Voluntary surrender

What is it?
If you've bought an item on credit and then realise that you can't make the payments, you may be able to give it back to the seller. The seller may then resell it. You must then pay the difference between what you owe and the amount the seller resells it for.

When should I consider it?
- You've bought an asset and can't afford the repayments anymore
- Your asset is still in good condition and you know that you'll get a good price for it

How does it affect me?
- You'll have to give the item back
- Giving up the asset doesn't automatically make you debt free – you'll still have to repay the difference between the amount you owe and the amount the seller resells it for

Debt rescheduling

How can rescheduling my loan help if I'm struggling to make my debt repayments?

Rescheduling means the terms of an existing loan are amended through mutual agreement between you and the credit provider to make your loan repayments more affordable.

How will my loan repayments be made more affordable?

The loan payment period is increased in order to decrease your monthly repayment amount. Your interest rate remains the same.

What does it mean if my loan payment period is increased?

You'll pay back your loan over a longer period. While this means that your monthly repayments could be lower, your total cost of credit will be more because you'll pay interest over the longer period. You can manage this by increasing your repayment again once your financial position has improved.

When can I reschedule my loan?

You can proactively reschedule your loan if you're worried that you may start to miss your loan repayments. You can also reschedule your loan if you've fallen behind on your loan repayments.

Who can I contact if I want to reschedule my loan?

You can apply for rescheduling with your credit provider.

How does the rescheduling process work?

Automated rescheduling rules will determine whether you qualify for rescheduling. There are different types of rescheduling and you'll be asked questions to determine what type will best suit your needs.

Debt review

What is debt review?
If you're over-indebted, a debt counsellor can help you by restructuring your debt payments based on what you can afford. The debt counsellor works out an affordable monthly payment plan by extending the term over which you repay your debt, and in some cases by reducing the interest rates and fees.

Important: The aim is to help you manage and repay your debt. Debt review doesn't mean that your debt gets written off.

When would I apply for debt review?
If you earn an income but find yourself over-indebted, you may qualify for debt review.

What does it mean to be over-indebted?
It's when you don't have enough money left for necessary living expenses after making your monthly debt repayments, even though you've lowered your living expenses as much as possible and made arrangements with your credit providers such as rescheduling your existing loans.

Will it cost me money to go under debt review?
Yes. Debt counsellor fees are regulated by the National Credit Regulator. Make sure that all the costs and fees are explained to you if you contact a debt counsellor.

What happens when I apply for debt review?
A debt councellor will assess your financial situation. If you're found to be over-indebted, they'll calculate what you can afford to pay towards your debt each month so that you'll still have enough money to pay your necessary living expenses. The debt counsellor will then submit a proposal to your credit providers saying how much you're able to pay. If they agree to the proposal, your debt review case becomes effective by means of an order. The credit bureau will be informed, and for the duration of the debt review your credit bureau report will show that you're undergoing debt counselling. All debt review cases must then either go to the National Credit Tribunal for a consent order or alternatively, to a magistrate's court to become effective by means of a court order.

How is my debt paid while I'm under debt review?
Once your credit providers have accepted the debt councellor's repayment proposal, a consent or court order is obtained. Your restructured repayments are then combined into a single monthly repayment. This single payment has to be made to a payment distribution agent every month, who distributes the payment to your credit providers as agreed in your repayment plan. Alternatively, you can choose to pay your credit providers directly, but you'll still have to pay the debt counsellor's fees to the payment distribution agent.

How long will I remain under debt review?
It's different for everybody as every individual's situation is unique. Your debt repayment plan will show exactly when your last day of payment will be. Make sure you understand how long the process will take.

Can I apply for more credit while under debt review?
No. You also won't be able to access any of your existing credit facilities.

What happens once I've repaid all the debt?
You'll receive a clearance certificate and be in a position to apply for credit again.

What if my financial position improves while I'm under debt review?
You can apply for a court order that confirms that you're no longer over-indebted.

What happens if I don't pay my debt review instalments?
Debt review is a legally binding process. The order is granted by the magistrate's court or the National Consumer Tribunal, so you're legally required to pay it. Keeping up with your new instalments is very important. If you don't, your credit providers can withdraw from debt review, and you could face legal action and possibly lose your assets.

Can I withdraw once a debt review order has been granted?
You cannot withdraw from the process, but you can approach the court to set aside the order or apply for an order which declares that you're no longer over-indebted.

Which debt counsellor should I use?
You can visit the National Credit Regulator on ncr.org.za or phone 0860 62 76 27 for more information about debt review, and to find a registered debt counsellor.

Debt administration

What is debt administration?
An application is made to court and an administration order is granted if you're unable to meet your financial commitments. The court will appoint a debt administrator who will communicate and negotiate with your credit providers on your behalf for a lower instalment and new payment plan.

When can I consider debt administration?
If you're over-indebted and your total debt is less than R50 000.

How does it affect me?

