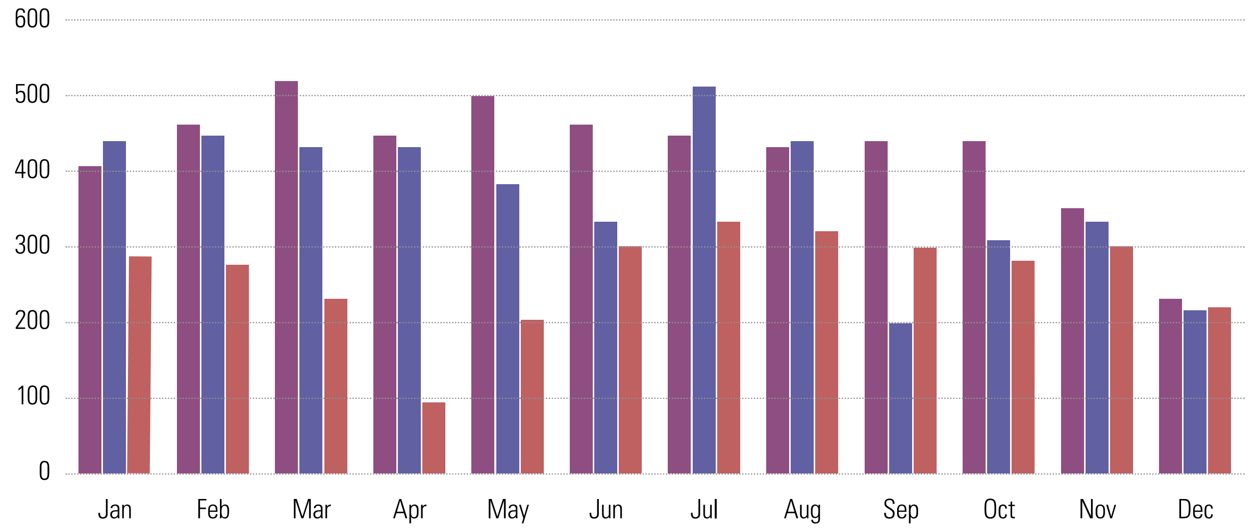

## CALLS/SMS RECEIVED AT CO CALL CENTRE




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 3 104 | 2 804 | 3 190 | 4 668 | 3 850 | 4 029 | 3 223 | 3 957 | 5 227 | 6 022 | 3 245 | 1 879 |
| 2019 | 2 840 | 2 565 | 3 336 | 2 919 | 3 135 | 3 793 | 5 468 | 3 399 | 3 119 | 3 145 | 2 163 | 1 387 |
| 2020 | 4 243 | 3 796 | 3 514 | 983 | 1 739 | 2 747 | 3 157 | 2 560 | 2 888 | 2 436 | 933 | 1 124 |

YEAR TO DATE COMPARISON vs 2019: DOWN 19%

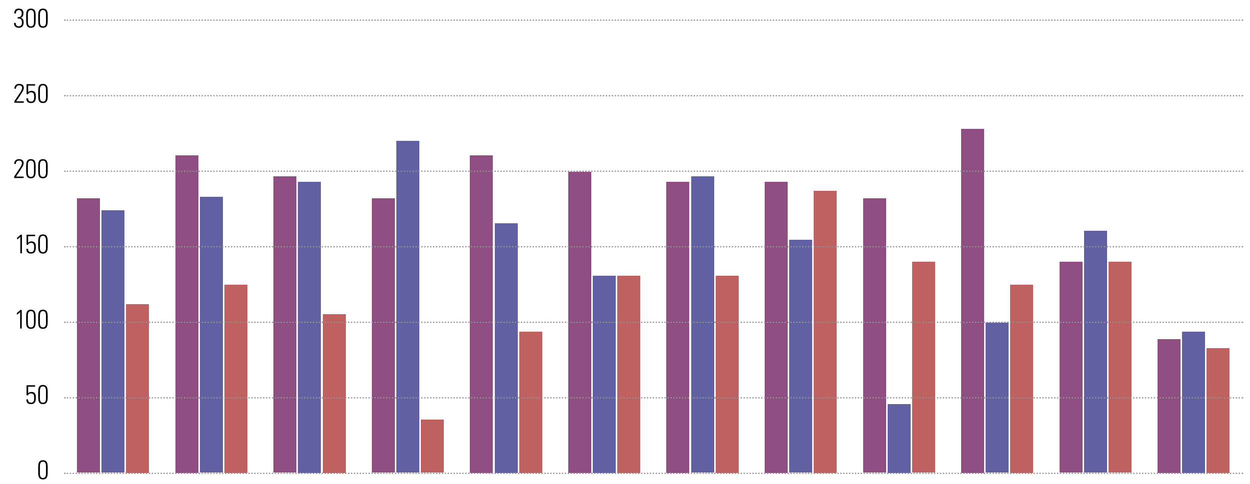
## DISPUTES OPENED: ALL DEPARTMENTS




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 406 | 463 | 518 | 442 | 496 | 460 | 447 | 428 | 440 | 442 | 344 | 226 |
| 2019 | 431 | 448 | 429 | 428 | 373 | 332 | 511 | 441 | 197 | 309 | 330 | 210 |
| 2020 | 282 | 270 | 234 | 95 | 209 | 301 | 338 | 324 | 293 | 279 | 302 | 216 |

