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Customer relief update

South African banks have so far approved more than R30,6 billion in relief to individuals and businesses affected by the Covid-19 pandemic and national lockdown. Separately, over R10,6 billion has been extended to distressed businesses under the Covid-19 Loan Guarantee Scheme.

“Cash flow relief for eligible individuals and businesses is critical to the preservation of jobs and businesses and to maintaining a functioning economy,” says the Managing Director of the Banking Association South Africa (BASA), Bongiwe Kunene. “Banks hold in trust the salaries and savings of South Africa’s workers, professionals and businesses. It is therefore essential that we continue to extend credit responsibly and avoid blanket debt write-offs or any other actions that might place depositors’ funds at risk or otherwise undermine the integrity of the financial sector.”

As at 27 June 2020, individual customers had received R18,26 billion in relief, with banks approving 2,4 million (82,7%) of 2,9 million applications for assistance.

Relief granted to commercial, small and medium enterprises amounted to R12,39 billion, with banks approving 132 508 (95.5%) of 138 675 applications for assistance.

To date, banks have also approved just over R10,6 billion in concessionary loans for 7 496 qualifying small businesses in terms of the Covid-19 Loan Guarantee Scheme, which was launched in mid-May. Of the 33 965 applications received:

- 3478 were rejected because they did not meet the eligibility criteria for the loans, as set out by the National Treasury and the South Africa Reserve Bank (SARB)
- 9 182 were declined because they did not meet bank risk criteria
- 13 809 applications are in the process of being assessed
- An additional 315 loans worth R104 million were approved but not taken up

The Covid-19 Loan Guarantee Scheme is a commercial arrangement that gives borrowers access to business-critical funding at low interest rates and preferential repayment terms. However, it is not meant to support small businesses with grants. Each loan is subject to a credit approval process during which banks must evaluate whether the business will be able to service its commitments as economic activity resumes.

Similarly, the relief measures granted by banks are intended not as debt write-offs, but rather as a relaxation of repayment terms to assist otherwise viable businesses to remain solvent and continue to pay suppliers and employees during the current crisis.

The period of relief initially extended to some companies and businesses will expire from end of June 2020. Customers who require an extension in terms of the relief already granted should contact their credit providers. A number of banks have already announced details of further relief on offer to their customers. The offering of each bank depends on their individual capacity and risk management policies.

Banks are also currently working with the National Treasury and the SARB to review the criteria for the Covid-19 Relief Scheme to make loans more accessible to distressed businesses. Further details will be made available as soon as they are agreed.

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

For further enquiries please contact:

Naledi Sekoati – Ogilvy South Africa

Cell: 062 768 2522

Email: Naledi.Sekoati@ogilvypr.co.za