CREDIT OMBUD
Enforcing Fairness in Credit and Credit Bureaux Matters

ANNUAL REPORT 2022

prelude

2022: CALMLY NAVIGATING THE WATERS

If a sense of uncertainty pervaded the Office in 2020, followed by a "year in limbo" in 2021, the Credit Ombud found itself in calmer, clearer waters in 2022.

This is not to say that we were not as busy as ever over the year, but we feel that we certainly struck the right balance both in our mission of fairness in the credit industry, and in terms of the clarity of our internal navigation.

To extend the water metaphor of this Report's theme, we did not settle for "going with the flow" or treading water. Rather, we believe that as rivers shape the landscape, so the Ombud actively helped shape the credit landscape throughout the year, while also playing our part to calm the waters for credit customers and providers. We are also pleased that we achieved this while maintaining our liquidity.

This Report reveals an in-depth view of our main-stream activities in 2022, as well as further clarification of the Office's joining a far wider, and deeper, pool of similar financial professionals.

Without further ado, let's dive in!

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chairperson's foreword

"A DROP OF WATER, IF IT COULD WRITE OUT ITS OWN HISTORY, WOULD EXPLAIN THE UNIVERSE TO US."

– Lucy Larcom

The Credit Ombud's motto is "ensuring fairness in the credit industry." Through this work we hope to make a small contribution to the concept of "justice for all" and ensure balance in our world between credit consumers and credit providers and ultimately contribute to a thriving industry.

The Credit Ombud is an independent and impartial body dedicated to resolving complaints by consumers against credit providers. At all times, the Ombud acts honestly, independently, and fairly, balancing the rights of all parties.

In reflecting on the past year ending in December 2022, the Credit Ombud received 30 408 calls to its Contact Centre. A total of 17 212 general enquiries were recorded and 3 645 disputes were opened. Over the year we closed 3 643 disputes.

The audited financial statements for year ending 31 December 2022 are presented in this report. As the Council, we are happy that the external auditors report that the internal controls we implemented in 2019 are bearing fruit. We are grateful that we can report a small surplus of R138 000 for the year and that our balance sheet is healthy. We appreciate the prudent manner in which the executive team managed the finances of the Credit Ombud. The Council reviews the risk register of the Credit Ombud on an annual basis as part of the strategic review process, and monitors the risk register on a quarterly basis.

In May 2022 the Ombud Council granted the Credit Ombud recognition as an "Ombud with Jurisdiction" to deal with consumer complaints related to non-bank credit matters and non-bank credit information, and risk matters in terms of section 194 of the Financial Sector Regulation Act, (2017). The Ombud and the management team report a healthy working relationship with the Chief Ombud and the Ombud Council.

I confirm that the Credit Ombud complies with all financial sector laws and regulatory obligations, including section 217(1)(a) of the Financial Sector Regulation Act, 2017 (FSRA). I also confirm that the Council, in accordance with our Constitution, ensures compliance through its strategic monitoring of all activities.

Reflecting on the up-hill battle over the last three years to secure the sustainability and stability of the credit Ombud. As we are now reaching the top, I am reminded of the words of Nelson Mandela – "After climbing a great hill, one only finds that there many more hills to climb." The next big hill to climb for us is the amalgamation process. As I reported last year, our management team was mandated to enter negotiations with the other three voluntary Ombuds – the Ombud for Banking Services, the Ombud for Short Term Insurance, and the Ombud for Long Term Insurance. I am happy to report that the Council at its meeting in November 2022 decided to support the amalgamation of the four voluntary Ombuds into a single organization by 1 January 2024. We also decided to relocate our offices in the new year to a joint office with the three Ombuds based in Johannesburg. We are excited about this progress and believe that this will enable us to deliver a better service to consumers in the credit industry.

In July 2021, the National Treasury published the report of the World Bank Diagnostic Team, which reviewed the Ombud system in the financial sector. We submitted a detailed response to this report and by the end of the year we had not received the official policy response of the National Treasury to this report. We envisage that in the next financial year we will have clarity on the policy position of the National Treasury. Our team is ready to engage with this process.

Our relationship with the NCR is progressing very well. The systems we established last year are yielding the required results regarding the referrals of consumer complaints to and from the Credit Ombud. We also continue to cooperate with the NCR on consumer awareness campaigns.

During the year, Ms Siegfried Rudman, the President of the South African National Consumer Union was appointed as a Council member. She is replacing Ms Marie van der Merwe who passed away earlier. I want to express my appreciation to all the Council members for the dedication and strategic leadership of the organization over the past year. All Council meetings were well and meaningfully attended.

I also want to express my gratitude and appreciation for the effective management of the affairs of the Credit Ombud by the Ombudsman, Mr Howard Gabriels, and the senior managers – Mr Liaquat Soobrathi and Ms Avitha Nofal. Finally, I thank our staff for making it possible to be able to reflect the positive results in this Annual Report. This will not be possible without their dedication and hard work.

TEFO RADITAPOLE
Chairperson

operational report

"UNTIL JUSTICE ROLLS DOWN LIKE WATER AND RIGHTEOUSNESS LIKE A MIGHTY STREAM."

– Martin Luther King Jr

This Annual Report shows the tremendous progress that the Credit Ombud has made over the past years, the contours we have travelled and the shaping of our own future. If we reflect over the past three years, this progress is even more significant. More than three years ago, the Council of the Credit Ombud adopted a "Fit for Purpose" strategy in the context of very challenging conditions. Our revenue declined substantially, and we were forced to retrench staff at the end of 2019. There was a serious concern for the future of our organization. This Annual Report is but one chapter of our history and like a drop of water it could contribute to shape our universe.

The primary mission of the Credit Ombud is to effectively resolve disputes between credit consumers and credit providers. In the statistics for the year, we show that 30 448 consumers contacted our offices and our call centre agents recorded 17 212 general enquiries and complaints. We opened 3 645 new disputes over the year. Our case management team closed 3 643 disputes. There was a significant improvement in the average number of days to close a case from 44 to 33 days. Overall these numbers reflect a decline compared to the previous year, although the indication is that we are back to similar numbers from before the pandemic.

Sixty-four percent of the disputes were settled in favour of consumers and total savings for the consumer were R3.85 million, which is a 47% improvement compared to 2021. Overall, consumers were very positive about the quality of service they received from the staff of the Credit Ombud. In the consumer satisfaction survey, 79% of the consumers said that they were happy with the service they received from the Credit Ombud and 82% said that they would refer others to the Credit Ombud.

The Credit Ombud also has a mandate to educate consumers about their rights and responsibilities in the credit industry. We work together with various partners in our outreach campaign to make consumers aware of the Credit Ombud and their rights and responsibilities under the National Credit Act (NCA). Over the year, we issued 12 press releases, and 150 articles were published in the newspapers. We conducted 122 radio interviews and 19 television interviews. On the social media platforms, we have more than 4300 followers. Our media activities generated about R25.6 million in Advertising Value Equivalents (AVE).

We conducted 53 workshops and mall activations in the following provinces: Gauteng, Limpopo, Mpumalanga, KwaZulu Natal, Free State, Northwest, Eastern Cape and Northern Cape. Our partners for these activities were the Provincial Departments of Economic Development; the National Credit Regulator (NCR); the Information Regulator and the National Regulator for Compulsory Specifications. In addition, we conducted eight Double Impact workshops.

We continue to build important partnerships with key stakeholders. We participated in various meetings of the South African National Consumer Union. With the Black Sash over the year, we have strengthened our work primarily focused on reckless lending. A joint workshop with the Black Sash was conducted in Pampierstad in the Northern Cape. We also held an online workshop aimed at representatives of the community advice offices, which was very well received. We will continue to explore with both SANCU and Black Sash on how we can enhance the "voice" of consumers in the credit sector.

Throughout the year, we held one-on-one meetings with more than 60 members. These are valuable exchanges as they give us greater insight to developments regarding both the individual members and into the credit industry overall. It also provides us an opportunity to update members on key developments within the Credit Ombud and the regulatory space we operate in. We also continued to meet with the industry associations that represent most of our members, including the National Clothing Retail Federation, Large Non-Bank Lenders, the Credit Bureau Association and Micro Finance South Africa. Also during the year, we conducted a joint campaign with the MFSA, while a significant number of the MFSA members joined the Credit Ombud.

In this Annual Report, we present the audited financial statements for the year ending 31 December 2022. We are satisfied that the internal controls are effective and allow us to manage the finances in a prudent manner. Our total income for the year was R11.05 million and by managing our expenses we were able to report a small surplus of about R138 000.

The Credit Ombud has actively pursued the amalgamation discussions with our partners – the Ombud for Banking Services (OBS); the Ombud for Short Term Insurance (OSTI) and the Ombud for Long Term Insurance (OLTI). The Council in November 2022 took a decision that approved the amalgamation of all four Ombud to create the National Financial Ombud with effect from 1 January 2024. The Council approved our move into a single office in Johannesburg in April 2023, together with OSTI and OBS. OLTI is currently located in Cape Town. The new offices were secured at 110 Oxford Road, Rosebank.

On the regulatory front, the Ombud Council was established in 2021 and, at the end of 2022, Ms Leanne Jackson was appointed as new Chief Ombud. During the year, the Ombud Council granted the Credit Ombud recognition as an "Ombud with Jurisdiction" to deal with non-bank credit and credit information matters in terms of Section 194 of the FSRA (2017). We continue to work close with the Ombud Council and have regular quarterly meetings.

We made extensive comment on National Treasury's response to the World Bank Diagnostic report. We expect that National Treasury will publish their formal policy response to the report in the next financial year.

We continue to work extremely well with the National Credit Regulator in respect of the Memorandum of Understanding (MoU) signed in March 2021. During the year, the Credit Ombud referred 1 148 general enquiries and 230 complaints against non-members of the Credit Ombud to the NCR. We received a total of 187 complaints from the NCR against members of the Credit Ombud. In addition, we referred all complaints we received relating to Debt Counselling to the NCR. We also met regularly with the NCR to monitor the implementation of the MoU.

During the year, our staff mostly worked remotely. Productivity remained high and the performance of the office was excellent. I want to thank the staff for their dedication in delivering the results we report on in this Annual Report. I must also express my gratitude for the hard work of the management team – Mr Liaquat Soobrathi and Ms Avitha Nofal – who effectively led the organization over this period.

Finally, I thank the Chairperson of the Council for his guidance and leadership over the year and all the Council members who played an active role in the strategic leadership of the organization.