YEAR TO DATE COMPARISON vs 2019: DOWN 29%

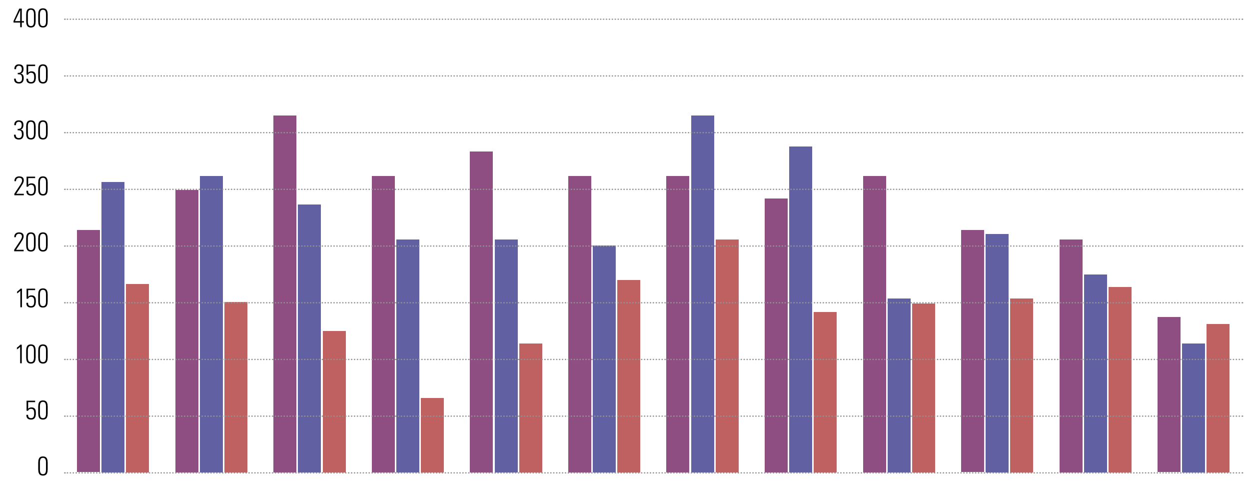
## DISPUTES OPENED: CREDIT INFORMATION DEPT




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 181 | 211 | 193 | 184 | 209 | 197 | 189 | 188 | 178 | 226 | 140 | 87 |
| 2019 | 174 | 184 | 190 | 221 | 164 | 130 | 194 | 154 | 45 | 98 | 157 | 93 |
| 2020 | 111 | 122 | 107 | 30 | 92 | 129 | 132 | 180 | 143 | 125 | 138 | 82 |

YEAR TO DATE COMPARISON vs 2019: DOWN 23%

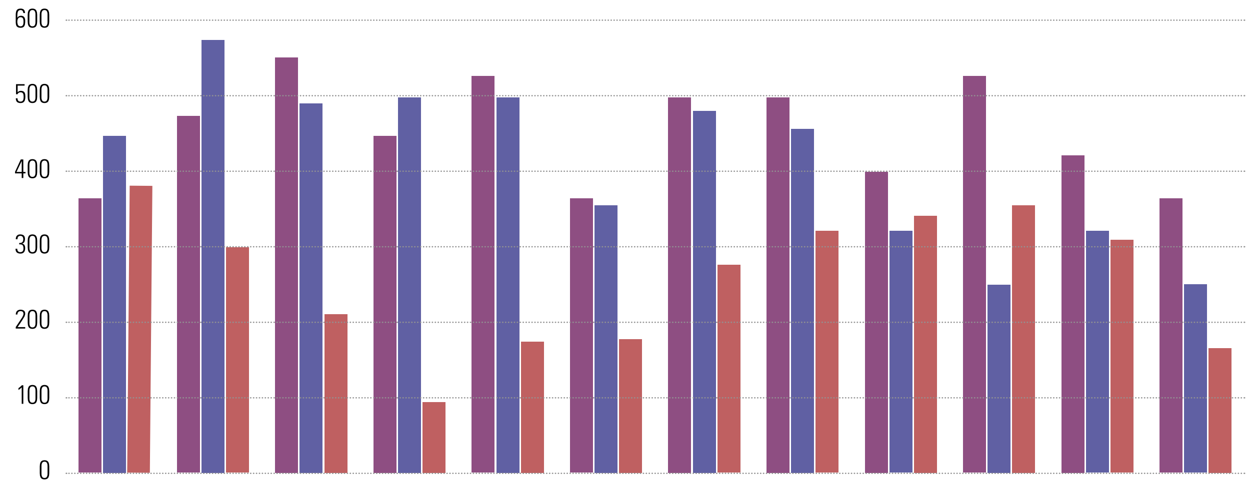
## DISPUTES OPENED: NON BANK CREDIT DEPT




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 225 | 252 | 325 | 258 | 287 | 263 | 258 | 240 | 262 | 216 | 204 | 139 |
| 2019 | 257 | 264 | 239 | 207 | 209 | 202 | 317 | 287 | 152 | 211 | 173 | 117 |
| 2020 | 171 | 148 | 127 | 65 | 117 | 172 | 206 | 144 | 150 | 154 | 164 | 134 |

