5 Understanding your responsibility in terms of credit agreements

Apply this useful information to better your understanding of credit agreements and your rights.

Information on your credit agreement

The following information must be set out in the credit agreement and explained to you:

- **Payments** – show when and how payments will be made, the number of payments, and the date of the first and last payments.
- **Security** (if applicable) – must give information on the asset that has been allocated to secure the credit.
- **Insurance** (if applicable) – all insurance information, including the monthly premium amount, a description of the circumstances under which the insurance will be paid to the lender, the nature of the insurance and the fee or commission to which the lender may be entitled.
- **Statements** – state how and how often statements will be delivered. It will also state your preferred method of delivery of your statements, for example by e-mail.
- **Default administration costs** – state when default administration costs will be charged and the amounts.
- Consumer's **right to cancel** the agreement – and the conditions of such termination, including the surrender of goods.
- **Early settlement** – states your rights and obligations should you choose to settle the agreement early.
- Credit provider's **right to terminate** the agreement – and the conditions of such termination.
- **Addresses** for receiving documents – should include all personal details of all parties, and that you are responsible for notifying them of any change to your address or other personal particulars. This includes delivery of a Section 129 letter.
- **Penalty interest** on arrear amounts.
- **Marketing option** and **annual increases in credit limits** – there should be a statement where you can ask to be excluded from telemarketing campaigns, marketing or consumer lists or mass distribution and discuss automatic increases of credit limits for credit facilities.
- The **right to apply for debt counselling** – in the event that you find yourself unable to make payments due to over-indebtedness.
- The **rights of the credit provider** – such as its right to recover goods and to enforce the agreement.
- Information on the **reporting of your information to credit bureaus.**

FAQ

What is a credit agreement?

A credit agreement is an agreement between a credit provider and a consumer where the credit provider supplies goods or services or lends money to the consumer with a deferral or delay of payment, and fees and interest are charged for the deferred payment.

It is a **legal contract**.

It sets out all the **terms and conditions of your acceptance of credit**, including stipulating the cost of interest, fees and charges on the money borrowed. It can also stipulate a guarantee, where one person promises to pay your debt upon receiving a demand from the credit provider because you are in default.

Take Note

You can ask a credit provider at any time to deliver a statement of your current balance, all amounts credited or debited, current overdue amounts and amounts currently payable, as per the terms of your credit agreement.

Making payments in terms of your credit agreement

Once you have signed a credit agreement, it is important that you make payments from the first instalment in terms of your specific credit agreement with each of your credit providers.

A debit order is the simplest and most effective way to make payments, because this is easier to trace and ensures that the payment is made on the agreed date. It will also help you to manage your debt payments because you are less likely to skip a payment when paying by debit order than when you are when making cash payments.

Some credit providers may require you to pay via debit order as a condition of the credit agreement. However, if it is not a requirement, you should look at all the different payment options and select one that best suits your needs and payment behaviour.

Remember, every time you skip a payment you will be reported to the credit bureaus and flagged on the credit provider's system, and this will have a negative impact on your credit profile.

Consequences of defaulting on your credit agreement

For every borrower, debt is a risk. If you cannot repay your credit, there are consequences. Even with careful planning you may have problems making repayments, and an unplanned event can turn this risk into reality.

It is especially important to act quickly if your debts are getting out of control. Contact your credit provider without delay – payment options are usually available to help in a wide range of circumstances. All credit taken up must be repaid, regardless of whether you are experiencing financial difficulties.

If you fail to pay altogether, or default on your payments, what are the potential consequences? Here are a few potential consequences:

- You could fall into a cycle of debt.
- You could have a negative credit record and be unable to access further credit.
- You might struggle to find new employment as a result.
- Legal action may be taken.
- Your salary could be garnished (in other words, attached), so your employer would know of your financial difficulties.
- You could lose your house or be evicted.
- You could lose your personal property.
- You could suffer from bankruptcy/sequestration.

Learn more

A **Section 129 letter** is a notification from a credit provider to a consumer in terms of Section 129 of the National Credit Act.

If a consumer is in default the credit provider must notify the consumer of his default in writing.

This is effectively a letter of demand. When you sign your credit agreement you have to choose how you would like to receive this letter in the event of default, either:

(a) by registered mail; or
(b) to an adult person at the location designated by you, for example at your home.

Take Note

If your address, banking details, telephone number or any other vital personal details change, you must ensure that you contact your credit providers immediately to notify them of such change.

You must also check your statements regularly, not just to ensure that your payments are being accurately reflected, but also that all your personal details shown are correct.