HOWARD GABRIELS
Credit Ombud

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.

our values

FAIR

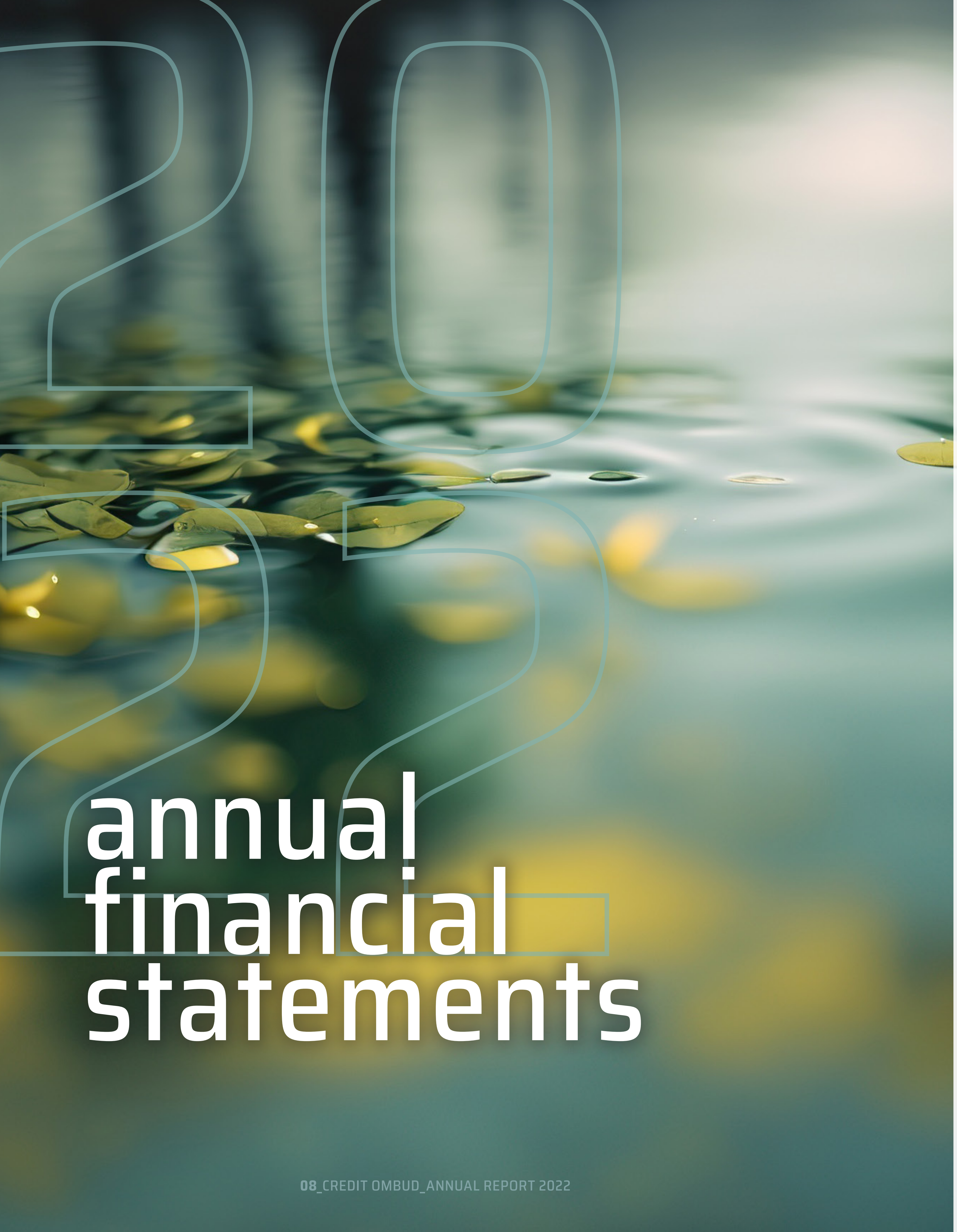
We will act in the best interests of all parties, taking both sides into consideration and considering the merits of each case carefully.

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.



annual financial statements

Financial Statements for the year ended 31 December 2022

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Ombudsman
Registered office	1st Floor, Block 3, Fernridge Office Park, Ferndale, Johannesburg 2123
Postal address	PO Box 805, Pinegowrie 2123
Bankers	Absa
Auditor	Infocus Auditors and Accountants Chartered Accountant (SA) Registered Auditor 1124 Pretorius Street Hatfield, Pretoria 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	27 February 2023
Legal entity	Association of persons

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 2023 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 12.

Approval of financial statements

Chairperson

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 2022.

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	
MJ Lawrence	
NN Zungu	
J Naude-Viljoen	
JM van der Merwe	Resigned, 12 July 2021
TP Zulu	
A Hlubi	
S Rudman	Appointed, 02 March 2022

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 2022.

INDEPENDENT AUDITOR'S REPORT

To the members of Credit Ombud Association

Opinion

I have audited the financial statements of Credit Ombud Association set out on pages 7 to 14, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Credit Ombud Association as at 31 December 2022, and its financial performance and cash flows for the year then ended 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.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of my report. I am independent of the association in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The council is responsible for the other information. The other information comprises the Council's Report and the Statement of Comprehensive Income as required by the Constitution and in line with the Companies Act 71 of 2008, which we obtained prior to the date of this report. Other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The council is responsible for the preparation and fair presentation of the financial statements 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the council either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Infocus Auditors and Accountants
EJ Deyzel
Registered Auditors
Chartered Accountant (SA)
27 February 2023
Pretoria

Financial Statements for the year ended 31 December 2022

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Non-Current Assets			
Fixed assets	2	2 142	7 581
		2 142	**7 581**
Current Assets			
Trade and other receivables	3	876 989	321 208
Cash and cash equivalents	4	10 917 483	9 359 783
		11 794 472	**9 680 991**
Total Assets		**11 796 614**	**9 688 572**
Equity and Liabilities			
Equity			
Retained income		6 004 779	5 338 737
Liabilities			
Current Liabilities			
Trade and other payables	5	5 791 835	4 349 835
Total Equity and Liabilities		**11 796 614**	**9 688 572**

Financial Statements for the year ended 31 December 2022

STATEMENT OF COMPREHENSIVE INCOME

Figures in Rand	Note(s)	2022	2021
Revenue			
Membership fees		10 775 083	10 232 429
Other income			
Interest received		274 901	246 037
Other income		–	47 850
		274 901	**293 887**
Operating expenses			
Accounting fees		20 315	20 640
Advertising		115 813	117 319
Auditors remuneration		48 336	45 600
Bank charges		12 779	11 805
Combined projects		28 025	22 301
Computer expenses		799 512	1 051 119
Consulting fees		30 475	–
Consumer education		108 695	29 295
Council fees		314 966	274 326
Depreciation		5 439	40 249
Document storage		–	8 271
Employee costs		8 619 652	7 645 867
Entertainment		9 362	2 306
HRM services		33 120	28 320
Insurance		62 750	78 027
Legal expenses		–	3 822
Membership fees		17 690	18 043
Office expenses		3 470	7 404
Printing and stationery		19 735	22 135
Rent paid		499 794	581 754
Security		10 334	15 613
Special audit remuneration		–	9 200
Staff welfare		13 847	13 534
Telephone and fax		107 511	156 493
Training		29 726	19 894
Unrecoverable loss		–	242 847
		10 911 346	**10 466 184**
Operating profit		**138 638**	**60 132**
Finance costs		(16)	(40)
Profit for the year		**138 622**	**60 092**

Financial Statements for the year ended 31 December 2022

STATEMENT OF CHANGES IN EQUITY

Figures in Rand	Retained income	Total equity
Balance at 01 January 2021	**6 166 470**	**6 166 470**
Profit for the year	**60 092**	**60 092**
Prior year corrections	(887 820)	(887 820)
Total changes	**(887 820)**	**(887 820)**
Balance at 01 January 2022	**5 338 742**	**5 338 742**
Profit for the year	**138 622**	**138 622**
Prior year corrections	(527 415)	(527 415)
Total changes	**(527 415)**	**(527 415)**
Balance at 31 December 2022	**6 004 779**	**6 004 779**

Financial Statements for the year ended 31 December 2022

STATEMENT OF CASH FLOWS

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Cash generated from operations	6	1 282 815	308 803
Interest income		274 901	246 037
Finance costs		(16)	(40)
Net cash from operating activities		**1 557 700**	**554 800**
Total cash movement for the year		**1 557 700**	**554 800**
Cash at the beginning of the year		9 359 783	8 804 983
Total cash at end of the year	4	**10 917 483**	**9 359 783**

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 2022

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.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2022	2021

2. Fixed assets

	2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	330 000	(329 999)	1	330 000	(330 000)	–
Office equipment	30 690	(28 555)	2 135	30 690	(26 624)	4 066
IT equipment	985 741	(985 736)	5	985 741	(982 227)	3 514
Computer software	227 887	(227 886)	1	227 887	(227 886)	1
Total	**1 574 318**	**(1 572 176)**	**2 142**	**1 574 318**	**(1 566 737)**	**7 581**

Reconciliation of fixed assets – 2022

	Opening balance	Depreciation	Closing balance
Furniture and fixtures	–	1	1
Office equipment	4 066	(1 931)	2 135
IT equipment	3 514	(3 509)	5
Computer software	1	–	1
	7 581	**(5 439)**	**2 142**

Reconciliation of fixed assets – 2021

	Opening balance	Depreciation	Closing balance
Office equipment	5 996	(1 930)	4 066
IT equipment	32 755	(29 241)	3 514
Computer software	9 079	(9 078)	1
	47 830	**(40 249)**	**7 581**

3. Trade and other receivables

	2022	2021
Accrued interest	25 654	–
Deposits	231 314	91 314
Staff loans	4 500	8 500
Trade receivables	215 387	221 394
VAT	400 134	–
	876 989	**321 208**

4. Cash and cash equivalents

	2022	2021
Cash and cash equivalents consist of:		
Bank balances	782 759	924 225
Short-term deposits	10 134 724	8 435 558
	10 917 483	**9 359 783**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2022	2021

5. Trade and other payables

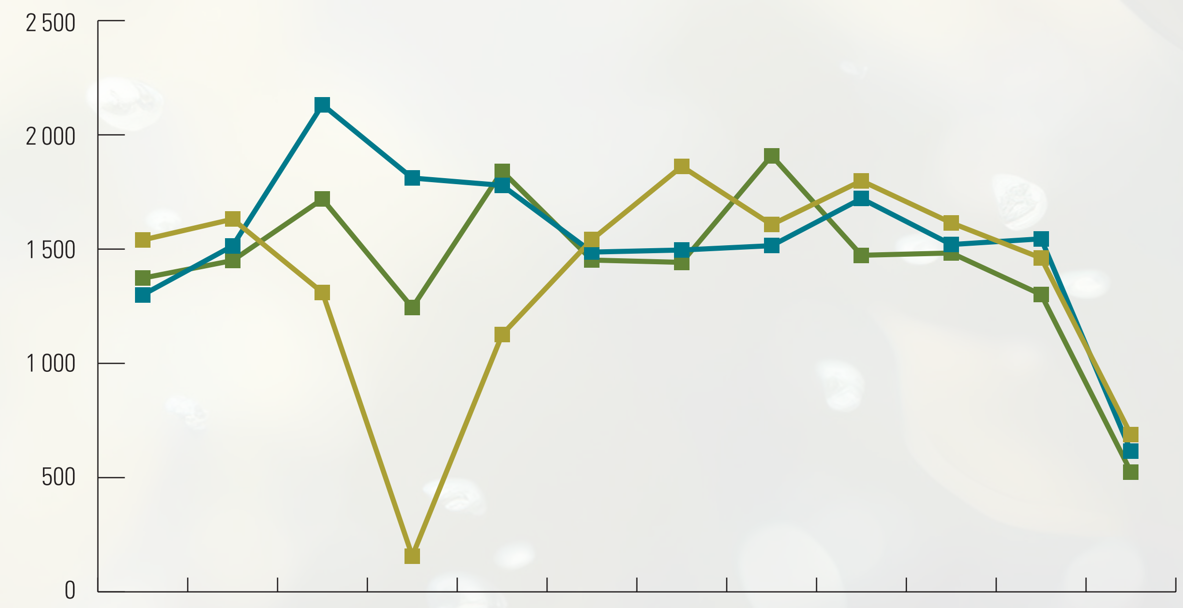
	2022	2021
Accrued employee cost	89 394	77 238
Amounts received in advance	5 598 385	3 956 520
Trade payables	104 056	156 579
VAT	–	159 498
	5 791 835	**4 349 835**