YEAR TO DATE COMPARISON vs 2019: DOWN 34%

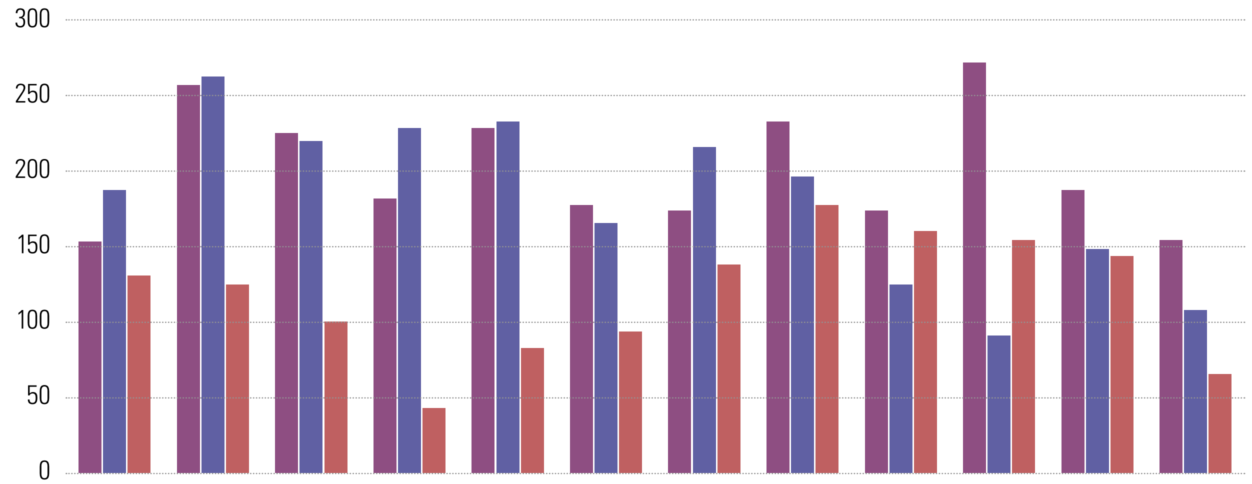
## DISPUTES CLOSED ALL




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 366 | 478 | 554 | 450 | 535 | 364 | 495 | 493 | 398 | 532 | 422 | 360 |
| 2019 | 456 | 576 | 489 | 494 | 493 | 351 | 476 | 453 | 319 | 252 | 322 | 256 |
| 2020 | 384 | 303 | 214 | 94 | 168 | 166 | 282 | 317 | 340 | 357 | 310 | 176 |

YEAR TO DATE COMPARISON vs 2019: DOWN 37%

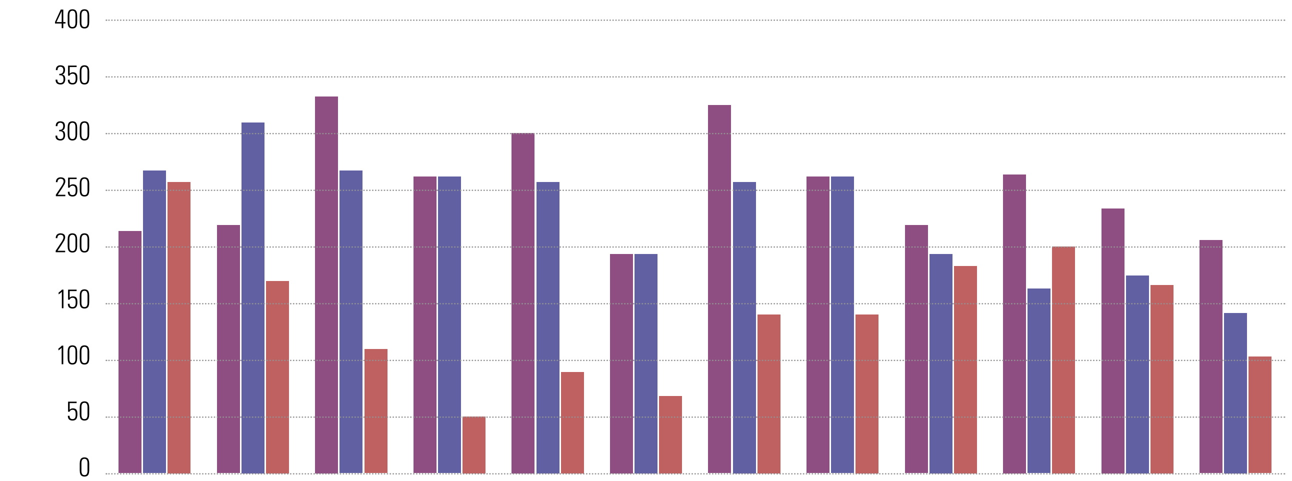
## DISPUTES CLOSED: CREDIT INFORMATION DEPT




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 153 | 258 | 225 | 187 | 233 | 178 | 173 | 234 | 177 | 271 | 186 | 152 |
| 2019 | 189 | 263 | 222 | 231 | 239 | 164 | 222 | 193 | 128 | 88 | 147 | 115 |
| 2020 | 133 | 132 | 101 | 42 | 81 | 95 | 141 | 179 | 159 | 155 | 143 | 68 |