- An administrator manages your finances
- There are costs involved, which include the cost to obtain the administration order and monthly payments to the administrator for their services
- The debt repayment often becomes a salary deduction
- It protects you against legal action by a credit provider
- The administrator pays your credit providers every 3 months, so it takes longer to pay off your debt, and the interest adds up
- While you're under administration, you won't qualify for more credit and you'll be listed as under administration at the credit bureau

Voluntary sequestration

What is it?
You get an attorney to apply for insolvency of your estate in court. When the court agrees that you have more debt than assets and that you cannot pay it back, your estate will be declared insolvent. The process entails the selling of your assets, e.g. home, car, furniture and other valuables to pay off all or most of your debt.

When should I consider it?

- You can't afford your debt repayments and you have more debt than what your assets are worth
- You can't use any other debt relief options

How will it affect me?

- You'll no longer own any of your property
- You can't enter into any contracts on your own
- It's a criminal offence for you to apply for credit
- You may not be a member of a CC or a director of a company
- Your debt could be written off
- Your personal assets such as your house, car and furniture will be sold to pay your credit providers
- You're declared insolvent and won't qualify for new credit for at least 10 years unless the court orders that you're no longer insolvent within 10 years from the date of your sequestration
- Credit providers won't be able to take further action against you

How it works

Situation	Debt relief option	What happens	Implications
Ella is Sasha's sister. She bought a very expensive TV on credit. Shortly afterwards she had to pay for some costly medical tests and had to borrow money from Sasha for the TV's monthly instalment. Worrying that she could end up struggling to repay this loan, she realises that she needs to make a plan.	Voluntary surrender	According to the National Credit Act, everybody has the right to voluntarily surrender any goods bought on credit. Ella must give written notice to the credit provider that she wants to return the TV, and then voluntarily surrender it to the store where she bought it. The store may give her an estimated value of how much they'll get if they resell the TV. Remember, the TV is now a used item, so it'll be worth less than what she initially paid for it.	If the value of the item is less than the amount owed, she'll have to pay the difference.
John is one of Vusi's best friends. He loves living a life of luxury, which he unfortunately can't afford. He's now in the situation where his income can't cover his debt responsibilities anymore. He needs to make a plan, as he can't even pay the monthly minimums on his store cards, home loan or vehicle instalment. John needs help.	Debt review	Because John earns a regular income he qualifies for debt review. A debt counsellor will help him by negotiating repayments with his creditors on his behalf. John may now be able to pay his debts and provide for his family's essential living costs. The review process may protect him legally against creditors, while the debt counsellor can support him throughout the process. Once the debt review is completed, in other words when all his debts have been paid in full, John may receive a clearance certificate. His debt review status will be removed from the credit bureau only once he's received the clearance certificate.	John won't be able to enter into new loan agreements during the review process. He'll have to pay fixed fees during the review process.
Sean's colleague, Busi is in a fix. Her personal loan debt is out of control. If she had only one loan it would've been better, but she has 2! She doesn't know which loan she should pay off first and it worries her that one of the loans has very high fees, which adds to the debt burden.	Debt consolidation	Busi discusses the problem with one of her credit providers who suggests she takes out a consolidation loan. Her debt will be combined in a single loan and the proceeds of the new loan will be used to settle each of her creditors directly. The new loan will replace all the previous loans (excluding her retail credit), preferably but not necessarily at a lower interest rate. The repayment period is usually stretched over a longer time, which will reduce her monthly repayment. It'll also reduce her service fees as she pays only one monthly fee instead of fees for each of her various loans.	Busi must do her calculations. While it'll be more affordable, the consolidated loan is extended over a longer term than her existing loans, so it'll probably cost her more in the long run. She must commit to not add new debt on top of her newly consolidated loan as that may cause her to get into trouble again.
Oliver is Emma's nephew. He has a few small loans with balances adding up to R45 000. He has over-committed himself and already fell behind on more than one of his loans. He's afraid that legal action will be taken against him and that some of his assets could be repossessed.	Debt administration	As Oliver's outstanding balance is less than R50 000, he applies for a debt administration court order. This order legally hands over the management of his financial affairs to a debt administrator. He's protected from credit providers taking legal action against him, and once the process is finished, he'll be free of debt.	The process isn't free and the administrator can take up to 12.5% of the amount that's distributed to Oliver's credit providers.
Jackie lives near Vusi. She's totally over-indebted and not coping with her monthly credit instalments. If she doesn't take action she'll be in a lot of trouble with her credit providers and can even end up in court. Her debt is too high to consider debt review. She knows that some of her assets, such as her house, will have to be sold to overcome the situation.	Voluntary sequestration	Jackie's house and furniture will be sold and the proceeds used to settle the debt owed to her credit providers. Once the process of voluntary sequestration starts, she'll stop making payments to her credit providers. She'll also be relieved of any claims once the creditors have received their benefit from her insolvent estate.	The legal fees are high. She's declared bankrupt and won't be able to apply for credit again for about 10 years.

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