6. Cash generated from operations

	2022	2021
Profit before taxation	138 622	60 092
Adjustments for:		
Depreciation and amortisation	5 439	40 249
Interest received	(274 901)	(246 037)
Finance costs	16	40
Changes in working capital	527 415	(887 825)
Changes in working capital:		
Trade and other receivables	(555 781)	2 040 107
Prepayments	–	242 847
Trade and other payables	1 442 005	(940 670)
	1 282 815	**308 803**

performance statistics

Complaints and Enquiries



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	1 540	1 631	1 310	157	1 126	1 542	1 862	1 607	1 799	1 615	1 461	688
2021	1 300	1 514	2 132	1 811	1 779	1 487	1 496	1 515	1 721	1 520	1 545	615
2022	1 373	1 450	1 719	1 244	1 841	1 452	1 442	1 909	1 473	1 483	1 301	525

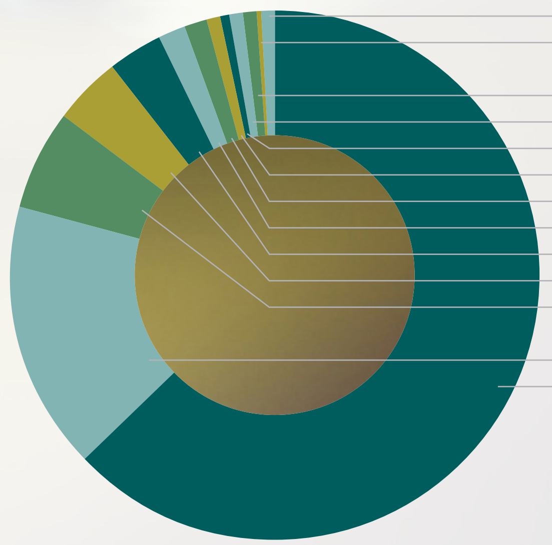
TOTAL

2020	16 338	2021	18 435	2022	17 212

YEAR TO DATE COMPARISON vs 2021 7%

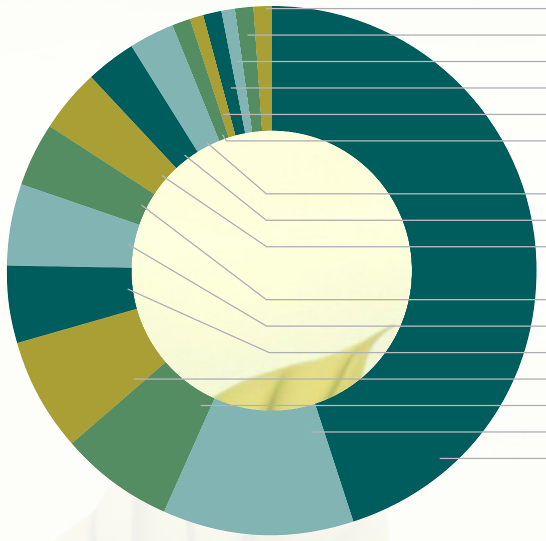
General Enquiries: (Source)

HOW CONSUMERS HEARD ABOUT THE CO



Disputes (Source): All Departments

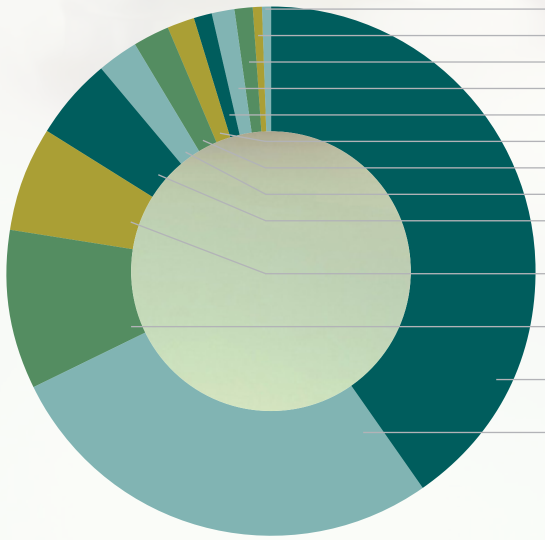
HOW CONSUMERS HEARD ABOUT THE CO



- 1% TELKOM
- 1% ICASA
- 1% OTHER BODIES (INCLUDING NDMA AND SAFPS)
- 1% CREDIT GRANTOR
- 1% KNEW OF THE CO OFFICE
- 1% OUTREACH (WORKSHOPS AND EDUCATIONAL TALKS
- 3% SOCIAL MEDIA (FACEBOOK AND TWITTER)
- 3% NCR
- 4% MEDIA (RADIO/TELEVISION/NEWSPAPER/MAGAZINE/NEWSPAPER)
- 4% OTHER OMBUDS (ALL LISTED OMBUDS)
- 5% OTHER (INCLUDING MALL)
- 5% WORD OF MOUTH
- 7% ATTORNEY/SCORPION/CLIENTELE/LEGAL WISE
- 7% OMBUD INBOX
- 12% CREDIT BUREAU
- 46% INTERNET/GOOGLE

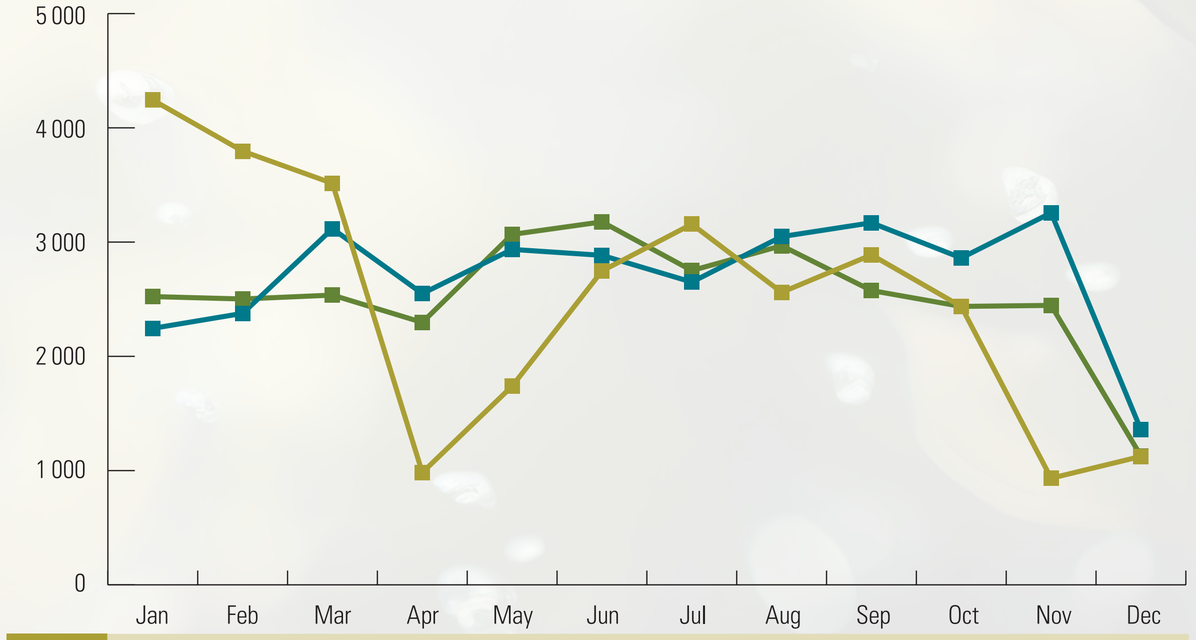
General Enquiry Types

BY CATEGORY



- 0,47% COMPLAINT AGAINST CREDIT BUREAU
- 0,60% FOLLOW UP OUTSTANDING FAX COMPLAINT
- 1,06% CREDIT APPLICATION DECLINED
- 1,23% IDENTITY THEFT COMPLAINT
- 1,30% CONSUMER REQUESTING CREDIT PROFILE
- 1,52% PRESCRIPTION
- 2,24% ENQUIRY
- 2,42% JUDGEMENT LISTING
- 5,00% OTHER COMPLAINT (INCL LIQUIDATION AND BANK DEFAULT)
- 6,50% COMPLAINT AGAINST DEBT COUNSELLOR
- 9,75% DEBT COUNSELLING COMPLAINT
- 40,23% COMPLAINT AGAINST CREDIT GRANTOR
- 27,51% DEFAULT LISTING

Calls/SMSs Received at CO Call Centre



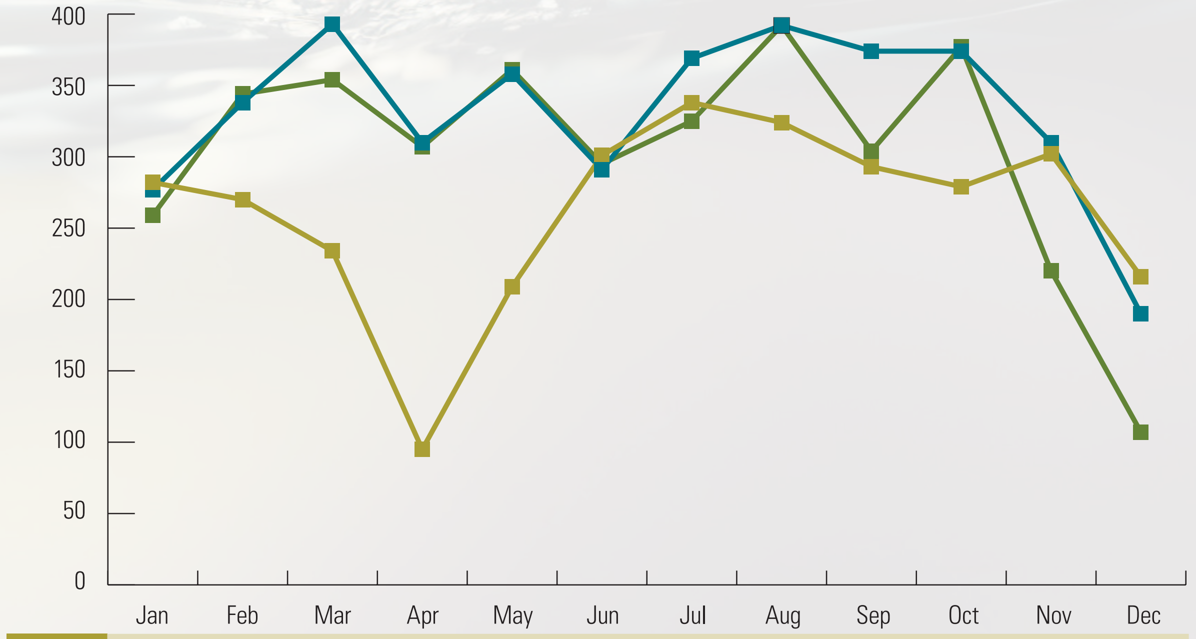
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	4 243	3 796	3 514	983	1 739	2 747	3 157	2 560	2 888	2 436	933	1 124
2021	2 245	2 376	3 117	2 549	2 936	2 884	2 650	3 048	3 169	2 861	3 256	1 357
2022	2 523	2 502	2 536	2 297	3 067	3 177	2 751	2 968	2 576	2 437	2 446	1 128