YEAR TO DATE COMPARISON vs 2019: DOWN 35%

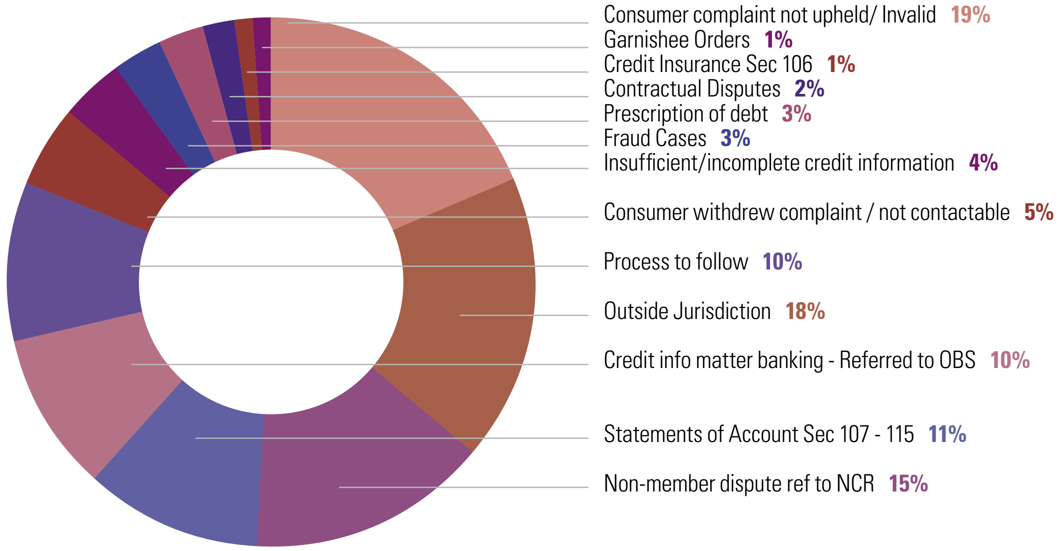
## DISPUTES CLOSED: NON BANK CREDIT DEPT




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 213 | 220 | 329 | 263 | 302 | 186 | 322 | 259 | 221 | 261 | 236 | 208 |
| 2019 | 267 | 313 | 267 | 263 | 254 | 187 | 254 | 260 | 191 | 164 | 175 | 141 |
| 2020 | 251 | 171 | 113 | 52 | 87 | 71 | 141 | 138 | 181 | 202 | 167 | 108 |

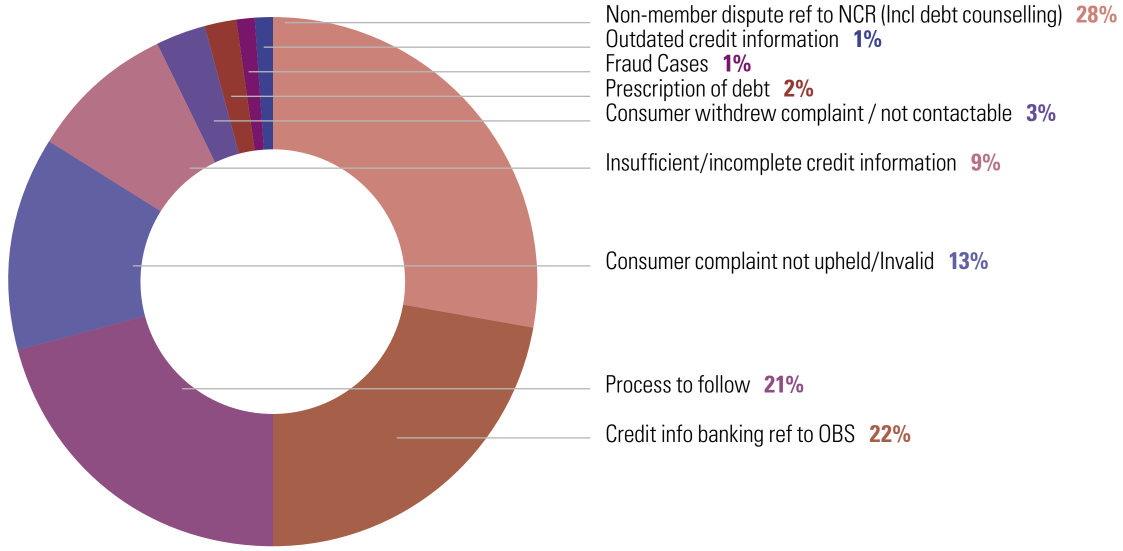
YEAR TO DATE COMPARISON vs 2019: DOWN 39%

