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THE NATIONAL CREDIT ACT AS IT PERTAINS TO PENSION FUNDS

By Ian Jacobsberg

THE NATIONAL CREDIT ACT, NO. 34 OF 2005



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EXEMPTIONS

- Juristic person with asset value exceeding R1 million;
- Juristic person with asset value not exceeding R1 million, but principal debt is not less than R250 000;
- Credit provider is the Reserve Bank;
- Credit provider is outside RSA and minister has approved

THE DEFINITION OF A CREDIT AGREEMENT



- Includes: -
 - A mortgage agreement;
 - A secured loan;
 - An undertaking to satisfy an obligation of another person in terms of a credit facility or transaction

CATEGORIES OF CREDIT AGREEMENT



- "**Small**" – principal debt less than R15 000;
- "**Intermediate**" – principal debt equal to or greater than R15 000 but less than R250 000;
- "**Large**" – principal debt equal to or more than R250 000.

PRE – AGREEMENT DISCLOSURE: "SMALL" AGREEMENT



- Pre-agreement statement
- Quotation

PRE-AGREEMENT DISCLOSURE: "INTERMEDIATE" AND "LARGE" AGREEMENT



- Pre-agreement statement;
- Quotation setting out: -
 - Principal debt;
 - Proposed distribution;
 - Interest rate and credit costs;
 - Total cost of agreement;
 - Costs payable on rescission

CREDIT INSURANCE POLICY REQUIREMENTS (1)



- Must not be unreasonable or at an unreasonable cost;
- Consumer must be informed that he may waive the policy and substitute one of his choice.

CREDIT INSURANCE POLICY REQUIREMENTS (2)



- Payment of premiums must be
 - Monthly in small or intermediate agreements;
 - Monthly or annual in large agreements
- No surcharge, fee or additional premiums are permitted.

CREDIT INSURANCE POLICY REQUIREMENTS (3)



The credit provider must disclose: -

- The cost to the consumer of insurance supplied;
- Fees, commissions, remuneration or benefits payable to the credit provider.

EMPLOYER AS AGENT FOR CREDIT PROVIDER



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PAYROLL DEDUCTIONS



Charges may only be made: -

- Against a specified asset, account or amount deposited for the consumer's benefit and held by the credit provider or a third party;
- Only to satisfy a specified obligation or series of obligations under the agreement;
- Only for a specified amount calculated by reference to the obligation it is intended to satisfy;
- Only on specified date/s corresponding to date/s on which obligations arise under the agreement.