TOTAL

2020	30 120	2021	32 448	2022	30 408

YEAR TO DATE COMPARISON vs 2021 6%

Disputes Opened: All Departments



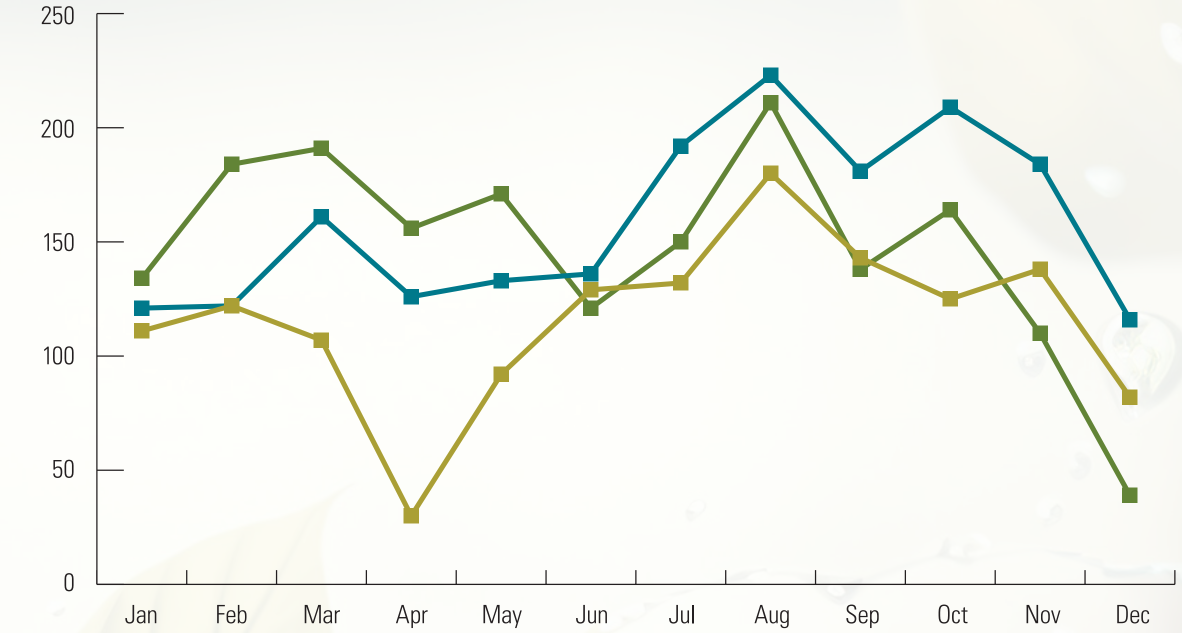
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	282	270	234	95	209	301	338	324	293	279	302	216
2021	277	338	393	310	358	291	369	392	374	374	310	190
2022	259	344	354	307	361	295	325	392	304	377	220	107

TOTAL

2020	3 143	2021	3 976	2022	3 645

YEAR TO DATE COMPARISON vs 2021 8%

Disputes Opened: Credit Information Department



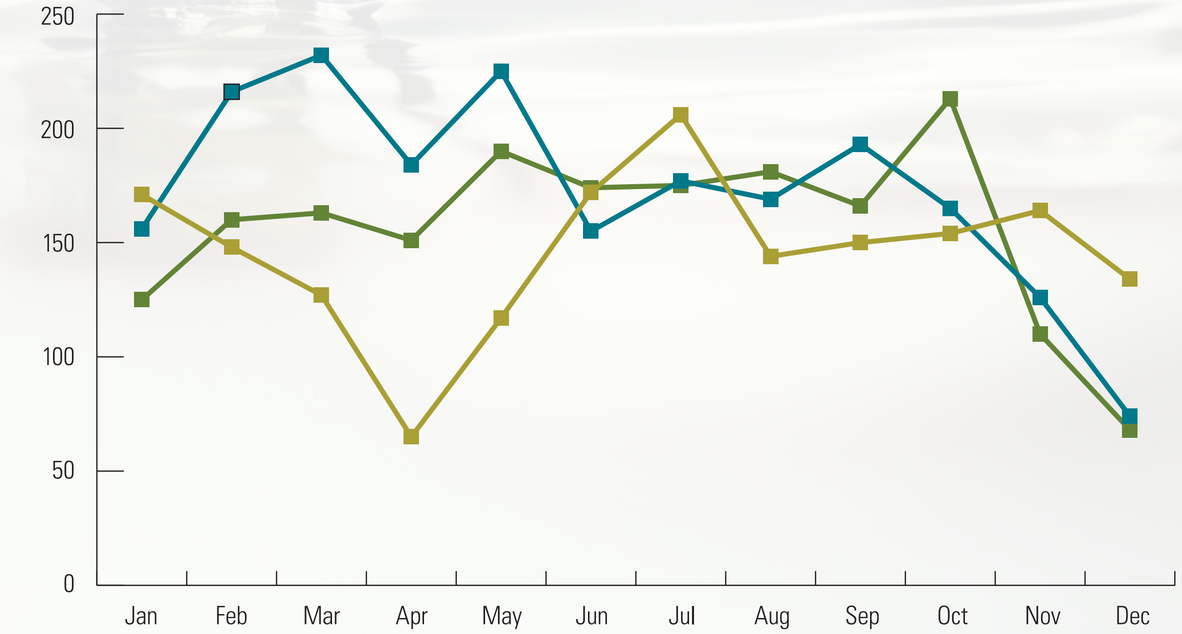
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	111	122	107	30	92	129	132	180	143	125	138	82
2021	121	122	161	126	133	136	192	223	181	209	184	116
2022	134	184	191	156	171	121	150	211	138	164	110	39

TOTAL

2020		2021		2022	
2020	1 391	2021	1 904	2022	1 769

YEAR TO DATE COMPARISON vs 2021 7%

Disputes Opened: Non-Bank Credit Department



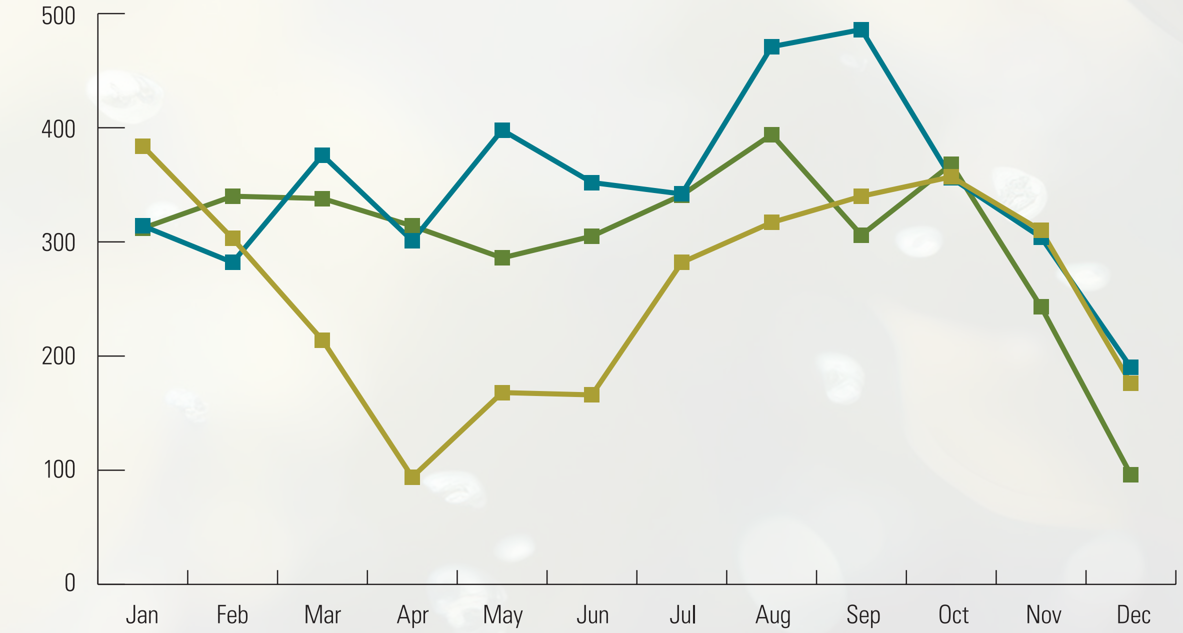
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	171	148	127	65	117	172	206	144	150	154	164	134
2021	156	216	232	184	225	155	177	169	193	165	126	74
2022	125	160	163	151	190	174	175	181	166	213	110	68