## CASES CLOSED BY JURISDICTION - ALL DEPT

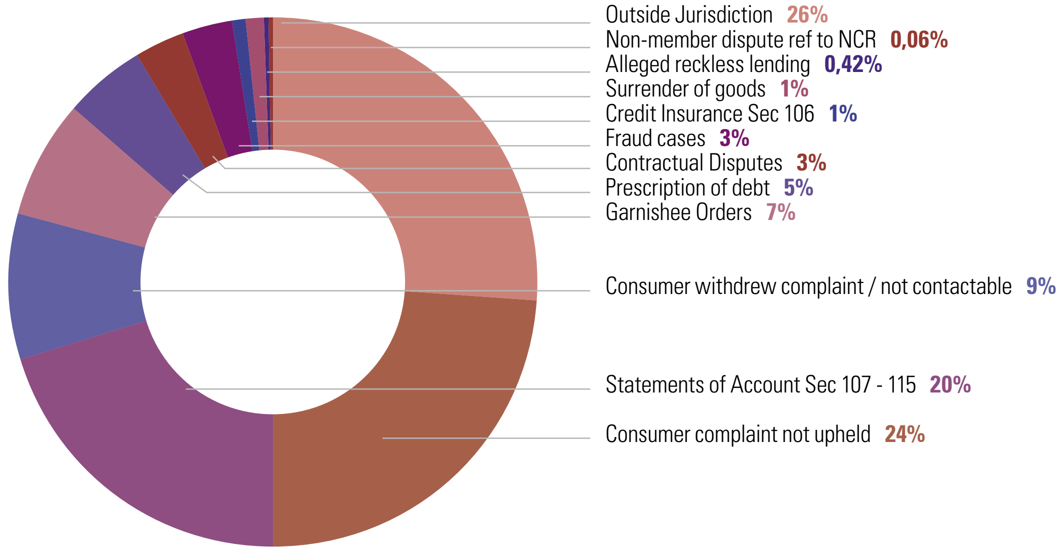





## CASES CLOSED BY JURISDICTION – CREDIT INFO

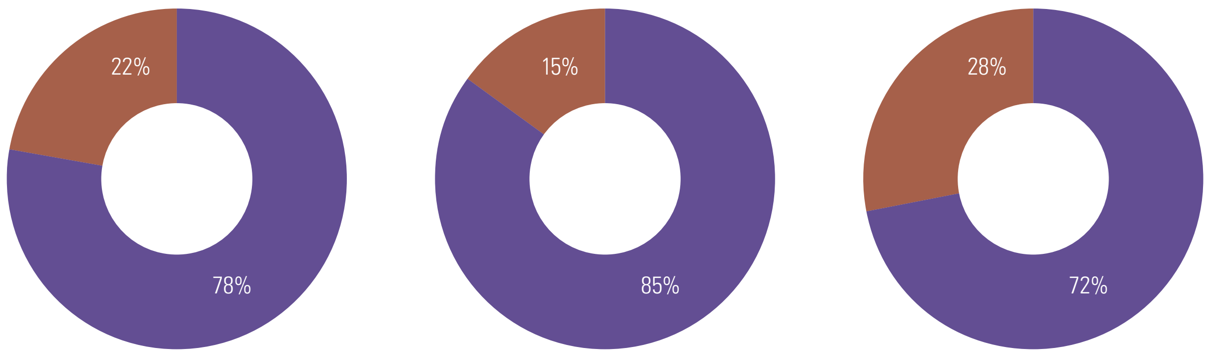



## CASES CLOSED BY JURISDICTION – NON BANK CREDIT



## MANNER OF FINALISATION

### CURRENT YEAR

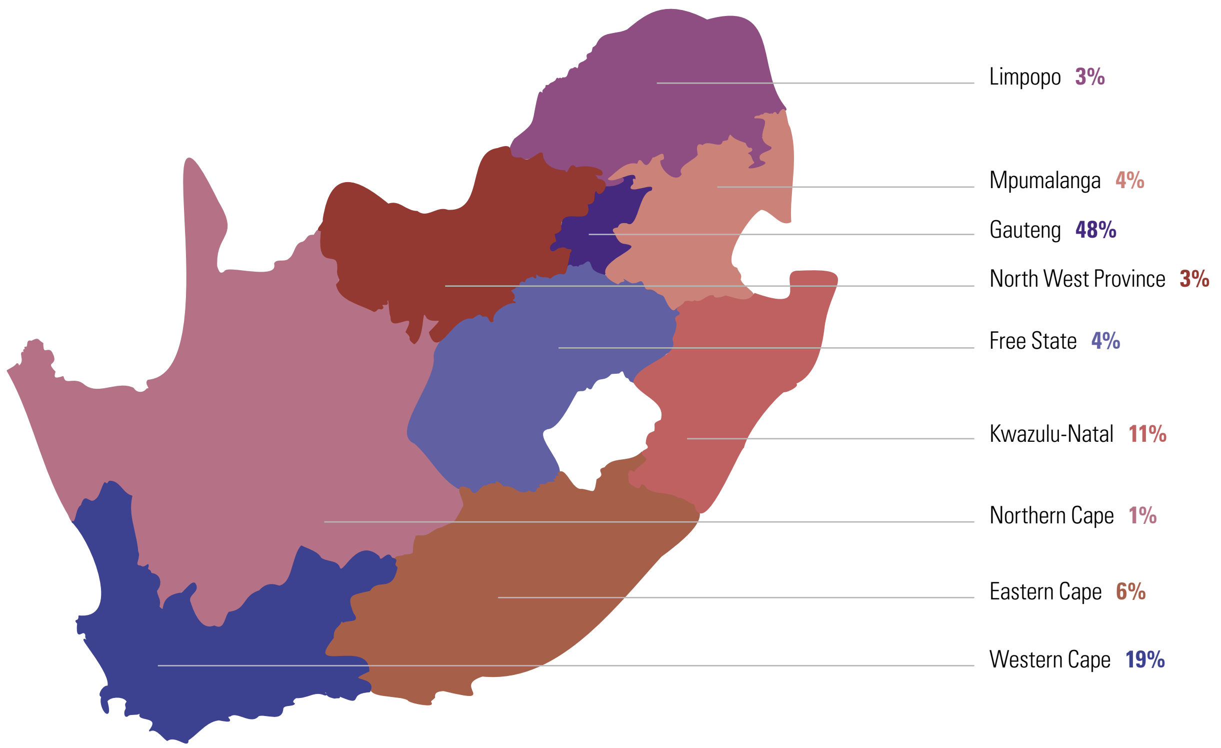



| ALL DEPARTMENTS | | |
|---|---|---|
| 1. Intervention | 2 423 | 78% |
| 2. Facilitation | 688 | 22% |
| 3. Mediation | – | 0% |
| 4. Recommendation | – | 0% |
| 5. Ruling | – | 0% |
| **TOTAL** | **3 111** | **100%** |

| CREDIT INFO DEPARTMENT | | |
|---|---|---|
| 1. Intervention | 1 219 | 85% |
| 2. Facilitation | 210 | 15% |
| 3. Mediation | – | 0% |
| 4. Recommendation | – | 0% |
| 5. Ruling | – | 0% |
| **TOTAL** | **1 429** | **100%** |

