

02 May 2020

Debt relief assistance for customers

South African banks are implementing debt relief measures to assist customers who are experiencing financial difficulties due to the Covid-19 pandemic and national lockdown.

Banks are an important part of the solution to the economic crises facing our country and in the past month have changed much of their operations to help address the challenges facing their customers.

In the period from 16 March 2020 to 25 April 2020, Banking Association South Africa (BASA) members have provided:

- Cash flow relief, including payment breaks, to individual customers worth R7,74 billion. This number is increasing daily
- Cash flow relief, including payment breaks, to commercial, small and medium enterprises worth R7,29 billion. This is also increasing daily
- Of the over 1 200 000 individuals who applied for some form of relief, over 852 000 have already received assistance. Applications are constantly being assessed.
- Of the 90 000 commercial, small and medium enterprises that applied for some form of relief, over 75 000 have already received assistance. Applications are constantly being assessed

These numbers are likely to increase significantly over the coming period as more relief is approved. BASA will continue to aggregate and publish this data across the industry from time to time to demonstrate the significant role our members are playing to help their customers and the economy in these challenging times.

The relief measures may differ between banks, but are available to customers in good standing, who cannot meet their credit agreement payments in the short-term as a result of the impact of the Covid-19 pandemic and national lockdown, and who will most likely be able to meet their obligations again after the relief period. A customer is considered to be in good standing if they are up to date with their payments on 29 February 2020 and have a good track record of paying their debts on time. This covers a high percentage of bank customers.

Due to the volume of call beings received, reduced staff levels, social distancing and other requirements to which banks have to adhere, bank channels will inevitably experience delays. This is being addressed by the banks, but we ask customers to understand the circumstances in which bank staff are operating in the present environment. Call centre numbers for some BASA members, as well as their websites, are available at banking.org.za.

While it is in the best interest of all customers who can afford to meet their liabilities on time to continue to do so, remedies offered by the banks for those in financial distress may include:

- Assistance with processing credit life insurance claims. Credit life insurance policies differ but may cover a period of loan repayments or the outstanding debt in the event of death, disability or retrenchment or loss of income. Banks are communicating with their customers that have credit life insurance and are helping them to initiate a claim, where the policy is linked to the bank's credit agreement. In many cases this is the most viable remedy for customers with cover.
- Instalment reduction for a limited period. Interest and fees on loans will still accumulate and will have to be paid by the customer. This may result in an extension of the term of the loan, which could incur higher costs.

- A payment break. Interest and fees on the respective loans will still accumulate and will have to be paid by the customer. This may result in an extension of the term of the loan, which could incur higher costs. Such payment breaks vary from between one and three months – and are provided either pro-actively by the bank or at the request of the customer - depending on their credit risk guidelines.
- The relief measures also apply to Shariah compliant financial services and products. Customers who are uncertain as to what relief is available for Shariah compliant products, are urged to contact their bank.
- Customers who are already in debt review should contact their debt counsellor who will then motivate a new repayment proposal to the bank, which will be considered case-by-case.
- Small businesses that are already in business rescue should contact their Business Rescue Practitioner (BRP). Banks will deal with these enterprises case-by-case.

Banks are tightly regulated as they hold in trust the salaries and savings of South Africa's workers, professionals and businesses. Our customers are both depositors and borrowers. Deposits extended as loans must be recovered to allow banks to repay, with interest, customers who expect their money on demand. The relief measures granted by banks do not envisage debt write-off, but rather leniency in terms of the repayment of loans for a period. We strongly encourage all customers to continue to meet their banking and financial services obligations as best they can, to help banks assist as many customers as possible.

In addition to measures taken to provide relief to customers, banks have to date, provided financial support amounting to just over R176 million to social support initiatives including the provision of food and hygiene products for vulnerable communities, the purchase of personal protective equipment, medical equipment and beds for isolation wards. This is in addition to the normal corporate social investment that banks make on an ongoing basis. In 2018 banks spent R666 million on social development initiatives.

Banks understand that the Covid-19 pandemic lockdown has increased the financial stress of many of their customers through no fault of their own and are working hard to provide customers with support in this difficult time.

ENDS

Issued on behalf of The Banking Association South Africa

For further enquiries please contact:

Naledi Sekoati – Ogilvy South Africa

Cell: 062 768 2522

Email: Naledi.Sekoati@ogilvypr.co.za