TOTAL

2020	1 752	2021	2 072	2022	1 876

YEAR TO DATE COMPARISON vs 2021 9%

Disputes Closed: All Departments



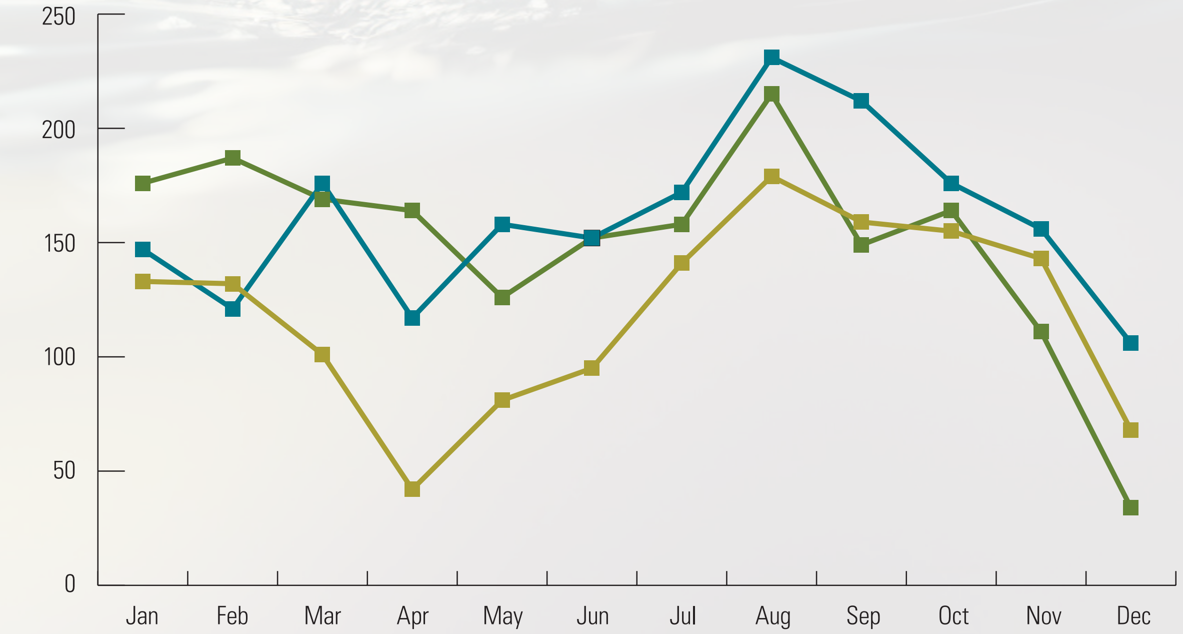
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	384	303	214	94	168	166	282	317	340	357	310	176
2021	314	282	376	301	398	352	342	471	486	356	304	190
2022	312	340	338	314	286	305	341	394	306	368	243	96

TOTAL

2020	3 111	2021	4 172	2022	3 643

YEAR TO DATE COMPARISON vs 2021 13%

Disputes Closed: Credit Information Department



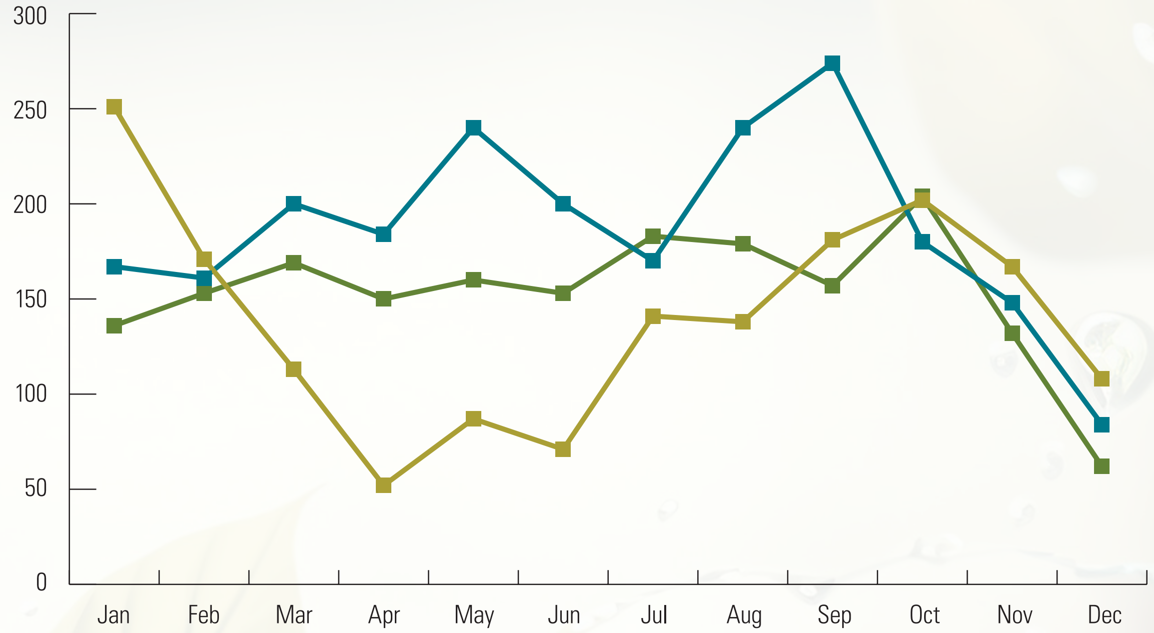
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	133	132	101	42	81	95	141	179	159	155	143	68
2021	147	121	176	117	158	152	172	231	212	176	156	106
2022	176	187	169	164	126	152	158	215	149	164	111	34

TOTAL

2020	1 429	2021	1 924	2022	1 805

YEAR TO DATE COMPARISON vs 2021 6%

Disputes Closed: Non-Bank Credit Department



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	251	171	113	52	87	71	141	138	181	202	167	108
2021	167	161	200	184	240	200	170	240	274	180	148	84
2022	136	153	169	150	160	153	183	179	157	204	132	62

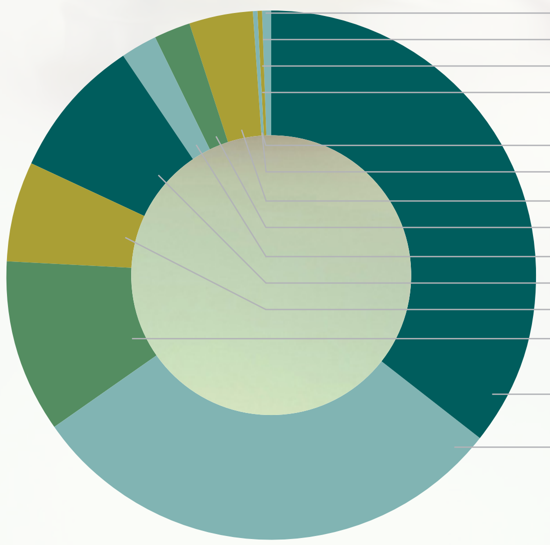
TOTAL

2020	1 682	2021	2 248	2022	1 838

YEAR TO DATE COMPARISON vs 2021 18%

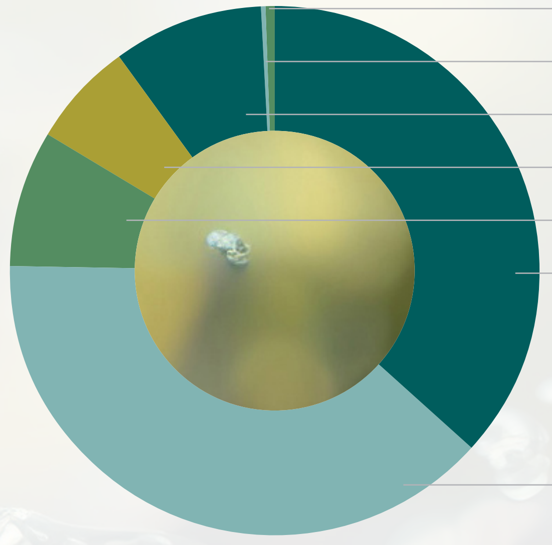
Disputes Closed by Jurisdiction

ALL



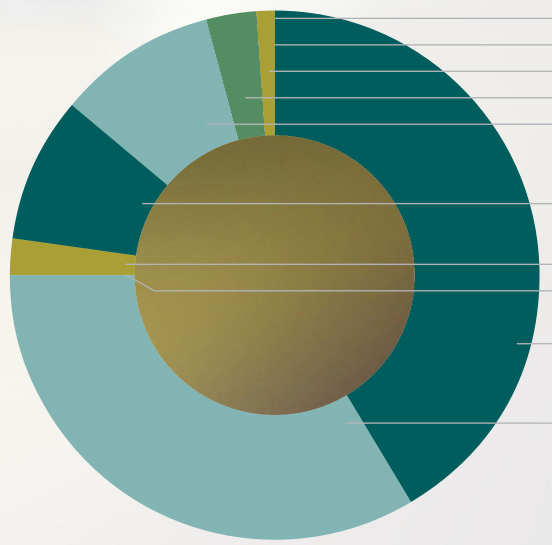
Disputes Closed by Jurisdiction

CREDIT INFO

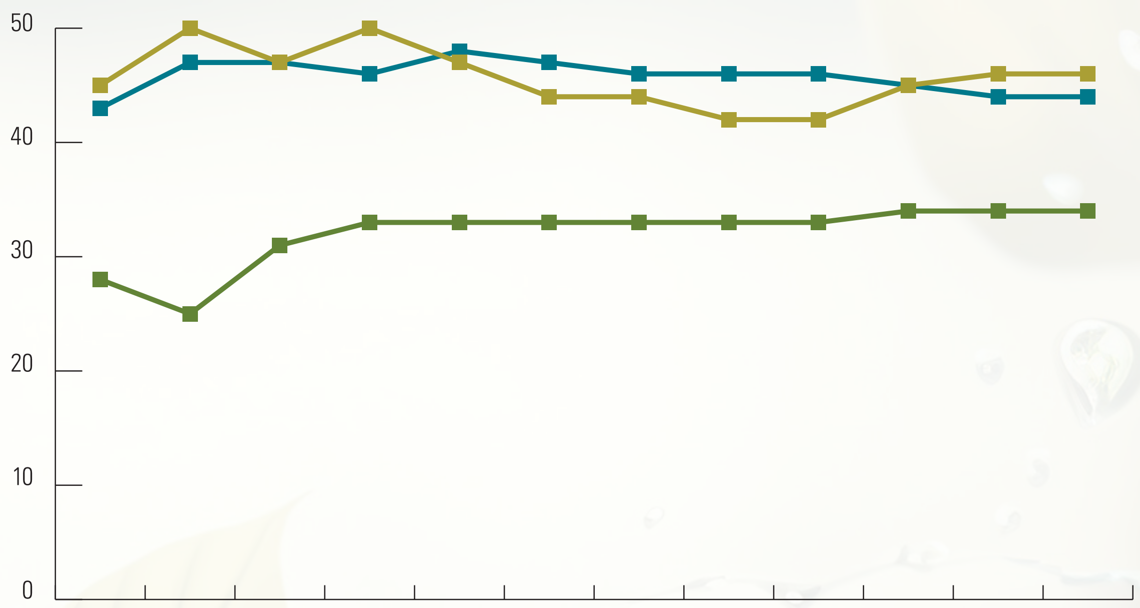


Disputes Closed by Jurisdiction

NON-BANK CREDIT

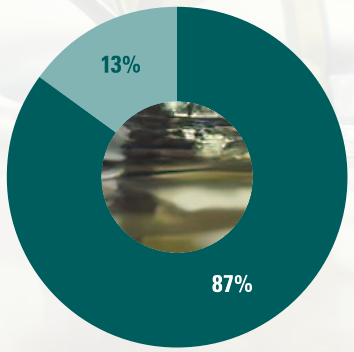


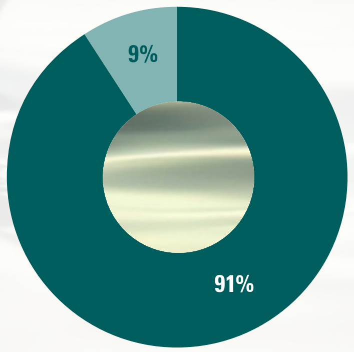
Average Days to Close

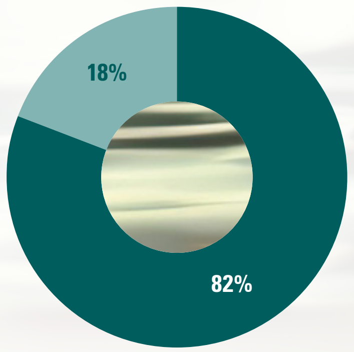


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	45	50	47	50	47	44	44	42	42	45	46	46
2021	43	47	47	46	48	47	46	46	46	45	44	44
2022	28	25	31	33	33	33	33	33	33	34	34	34