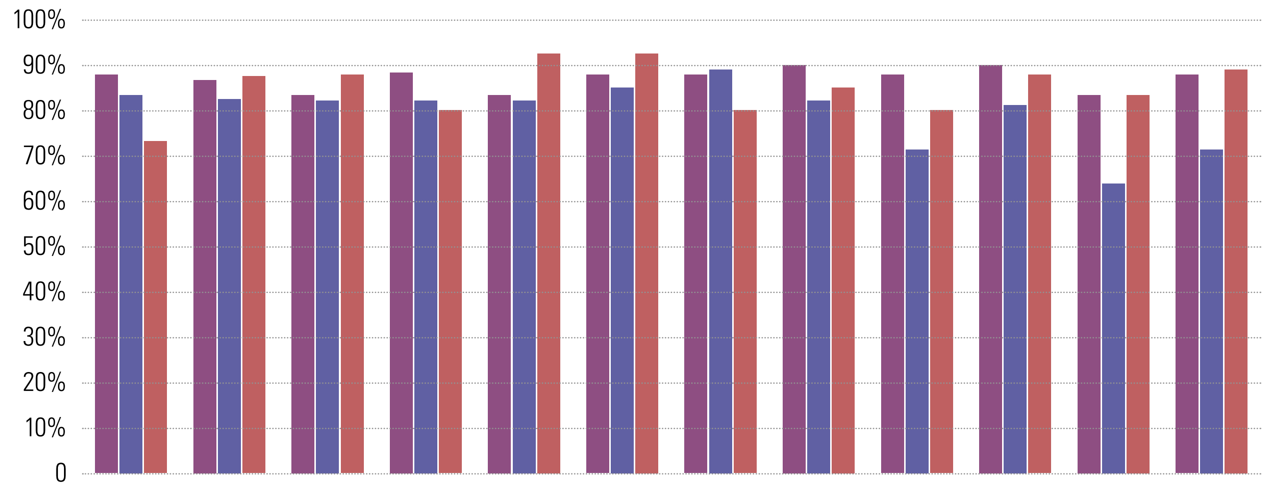
| NON-BANK CREDIT DEPARTMENT | | |
|---|---|---|
| 1. Intervention | 1 204 | 72% |
| 2. Facilitation | 478 | 28% |
| 3. Mediation | – | 0% |
| 4. Recommendation | – | 0% |
| 5. Ruling | – | 0% |
| **TOTAL** | **1 682** | **100%** |

## DISPUTES BY PROVINCE





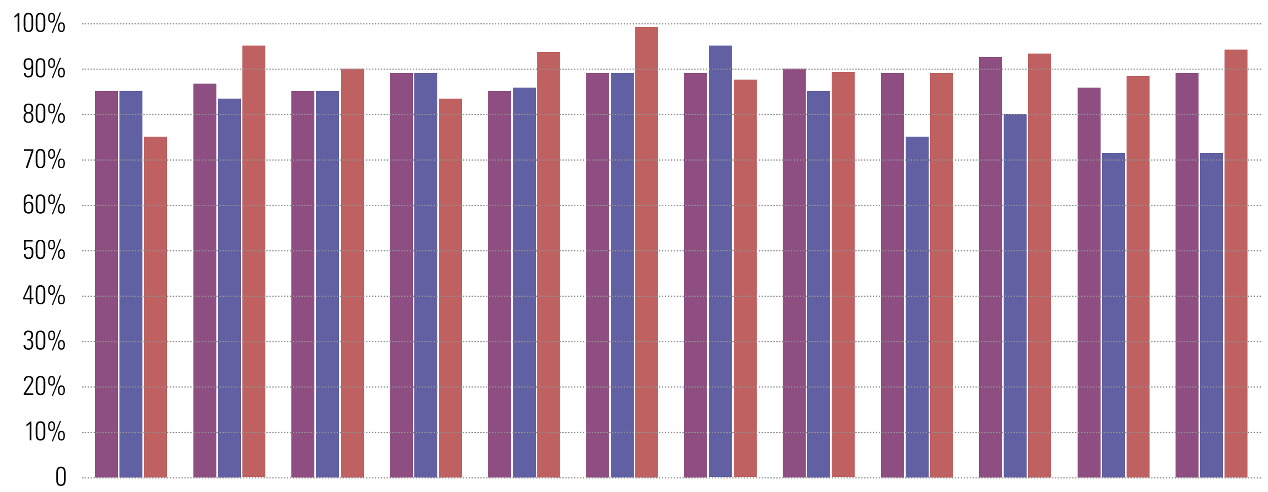

## CONSUMER SATISFACTION QUALITY SURVEY




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 87% | 86% | 84% | 88% | 84% | 87% | 88% | 90% | 87% | 90% | 84% | 87% |
| 2019 | 84% | 83% | 83% | 82% | 83% | 85% | 89% | 82% | 71% | 81% | 64% | 71% |
| 2020 | 73% | 87% | 88% | 80% | 93% | 93% | 80% | 85% | 80% | 87% | 84% | 89% |

YEAR TO DATE AVERAGE: DOWN 85%

## MONTHLY CONSUMER REFERRAL SURVEY: TRENDS




| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | 85% | 87% | 84% | 88% | 85% | 89% | 88% | 90% | 88% | 92% | 86% | 89% |
| 2019 | 84% | 84% | 85% | 88% | 86% | 89% | 94% | 84% | 75% | 80% | 71% | 71% |
| 2020 | 74% | 94% | 90% | 83% | 94% | 99% | 87% | 89% | 88% | 93% | 88% | 94% |

