

Client Information Letter

"Pay what you can afford"

"Get immediate protection under the National Credit Act"

Welcome to Debt review

The Debt Review process and how you can benefit.

The National Credit Act 34 of 2005 came into full effect on 1 June 2007. The Act was designed to regulate the credit industry and to protect the consumer.

More importantly, there is provision for the Debt Restructuring of consumer's monthly budgets in the event of Over-Indebtedness.

In terms of the Act, all Debt Counsellors are regulated by the National Credit Regulator (NCR), a department within the Department of Trade and Industry.

Being over indebted simply means your expenses are greater than your monthly income. In other words, you cannot afford to pay all your debt.

That's where we come in. If you are over indebted, you are legally entitled to apply for Debt Review.

Debt Review Process

1. We will send you an assessment form (Form 16) that you should complete and fax back together with the documents requested on the check list. Once your completed application and all documents have been received, we will be able to conduct an assessment to verify your financial situation. We will contact you by telephone or arrange an interview to discuss your assessment in more detail.
2. We will notify all Registered Credit Bureau's and Credit Providers on your behalf to list you as having applied for Debt Review thereby ensuring that no more actions can be implemented against you, **provided that you honor your payment arrangements.**
3. For the next 60 working days you have protection under the National Credit Act and also up until the Courts have ruled on this matter. No creditor can take any further action against you. Your assets are safe. This means they may not take legal action against you and may not call or contact you to harass you to pay them! If they do, simply refer them to your Debt Counsellor. Don't sign any forms or hand over anything.
4. **The debt counsellor** will act as a mediator between yourself and all your creditors. We will draft a proposal on your behalf, showing your new reduced payments per month. This proposal will be based upon your own individual circumstances and what you can afford. This proposal will be sent to all your Creditors if your Creditors agree to this proposal we will obtain a court order that formalizes this new reduced payment schedule.
- 6 **The first month you pay no one except the agreed amount to the Debt Counsellor.** The second month you will start to pay the Payment Distribution Agency (PDA)
7. You will be required to pay the reduced amount in terms of the new payment schedule to a Payment Distribution Agency (PDA) for the period until the proposal is approved by all your credit providers. A debit order at your new bank needs to be implemented in favour of the PDA for the new reduced payment.
8. This will allow you to pay your creditors, while meeting your daily financial commitments.

9. You will continue to make payments to the PDA until all your debts are settled. Included in this payment will be the relevant Legal Fees to have the Debt Review processed through the courts.
10. Once all your debts are settled, we will issue you with a Clearance Certificate and will notify the Credit Bureaus of your status.

You are able to increase your monthly payments over time, and this will mean that your debt will be settled sooner.

Debt Counselling Fee Guidelines as prescribed by the NCR

The Debt Counsellor may receive the following amounts in respect of consumers who have applied for debt counselling:

- 1.1 An application fee, limited to the amount prescribed in terms of Schedule 2 (2) of the Act, recoverable directly from the consumer upon receiving an application for debt review;
- 1.2 A rejection fee of R300.00 (excluding VAT) in respect of consumers whose applications have been rejected in terms of section 86(7)(a);
- 1.3 A restructuring fee of the lesser of the first installment of the debt re-arrangement plan or a maximum of R6000.00 (excluding VAT), in respect of a consumer whose applications have been accepted in terms of 86(7) (b) or 86(7) (c). (Should a joint application be required, the fee can be increased to a maximum of R6000.00 (excluding VAT).)
 - 1.3.1. 100% of the fee is payable at the first instalment.
- 1.4 Should a Debt Counsellor fail to submit proposals to Credit Providers or refer the matter to a Tribunal or a Magistrate Court within 60 business days from date of the debt review application the Debt Counsellor has to refund 100% of the fee paid by the consumer (excluding the application fee).
- 1.5 A monthly after-care fee of 5% (excluding VAT) of the monthly instalment of the debt re-arrangement plan up to a maximum of R400.00 (excluding Vat), for a period of 24 months, thereafter reducing to 3% (excluding VAT) of the monthly instalment, to a maximum of R400.00 (excluding VAT), for the remaining period of the debt re-arrangement plan.
 - 1.51 Payment of the monthly after-care fee is to commence in the 2nd month after the amount in 1.3.1 above has been paid.
- 1.6 Should the consumer withdraw from the process after completing stages 1.3 above, a fee equal to 75% of the restructuring fee as per 1.3 above is payable by the consumer.
- 1.7 A legal fee for a consent order of R750.00. The legal fee for the consent order may only be deducted in the 2nd month after the amount in 1.3.1 above has been paid. If the consumer's affairs cannot be resolved through a consent order, and there are additional costs for further legal processes, these need to be separately negotiated with the client. The Debt Counsellor should be able to produce proforma invoices issued to them by their lawyers for legal services, when so requested by the NCR.
- 1.8 The applicable fees and related debt counselling services will be set out in an addendum to Form 16, which needs to be explained to the consumer and signed by him/her.
- 1.9 The above fees will become effective from 01 August 2011.

Please Note

1. Your financial situation will improve immediately.
2. The Credit Bureaus will flag you as 'Under Debt Review'.
3. **During the debt review process you may not incur any new or additional debt** until all your debt is settled. Once you have applied for Debt Review, you may NOT under any circumstances use your credit cards. If you do so, your creditors will cancel your Debt Review and you will have NO protection from them.
4. You do not need to own a home to go under Debt Review.
5. You may receive a Default Notice from your Credit Provider(s) when you pay a lowered monthly payment. This is because you will be in default of your original agreement with your creditors and as a result a Default Notice may be issued. They may not pursue you to hand over any property or vehicles or for any payments. Don't sign any forms without first consulting with your Debt Counsellor.
6. The Debt Review Process as well as the Debt Counsellors and PDA's are regulated by the NCR.
7. Any of your accounts in respect of which legal action has already been initiated (prior to your application for debt review) or where judgment and/or garnishee order(s) have been instituted, cannot be included in the debt review process.
8. You do not have to attend an interview; everything can be done via telephone, fax and email

Instructions Form 16

1. Please read carefully through the attached **Client Information Letter**.
3. Please complete all sections IN FULL, sign it and fax it to
2. If you are married in community both parties need to complete the same FORM 16
3. If you are married out of community and your household's expenses are paid by both parties two separate FORM 16s must be completed. It will be two separate applications.
4. It is your responsibility to provide us with CORRECT and HONEST information. Please do not leave out or omit anything.
5. We must have your correct contact details at all times!
6. On receipt of this application, an assessment will be done and the Debt Counsellor will contact you, explaining if and how we can help and to conduct a telephonic or personal interview.
9. This form must be accompanied by all the statements from your creditors listed in Section 4 of the Form 16
11. Should any of the statements not be submitted within 10 days of the Application being received by the Debt Counsellor, your application will not be processed.
12. We advise you to open a new bank account at The Postbank cancel all your debt orders, arrange for your salary to be paid in the new account and make sure that any insurance policies go off from your new bank account.

Please note that:

1. On receipt of this application the Debt Counsellor will advise all credit providers, via Form 17.1, and all registered credit bureaus that you have applied for debt review;
2. You will be listed with all registered credit bureaus that you have applied for debt review;
3. This form must be accompanied by a list of all credit providers as well as copies of all documents requested;
4. Should any documents not be submitted within 10 days of the Application being received by the Debt Counsellor, your application cannot unfortunately be accepted.