Manner of Finalisation: Current Year





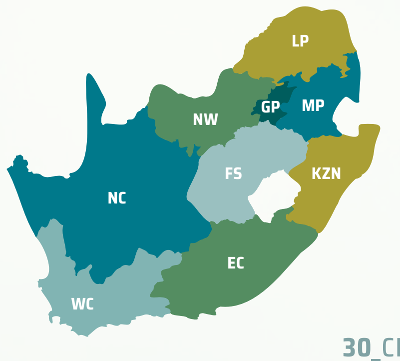


ALL DEPARTMENTS		
1. Intervention	3 153	87%
2. Facilitation	490	13%
3. Mediation	–	0%
4. Recommendation	–	0%
5. Ruling	–	0%
TOTAL	**3 643**	**100%**

CREDIT INFO DEPARTMENT		
1. Intervention	1 639	91%
2. Facilitation	166	9%
3. Mediation	–	0%
4. Recommendation	–	0%
5. Ruling	–	0%
TOTAL	**1 805**	**100%**

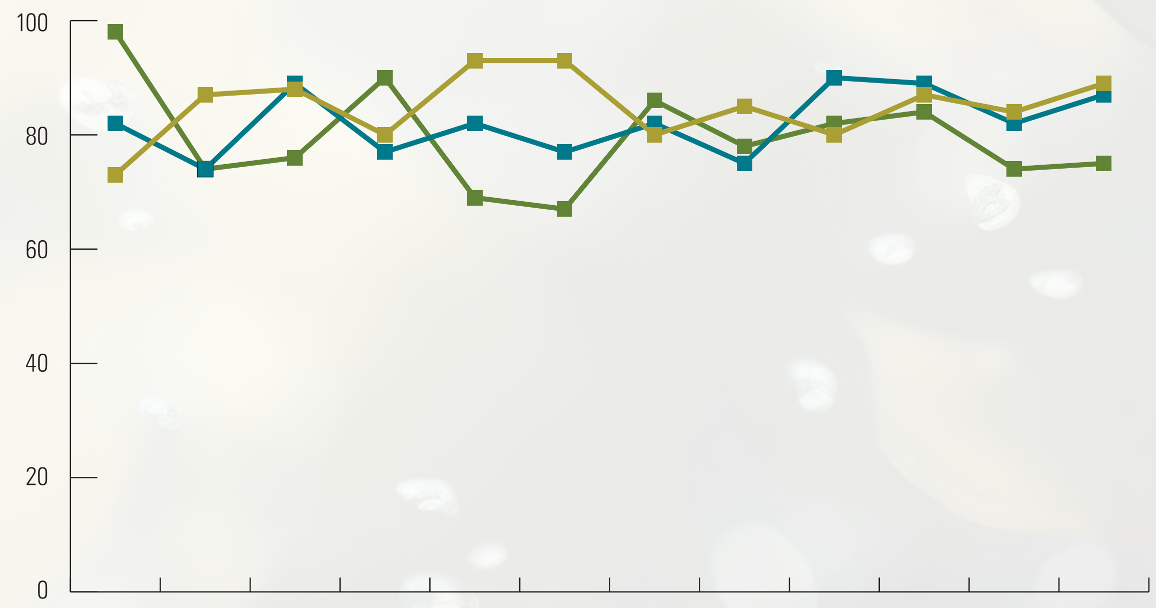
NON-BANK CREDIT DEPARTMENT		
1. Intervention	1 512	82%
2. Facilitation	326	18%
3. Mediation	–	0%
4. Recommendation	–	0%
5. Ruling	–	0%
TOTAL	**1 838**	**100%**

Disputes by Province



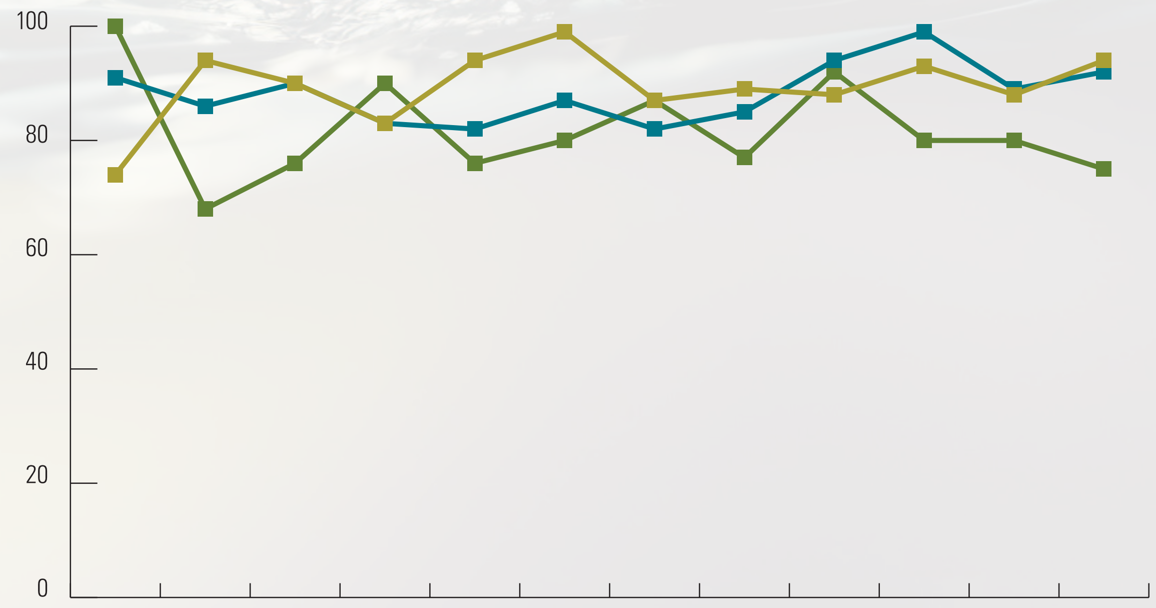
47%	GAUTENG
18%	WESTERN CAPE
10%	KWAZULU-NATAL
7%	EASTERN CAPE
4%	MPUMALANGA
4%	FREE STATE
4%	LIMPOPO
3%	NORTH WEST PROVINCE
2%	NORTHERN CAPE

Monthly Consumer Satisfaction Survey: Trends



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	73%	87%	88%	80%	93%	93%	80%	85%	80%	87%	84%	89%
2021	82%	74%	89%	77%	82%	77%	82%	75%	90%	89%	82%	87%
2022	98%	74%	76%	90%	69%	67%	86%	78%	82%	84%	74%	75%

Monthly Consumer Referral Survey: Trends



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	74%	94%	90%	83%	94%	99%	87%	89%	88%	93%	88%	94%
2021	91%	86%	90%	83%	82%	87%	82%	85%	94%	99%	89%	92%
2022	100%	68%	76%	90%	76%	80%	87%	77%	92%	80%	80%	75%

corporate governance report

"WE NEVER KNOW THE WORTH OF WATER TILL THE WELL IS DRY."

– Thomas Fuller

The Credit Ombud is a recognized financial sector industry Ombud scheme under Section 194 of the Financial Sector Regulation Act, 2017. Formal recognition was awarded by the Ombud Council on 1 May 2022. The mission of the Council is to facilitate the provision by the Credit Ombud of independent, equitable, speedy, and cost-effective resolution of disputes between credit receivers on the one hand and subscribing members of the Credit Ombud Association on the other.

The Credit Ombud is governed by the Credit Ombud Council. The Council has the responsibility for the performance of the Credit Ombud and is accountable for its performance. The Council offers strategic direction to the Credit Ombud and appoints the Ombudsman. It applies corporate governance through the Credit Ombud Constitution, applicable legislation and regulations, codes of best practice and the principles in the King IV Report on Corporate Governance. In doing so, the Council takes reasonable measures to ensure compliance.

The Council prides itself on integrity, transparency, and independence 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 Council and individual members are not involved with the investigation of complaints. The Ombudsman may make a ruling which is not influenced by the Council. The Credit Ombud does not have an appeal process, accordingly no appeals are dealt with by the Council.

There is consistent monitoring of policies, procedures, plans and governance structures. At all times, the responsibilities of the senior management team and the Council is distinct. There exists a clear separation of the role of the Chairperson and the Ombudsman, Howard Gabriels. The Chairperson and the Ombudsman meet at regular intervals prior to Council meetings.

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 the year, Council members are required to provide a notice of declaration of their current pecuniary and personal interests and to declare that any interests do not conflict with their position as Council member. Council meetings are steered in line with a formal agenda, which ensures that substantive items are comprehensively traversed by the Council.

COMPOSITION OF THE COUNCIL

The Council plays a crucial role in the oversight of the Credit Ombud. Council members consist of an independent chairperson, industry, and non-industry representatives.

The Council consists of seven members, representing the:

- Credit industry constituency and comprises a maximum of three representatives;
- Consumer body constituency and comprises a maximum of two representatives; and
- Independents and comprises of a maximum of two representatives.

Consumer body and independent representation together total four non-industry members. At all times, a minority of Council members falls within the credit industry. Together, the Council members have experience in governance, dispute resolution, business, law, accounting, consumer affairs, regulatory affairs, economics, and consumer community organizations.

In 2022, the Council comprised of 7 members*:

- Tefo Raditapole (Chairperson)
Independent
- Thandiwe Zulu (Deputy Chairperson)
Black Sash
- Arthur Hlubi
Large Non-Bank Lenders Association
- Jeannine Naude Viljoen
Credit Bureaux Association

- Thuli Zungu
  Independent
- Michael Lawrence
  National Clothing Retail Federation of SA
- Siegried Rudman**
  South African National Consumer Union
  - * Council members biographies are available on the Credit Ombud website.
  - ** Mrs Siegried Rudman was appointed as Council member on 2 March 2022.

COUNCIL MEETINGS

FREQUENCY, QUORUM AND ATTENDANCE

The Council held quarterly meetings to complete its duties pursuant to the Constitution. Where circumstances may require, additional meetings may be convened. One special Council meeting was held during October 2022.

Comprehensive reporting on strategic, governance, operational and financial activities of the office are presented to the Council for deliberation.

A total of five Council meetings were held during 2022.