YEAR TO DATE AVERAGE: DOWN 90%

# CALL CENTRE REPORT

**I CERTAINLY DID NOT ANTICIPATE THAT THE COVID-19 PANDEMIC WOULD BECOME THE EXTRAORDINARY GLOBAL CATASTROPHE THAT IT DID. WHEN THE PRESIDENT DECLARED A NATIONWIDE LEVEL 5 LOCKDOWN, THE OPTIMIST IN ME PRESUMED THAT IN A FEW WEEKS ALL WOULD BE WELL AND THE OFFICE WOULD BE UP AND RUNNING AGAIN; HOWEVER THE REALITY OF THE VIRUS WAS CLEARLY VERY DIFFERENT.**

AVITHA NOFAL

I certainly did not anticipate that the COVID-19 pandemic would become the extraordinary global catastrophe that it did. When the President declared a nationwide level 5 lockdown, the optimist in me presumed that in a few weeks all would be well and the office would be up and running again; however the reality of the virus was clearly very different.

The health and safety of our employees became our foremost priority. While our case management team were already equipped to work remotely from home, the Credit Ombud was required to immediately configure our telephony system to ensure that the call centre agents would be proficient in working from home too.

Certainly, there were initial network connectivity challenges, however, the call centre was satisfactorily outfitted to continue working from home. Our management team provided essential lines of communication with employees by utilising online, telephone and messaging communication channels to lead our respective teams to maintain our mission statement of resolving disputes from consumers and businesses that are negatively impacted by credit bureaux information or when a consumer has a dispute with a non-bank credit provider. The call centre continued to answer calls from consumers and other stakeholders; and to log complaints on our case management system as a result of our concerted communication and education initiatives via social media platforms as well as radio and televison.

The call centre remained focused to work in synergy to achieve the overall mandate of the Credit Ombud in ensuring the office provides an independent, impartial, timeous and efficient dispute resolution process that is free to consumers, whose attempts at resolving disputes directly with the credit/service provider have failed.

Maya Angelou has been quoted as saying that "*During bad circumstances, which is the human inheritance, you must decide not to be reduced. You have your humanity, and you must not allow anything to reduce that. We are obliged to know we are global citizens. Disasters remind us we are world citizens, whether we like it or not.*" The call centre employees were consistent in their approach to extend empathy to consumers experiencing the effects of the COVID-19 pandemic on their health and on their finances while remaining unwavering in using their initiatives to attend to the queries and disputes.

General enquiries and disputes received at the Credit Ombud call centre in 2020 continued to be through emails, smses, telephone and facsimile. A total of 30 120 calls were received, which was an approximate 19% decrease to that of the previous year. This was as a direct result of the conservative number of calls received during the core of the lockdown in April 2020.

The commencement date for Chapter 14 of the Financial Sector Regulation Act, 2017 (the Act) pertaining to Ombud Schemes commenced on 1 November 2020. This is significant, as the Act makes it compulsory for entities providing credit services to belong to an Ombud Scheme. It further provides for the appointment of a Chief Ombud and the establishment of the Ombud Council. We anticipate that once the Ombud Council has been established, there will be an increase in the number of calls and enquiries at our call centre.

Approximately 56% of consumers contacting the Credit Ombud call centre during the year under review requested assistance relating to matters that were not upheld by credit/service providers. The other main categories of general enquiries related to consumers querying default listings at the credit bureaux and issues on credit profiles; debt counselling issues; prescription and enquiries about how and when the Credit Ombud could assist consumers relating to the credit industry.

The Credit Ombud call centre continued to receive a steady number of disputes from consumers via telephone calls, smses, post, fax and emails. The internet was the major source of enquiries and disputes at the Credit Ombud as more than 70% of consumers who had engaged with the call centre had confirmed that they heard about the office by means of the internet.

The words of Maya Angelou, "*I've learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel.*" espouses the call centre employees' appreciation to the Ombud for his commitment to employee wellness which continues to boost and maintain work productivity.

# CASE MANAGEMENT REPORT

**THIS PAST YEAR HAS BEEN UNCHARTED TERRITORY FOR MOST - FINDING NEW AND INNOVATIVE WAYS OF MEETING THE EXPECTATIONS OF STAKEHOLDERS WHILE BALANCING THE FEARS AND PRESSURES OF A GLOBAL PANDEMIC. THE OFFICE WAS REQUIRED TO MODIFY AND ADAPT TO THE SURROUNDING CLIMATE, WHICH WAS BY NO MEANS AN EASY TASK, BUT ONE THAT I BELIEVE WE HAVE TAKEN ON AND CONQUERED.**

LEE SOOBRATHI





**THIS** past year has been uncharted territory for most – finding new and innovative ways of meeting the expectations of stakeholders while balancing the fears and pressures of a global pandemic. The office was required to modify and adapt to the surrounding climate, which was by no means an easy task, but one that I believe we have taken on and conquered.

Though a formidable opponent, the global pandemic has challenged our ways of thinking and has created opportunities that reflect the tenacity of the human race when placed with its back up against the wall. Amidst the losses suffered, lessons have been learned and we have grown in every aspect of life itself. This is no different for the Office of the Credit Ombudsman.

In a sense, the Ombud is a method of redress for the consumer seeking to have their complaint addressed, and have their 'say'. We are responsible for balancing these expectations while ensuring that the rights of both consumer and provider remain paramount. With this comes immense responsibility and we learn from these experiences every day, which makes what we do both exciting and fulfilling. We have a task and a responsibility to assess any given set of circumstances objectively and find ways of resolving a dispute in a manner that is fair and transparent. Through traits that often seem subjective, we endeavor to apply an approach that is consistent in applying the tenets of correspondence, coherence, and good old-fashioned investigation.