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

COUNCIL MEMBERS	ATTENDANCE AT COUNCIL MEETINGS
Tefo Raditapole (Chairperson)	5
Thandiwe Zulu (Deputy Chairperson)	5
Arthur Hlubi	4
Jeannine Naude Viljoen	5
Thuli Zungu	5
Michael Lawrence	5
Siegried Rudman	4

GOVERNANCE, HUMAN RESOURCES AND FINANCE COMMITTEE (EXCO) MEETINGS

FREQUENCY, QUORUM AND ATTENDANCE

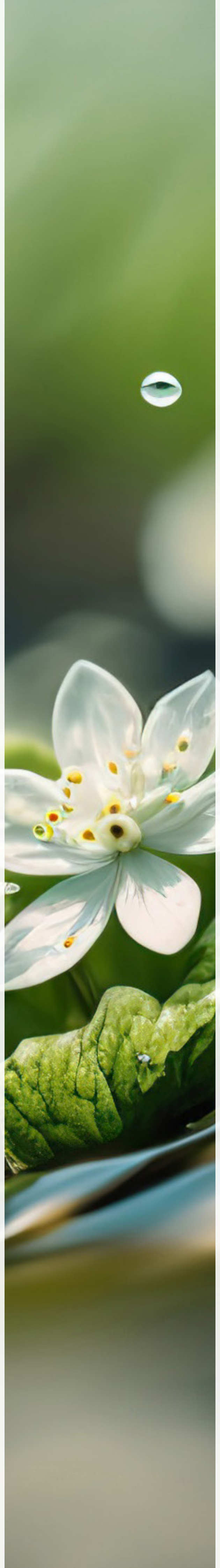
The Council is assisted by the Governance, Human Resources and Finance Committee (EXCO) to effectively discharge its duties. Accountability for Council duties and responsibilities remained with the Council. The committee is chaired by Thandiwe Zulu. EXCO provides a consultative forum for corporate governance 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. Three meetings were held in 2022.

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	2

COUNCIL SECRETARY

The Council Secretary is accountable to the Council and advises the Chairperson, individual Council members and the EXCO on matters of governance process. The Council Secretary provides administrative support to the Council and distributes meeting packs with information and documents regarding the strategic, governance, operational and financial recommendations. This allows Council members to satisfactorily prepare before decisions are taken at the Council meeting. Council members have access to guidance and advice on matters of business ethics and good governance.



Together with the Ombudsman, an induction session was held for Mrs Siegried Rudman in March 2022.

COUNCIL APPRAISAL

An internal annual evaluation of the skills and experience and other qualities of each Council member, and an assessment of the effectiveness of the entire Council and its Committee, was completed for 2022. As Board evaluations have been accepted as best practice for good corporate governance, favourable results from the survey would demonstrate that the Credit Ombud was well governed which would validate ethical culture and effective practices. The report set out the purpose, assessment approach, evaluation questions, responsible person, analysis of the results as well as the recommendations and feedback. The feedback from the report highlighted no specific concerns.

SENIOR MANAGEMENT TEAM

The Council is supported by the senior management team for the daily operations of the Credit Ombud in respect of governance, targets, finance, and risks.

Senior management is subject to performance evaluations, and the Council conducts the performance evaluation of the Ombudsman.

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. Possible concerns and potential breaches were emphasized.

CREDIT OMBUD AUDIT REPORT

The external auditor, In Focus Auditors and Accountants, is responsible for independently auditing and reporting on the Credit Ombud financial position. The financial statements for 2022 have been prepared and audited in accordance with the Credit Ombud Constitution and in line with the Companies Act, 2008, as well as the International Financial Reporting Standard for Small and Medium-sized Entities. The auditors have confirmed that in their opinion, the annual financial statements as of 31 December 2022 present fairly, in all material respects, the financial position of the Credit Ombud.

STRATEGIC RELATIONSHIPS

Stakeholder engagements and relationships with the regulators, members and member associations, consumer and industry bodies remain essential for the Credit Ombud to deliver on its mandate. We have found engagements with members to be constructive and valuable.

The Credit Ombud engages with stakeholders on a periodic basis. Meetings are held with the Ombud Council, Department of Trade and Industry and Competition, National Treasury, Financial Sector Conduct Authority, and the National Credit Regulator. Engagement with key regulators allows for sharing of ideas, statistics, training, advocacy and outreach initiatives as well as other projects of mutual interest.

We wish to express our appreciation to the Chairperson and Council members for their continued support and valuable guidance.

AVITHA NOFAL

contact centre report

“WHERE THE WATERS DO AGREE, IT IS QUITE WONDERFUL THE RELIEF THEY GIVE.”

– Jane Austen

Each employee in the contact centre is an essential asset to the Credit Ombud being able to effectively resolve disputes between members of the credit industry and credit receivers (consumers and businesses) relating to credit, as well as credit and risk reporting information matters.

The Credit Ombud contact centre prides itself in what we do. We ensure that the contact centre team is aptly equipped with a reservoir of current industry knowledge, technology, and office processes to be able to offer the best service to all our stakeholders.

Our individual characteristics shape how we work and how we engage with consumers, members, and other stakeholders. While we understand that targets in terms of call volumes and disputes lodged are essential to the sustainability of the Credit Ombud, the contact centre always aspires to work with integrity, empathy, and professionalism, coupled with accuracy and timeliness. This is a focal point within the team as many consumers are reactive as opposed to proactive and approach the contact centre when they find themselves in troubled waters. Obtaining the correct information and advice could mean a sink or swim situation for consumers.

The contact centre supports the case management department by ensuring that relevant and necessary documents and information have been received for the investigation process to commence.

REMOTE WORKING

A continued hybrid working model saw staff working remotely and, at sporadic intervals, attending the Credit Ombud office for training sessions and team-building. The contact centre staff too continued working efficiently and productively in 2022. This was made possible by the strengthening of our information technology, telephony systems and security protocols, as well as digital monitoring and communication infrastructure.

After more than seventeen years of the Credit Ombud being located at Fernridge Office Park in Randburg, the lease agreement with the landlord was not renewed at the end of November 2022. This was in anticipation of our move to new premises in the new year with a co-location involving the Ombudsman for Short Term Insurance and the Ombudsman for Banking Services. We anticipate a growth in disputes and queries coming from walk-in consumers at the new premises.

AWARENESS

The lack of consumer awareness regarding the existence of the Credit Ombud remains a challenge and we continue to enthusiastically extend our reach, notwithstanding the limited resources. There are convincing opportunities for both the credit industry and the Credit Ombud to develop an increased awareness and education to consumers. We have seen this initiative blossom with our valued co-operation from regulators, other Ombud offices and members. We have had remarkable collaboration from the National Credit Regulator and Micro Finance South Africa. Through these collaborative initiatives, communication, awareness and education via social media platforms, webinars, workshops as well as radio and television, we were successful in routing queries from consumers to the contact centre via telephone, email, free SMS, the website, and Facebook and Twitter.

While we continued to receive a steady number of disputes from consumers via telephone calls, SMSs, and emails, the internet remained the major source of enquiries and disputes. Approximately 63% of consumers with general enquiries had confirmed that they learned about the office by means of the internet and approximately 16% had approached our office through emails.

The contact centre imparts knowledge on matters pertaining to the credit industry and in so doing, consumers are informed and educated about their consumer credit rights.

CONTACT CENTRE PROCESS

Disputes are generally initiated via the contact centre through a telephone call, SMS or email and via the Credit Ombud website. Notwithstanding the different entry points, the contact centre plays a pivotal role in establishing whether the pre-Ombud process had been followed and whether the dispute fell within the ambit of the Credit Ombud jurisdiction.

The pre-Ombud process requires that a consumer engage with the credit provider or credit bureaux to resolve the dispute prior to the Credit Ombud proceeding with investigations.

If the pre-Ombud process has not been followed by the consumer, the contact center agent would request that the consumer engage with the credit provider or the credit bureaux. If this does not yield an outcome in the consumer's favour or the consumer does not receive feedback from the credit provider or the credit bureaux, the contact centre agent would proceed to register the dispute on the case management system for investigation. At all times, confidentiality was exercised, and the appropriate consents were obtained from consumers.

Where a matter does not fall within the jurisdiction of the office, consumers are referred to the correct Ombud office or other dispute resolution entity. The contact centre would record the referral communications on the case management system as general enquiries.

STATISTICS

The contact centre received 30 408 calls in 2022, a decrease of 6% when compared to the previous year. The calls received resulted in 17 212 complaints and enquiries opened at the office. We attribute the decrease to several factors:

- Credit providers establishing complaints resolution departments in-house and being adept at resolving consumers disputes before the dispute reaches the Credit Ombud;
- Credit bureaux resolving consumer complaints to the satisfaction of consumers before the dispute reaches the Credit Ombud;
- Guidelines on affordability assessments being adhered to by credit providers; and
- Guidelines on the submission of credit information to the credit bureaux, through the secure data transfer portal (Data Transmission Hub).

The main categories of general enquiries received at the contact centre have seen 40% of complaints being against credit providers; 27% default listings at the credit bureaux; and 10% debt counselling queries. Other categories included judgments, prescription and requests for credit profiles, among others. Debt counselling queries and complaints were referred to the National Credit Regulator.

We are proud of the work of the contact centre and are constantly looking at opportunities to improve and enhance our service.

The contact centre will continue to assist stake-holders in a professional and ethical manner, maintaining the highest standards of honesty and confidentiality, with each individual displaying the sentiment that "*I drop kindness pebbles in still water every day, and I watch the effect they have on other people's lives*" (John A Passaro).

AVITHA NOFAL

case management report

"WATER IS THE SOFTEST THING, YET IT CAN PENETRATE MOUNTAINS AND EARTH."

– Lao Tzu

fluidity

noun [U]

fluidity *noun* [U] (CHANGE)

the quality of being likely to change repeatedly and unexpectedly:

In keeping with the theme of water, it is fascinating how relative the characteristics of this element can be to the area of dispute resolution, especially when we speak of credit and credit information.

The office has experienced countless instances of change, repeatedly and unexpectedly in 2022, from remote working to the idea of the National Financial Ombud.

As the Credit Ombud, the office is to execute its mandate as gracefully as possible leaving no stone unturned, similar to that of water, graceful in its appearance yet the ability to penetrate rough terrain.

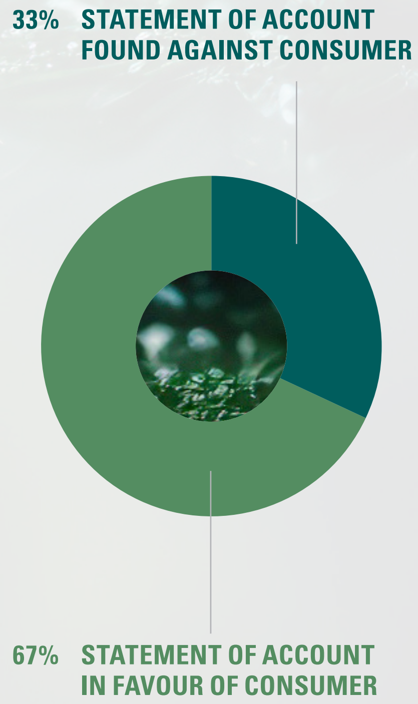
I would like to thank my colleagues for the work done this past year, and a heartfelt appreciation to our stakeholders and members who assist the office daily in providing a world-class channel of redress for the consumer and the industry.