I would like to extend my appreciation to our team for this past year, which we have had to navigate day by day, month to month with hope, dedication, and commitment.

Most importantly, a heartfelt thank you to all stakeholders for their support, which has allowed the office to successfully execute its mandate.

This year has brought with it a myriad of complexities which are further explained in the case summaries below.

# CASE STUDIES

A

## RETENTION PERIODS FOR CONSUMER CREDIT INFORMATION

Regulation 17 of the National Credit Act 34 of 2005 (NCA) provides specific periods for the retention of various types of credit information. Amongst these, and one that consumers often dispute, is the retention of payment profile information for a period of five years from date of last event.

This information is factual and is an indicator to the credit industry at large of how a consumer has conducted the account and provides valuable data to assist a provider in discharging the obligation in terms of section 81 of the NCA when granting credit.

In this case, the consumer paid off and settled two accounts which were subsequently closed off, reflecting the specific annotation to show that the accounts are closed. It is important to note that prior to closing these accounts, the consumer remained in arrears in excess of 90 days which arrear information would reflect and continue to reflect even though settled. This information is required to reflect as such in terms of regulation 17 of the NCA. The consumer's dispute was that this adversely affected him and painted a picture that was not the current true state of affairs. It was found that the accounts were correctly closed off, and that any arrear information listed prior to closure will remain for a period of five years in terms of the said regulation. The outcome was not found in favour of the consumer.

B

## PRESCRIPTION OF DEBT

The law of Prescription and its application is often a very tricky subject, and from our experience over the years this concept has caused much confusion amongst consumers.

The introduction of section S126B of the National Credit Act 34 of 2005 (NCA) has created a greater level of protection for the consumer. There are limitations though and a consumer who voluntarily chooses to accept liability for a debt and offers to settle the debt prior to the requisite period will find themselves liable for payment.

The complainant logged a dispute claiming prescription on a loan account reflecting under his credit profile alleging that there was no admission or payment made within a period of three years from the date of last payment. The investigation revealed that the running of prescription was suspended due to a request for a settlement letter that the consumer made, which request had to be completed and signed for by himself before that settlement letter could be issued.

It was found that the consumer was well aware of the fact that the account and the balance was due and payable. Prescription was not confirmed, and the consumer remained liable for payment.

C

## INTEREST – SECTION 103(5) OF THE NATIONAL CREDIT ACT 34 OF 2005

Section 103(5) of the National Credit Act 34 of 2005 (NCA) provides a limitation on the costs and charges that can accrue to an account for the period that the account remains in a default status. While the application of this provision(s) remains a contentious issue, we strive to apply an approach that is consistent and are pleased that our members share these sentiments in resolving complexities of this nature.

The complainant disputed the outstanding balance on the account (credit facility) claiming that the credit provider has been overcharging on interest and fees. Upon investigation it was found that the interest as well as service fees charged were in breach of S103(5) of the NCA. The consumer unknowingly serviced the account for years while in default only to realize years later that the default was never cured, neither has there been a suspension on the interest and fees accrued in terms of S103(5) of the NCA.

The investigation required us to drill down into the details of the account, the monthly charges on interest and costs while having regard to the payments made. This resulted in a reversal of R4946.63 for which the consumer was extremely grateful.



CASE STUDIES

D

## FRAUD

Fraud remains a serious concern for every South African and is a prevalent threat to us all. We often receive disputes relating to fraud and it is of grave importance that we assess not only the allegations of fraud itself but the accuracy of the attempts by the provider to correct the account.

In this particular matter the provider confirmed that certain purchases disputed by the consumer were processed with falsified documentation and undertook to correct the account which resulted in a refund due to the consumer. Further investigation revealed that the actual amounts processed were incorrect and a further refund to the value of R1 400.00 was due and payable. The provider accepted the submissions made by the office and the consumer was refunded with the further amount.

This further raises the importance of scrutinizing every transaction and detail on an account.

E

## RECKLESS CREDIT

Section 81 of The National Credit Act 34 of 2005 requires a credit provider is to assess key aspects of a consumer's ability to successfully service the repayment of loan agreement. This includes amongst other aspects, the consumer's general understanding and appreciation under the agreement, the consumer's debt repayment history, existing financial means and prospects of meeting the obligations of the agreement.

Once a complaint of this nature is received, the account(s) are often in a state of severe delinquency due to the inability of the consumer to service the monthly repayments on the agreement. In this particular case the consumer was granted a series of loans within a period of five months. Shortly after default, legal processes ensued which resulted in the attachment of the consumer's salary via an Emoluments Attachment Order.

Upon assessment of the affordability assessments the ability of the consumer to repay these loans were brought into question. The provider re-evaluated the affordability as at the time of granting the loan(s) and decided to close the accounts resulting in a write-off of R191 000.00.

F

## UNAUTHORIZED PURCHASES / SERVICES

Section 170 of the National Credit Act 34 of 2005 read with regulation 56 makes it mandatory for a credit provider to maintain record of credit applications and agreements entered into for a period of three years from date of termination of the credit agreement.

The consumer in this case noticed that she was being billed for services monthly on her account which she had not consented to. She approached the Ombud for relief as the provider was unable to provide a copy of the agreement to these services.

Unfortunately, the provider was unable to trace the call recording which would provide the consent needed to hold the consumer liable for these services. The burden of proof rested with the provider.

The provider agreed to write off these costs due to the inability to provide the agreement and the amount of R1944.79 was reversed on the account.

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THE YEAR THAT CHANGED THE WORLD

# 2020 ANNUAL REPORT


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