The category of complaints relating to 'Statements of Account' has once again become our most noticeable trend over this past year, which relates to the interest applied, collection, and other charges / value added services / product charges, service fees, settlement of accounts, authorized services, allocation of payment and the well-known and contentious topic of in-duplum. While not an exhaustive list, we have had many interesting and challenging complaints this past year.

Just as water finds its way into tricky and unknown spaces, so too must the application of law and fairness be applied to a dispute when it lands on our shores.

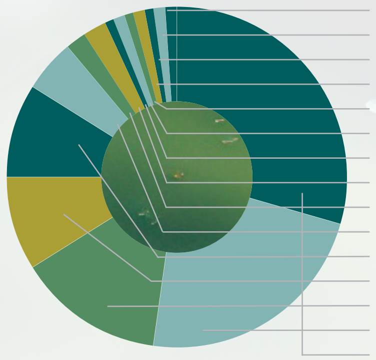
This category has contributed to 42% of disputes resolved in the Non-bank credit department – of these, 33% found against consumers and 67% found in favour of consumers.

STATEMENTS OF ACCOUNT:



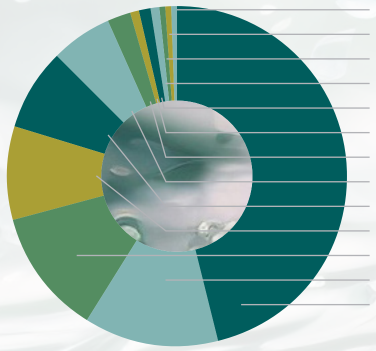
These are further divided into the following categories:

SOA IN FAVOUR OF CONSUMER:



0% ACCOUNT SOLD TO THIRD PARTY AFTER SETTLEMENT / CLOSED
1% LEGAL FEES CHARGES WRITE OFF
1% OVERCHARGING OF COLLECTION COSTS
1% CLOSURE OF ACCOUNT DECEASED ESTATE
1% ACCOUNT BLOCKED IN ERROR CORRECTED BY CP
1% IN DUPLUM BREACHED BALANCE ADJUSTED
1% INCORRECT INTEREST BALANCE ADJUSTED
2% REVERSAL OF PURCHASE SYSTEM ALLOCATION ERROR
2% SETTLEMENT BALANCE INCORRECT
5% REQUEST FOR STATEMENT
9% ACCOUNT IN CREDIT/ADVANCE REFUNDED TO CONSUMER
9% REVERSAL OF FEE SYSTEM ERROR
14% ALLOCATION OF PAYMENTS
23% NON-AUTHORISED PRODUCT(S)
30% CLOSURE OF ACCOUNT

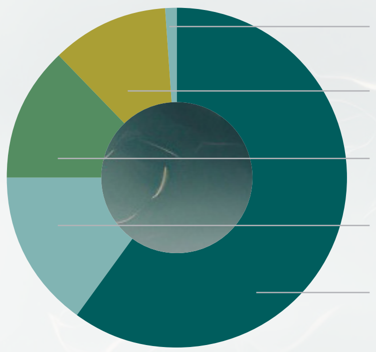
SOA FOUND AGAINST CONSUMER:



0,49% INDUPLUM EX GRATIA WRITE OFF
0,49% CALCULATION OF MONTHLY INSTALLMENT CORRECT
0,49% INCORRECT SETTLEMENT PROV BY CG CONSUMER LIABLE
0,98% COLLECTION CHARGES
0,98% CORRECT CHARGE/FEE (DELIVERY, REGISTRATION, OTHER)
0,98% CORRECT DEBIT/DEBIT DATE
1,46% NO PAYMENT / PAID UP LETTER DUE
5,85% INTEREST
8,29% SETTLEMENT BALANCE SHORTPAID EX GRATIA WRITE OFF
8,78% ALLOCATION OF PAYMENT(S)
11,71% SETTLEMENT BALANCE SHORTPAID C LIABLE FOR BALANCE
12,68% AUTHOURISED PRODUCT(S)
46,83% CURRENT BALANCE CORRECT

With Credit Information, it was found that the majority of disputes resolved in favour of consumers relate to that of Incomplete / Incorrect Profile Information. With the intervention of the Office, these profiles were updated correctly to reflect the true standing of the account and what was due and payable.

CREDIT INFORMATION IN FAVOUR OF CONSUMER:



1% DUPLICATED CREDIT INFORMATION
11% FRAUD
13% OUTDATED CREDIT INFORMATION
15% LAW OF PRESCRIPTION
60% INCOMPLETE / INCORRECT PROFILE INFORMATION

The following case studies provide a backdrop of our experiences in 2022:

A. ACCURATE LISTING OF CONSUMER CREDIT INFORMATION

The National Credit Act 34 of 2005 (NCA) requires that credit information be reflected accurately and is to state the current outstanding balances due. As the Ombud, we are required to ensure that this information is reflected as such or amended if need be.

The accuracy of this information is vital to enable a credit provider to discharge its obligation to conduct a proper affordability assessment, which is why we are to ensure that this information is accurate and up to date.

The consumer in this case settled the account directly with the debt collector who was tasked with the mandate to collect on the account that was handed over after being in arrears for six months. For some or other reason, this settlement was not communicated to the credit provider in time, who updated the account to paid-up and closed six months after the actual settlement date. With our intervention, the payment profile was corrected to reflect the actual date of settlement and closure.

B. PRESCRIPTION OF DEBT

While many cases involving the law of prescription are similar in nature, this particular case presented a slightly trickier set of circumstances.

The consumer's account went into arrears due to a change in financial circumstances, at which point she decided to surrender the vehicle in an attempt to have the account settled. The consumer signed a voluntary surrender application in December 2019, then contacted the credit provider in February 2020 to make an offer for the remaining balance, which offer was rejected as it was too low. The credit provider eventually issued a summons in December 2022, within the three-year period from date of the acknowledgement in February 2020.

The consumer claimed that the last acknowledgement made was in December 2019 and not February 2020, claiming that prescription would apply. After retrieving a copy of the call recording it was clear that the consumer acknowledged the debt owing and made an offer to settle the outstanding balance due.

The claim of prescription was rejected, and the consumer was held liable for the outstanding balance on the account.

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 on an account for the period that the account remains in a default status. While this section may seem simple to understand, it becomes quite tricky when one has to apply it to a revolving credit facility.

The investigation revealed that despite the date of first default, the interest charges, service fees and value-added services on the account were allowed to accrue for years, which eventually resulted in the outstanding balance exceeding the threshold in terms of S103(5) of the NCA.

The consumer claimed that he did not use the services from the date of default and was under the impression that these services were stopped due to non-payment. The credit provider conceded that there were charges that were levied erroneously and credited the account accordingly. As a gesture of goodwill, the remaining balance was written off and the account closed.

D. FRAUD

Fraud is a serious cause for concern and is rampant is all sectors and industries. Many consumers are left without recourse in these instances with no funds or legal assistance to see the dispute through. This is why the Ombud is a vital mechanism in the dispute process as it allows the consumer to have a voice, especially in a time of frustration and fear.

The consumer picked up that there were purchases made on her account between November 2021 and December 2021 which she had no recollection of. There were no receipts or evidence available to show that it was the consumer who made these purchases, and what supported the consumer's submissions was that these purchases were made at locations that the consumer would not normally shop at.

After a lengthily investigation, the credit provider conceded that it would be unfair to hold the consumer liable for these purchases. The credit provider reversed these transactions and credited the account accordingly. In the absence of a clear and direct cause of action, we are to use all surrounding circumstances to arrive at the most probable conclusion, a skill that we have harnessed over these past years.

E. RECKLESS CREDIT

The National Credit Act 34 of 2005 places an obligation on both the credit provider and the consumer to be fair and honest when concluding an agreement. It remains the responsibility of the credit provider to assess key aspects of a consumer's ability to successfully service the repayment of loan agreement; however, it is the consumer's responsibility to be truthful when providing information to the credit provider to successfully conclude the affordability assessment.

The consumer in this case claimed that the credit provider failed to discharge its obligation to take into account all expenses at the time of application and as a result the loan was granted recklessly to him. The investigation revealed that the credit provider in its assessment included all information that it could reasonably obtain at the time, and based on this information the credit provider did in fact discharge its obligation in terms of the NCA.

The agreement was successfully serviced by the consumer for 18 months, there was no sign of negative or adverse data on the credit report used at the time of assessment and there was sufficient disposable income to service the monthly instalments.

The consumer could not show that any further expenses were disclosed, nor were any further expenses apparent from the bank statement provided at the time of application. It was decided that the loan agreement was not granted recklessly, and the consumer remains liable for the outstanding balances due.

F. CONTRACTUAL

We often receive complaints relating to debit order dates and the impact that late payments can have on an account.

Consumers seldom understand the consequences of a late debit order until it affects their credit record, or they find that the agreement term has exceeded the original term agreed to.

The NCA provides that interest is to accrue daily and compounded monthly, which means that for every day that an instalment remains unpaid, further interest charges will accrue on the outstanding balance.

The credit agreement becomes the basis upon which these disputes are resolved as it clearly sets out the intentions of the parties at the time of contracting.

In this case, the debit order processed on the 1st of every month returned unpaid for a few months until such time that the consumer contacted the credit provider to request a change to the debit order date. What was found was that the consumer was reversing the debit order deduction for those months and then paying the instalment in cash a week later. The consumer disputed the date claiming that the agreed date was the 7th of each month while the agreement revealed that the agreed date was the 1st.

The consumer argued that the account could not be in default as he settled the outstanding instalment within the month it was due. What the consumer failed to take into account was that once the payment is missed, this would be reflected as a non-payment on his credit profile and that arrear interest would accrue, which will eventually increase the total cost of credit payable.

The credit provider agreed to change the debit order date, but the payment profile history of the account was to remain to reflect the actual sequence of payment.

LEE SOOBRATHI

council members

TEFO RADITAPOLE
Independent – Chairperson

MICHAEL LAWRENCE
National Clothing Retail Federation

THANDIWE ZULU
Black Sash

JEANNINE NAUDE-VILJOEN
Credit Bureau Association (CBA)

THULI ZUNGU
Independent

ARTHUR HLUBI
Large Non-Bank Lenders Association

SIEGFRIED RUDMAN
SA National Consumer Union (SANCU)

staff

HOWARD GABRIELS
Credit Ombudsman

LEE SOOBRATHI
Case Management

NJABULO BEMBE
Case Management

ANTHONY KGAFE
Case Management

SADHIA KHAN
Case Management

BERNADINE NAIDOO
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AVITHA NOFAL
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SIBUSISO MKHIZE
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