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## GENERAL NOTICE

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### NOTICE 655 OF 2015

#### DEPARTMENT OF TRADE AND INDUSTRY

#### NATIONAL CREDIT ACT, 2005

#### INVITATION FOR THE PUBLIC TO COMMENT ON THE DRAFT REGULATIONS ON REVIEW OF LIMITATIONS OF FEES AND INTEREST RATES

I, Dr Rob Davies, Minister of Trade and Industry, hereby in terms of Section 171(2)(a) of the National Credit Act, 2005 (Act 34 of 2005) publish the draft regulations on the review of limitations of fees and interest rates for public comments.

Interested persons may submit written comments not later than thirty (30) days from the date of publication of this notice to:

**Director-General, Department of Trade and Industry**  
Private Bag X84  
Pretoria  
0001

Or hand deliver to:

77 Meintjies Street  
Block B, 1st Floor  
Sunnyside  
Pretoria

Tel : 012 3941804  
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Email : [SKumkani@thedti.gov.za](mailto:SKumkani@thedti.gov.za)  
**For Attention: Mr Siphamandla Kumkani**



**Dr Rob Davies (MP)**  
**Minister of Trade and Industry**  
17 / 6 / 2015

**DRAFT REVIEW OF LIMITATIONS ON FEES AND INTEREST RATES, 2015**

Draft Regulations made in terms of the National Credit Act, 2005  
(Act No 34 of 2005)

**FOR PUBLIC COMMENTS**

(MINISTER OF TRADE AND INDUSTRY)

The Minister of Trade and Industry has, under section 171 of the National Credit Act, 2005 (Act No 34 of 2005, made Regulations in this schedule.

## SCHEDULE

### 1. Definitions

In these Regulations, any word or expression defined in the National Credit Act, 2005 bears the same meaning as in the Act and –

**the Act"** means the National Credit Act, 2005 (Act No. 34 of 2005) and the Regulations made under the Act.

### 2. Amendment of Regulation 42 (1) of the Regulations

#### Interest applicable to different products

(1) Regulation 42(1) of the Regulations is hereby amended by the substitution of the following "Table A:"

**TABLE A**

| Maximum Prescribed Interest Rates |                                                    |                                                      |                                                                   |            |
|-----------------------------------|----------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------------|------------|
| Credit type                       | Proposed<br>Maximum<br>Prescribed<br>Interest Rate | Calculated<br>Proposed<br>Maximum<br>Prescribed Rate | Current<br>Maximum<br>Calculated<br>Maximum<br>Prescribed<br>Rate | Difference |
| 1. Mortgage agreements            | RR + 12% per<br>year                               | 17.75%                                               | 17.65%                                                            | 0.1%       |

|                                           |                                                                                            |              |              |                                     |
|-------------------------------------------|--------------------------------------------------------------------------------------------|--------------|--------------|-------------------------------------|
| <b>2. Credit facilities</b>               | (RR x 1.7) + 10%] per year                                                                 | 19.78%       | 22.65%       | -2.9%                               |
| <b>3. Unsecured credit transactions</b>   | [(RR x 1.7) + 15%] per year                                                                | 24.78%       | 32.65%       | -7.9%                               |
| <b>4. Developmental credit agreements</b> | [(RR x 1.7) + 23%] per year                                                                | 32.78%       | 32.65%       | 0.1%                                |
| <b>4.1 Small business</b>                 |                                                                                            |              |              |                                     |
| <b>4.2 Low income housing</b>             |                                                                                            |              |              |                                     |
| <b>5. Short-term transactions</b>         | 5% per month on the first loan and 3% per month on subsequent loans within a calendar year | 5% per month | 5% per month | Depends on the sequence of the loan |
| <b>6. Other credit agreements</b>         | RR + 17% per year                                                                          | 22.75%       | 22.65%       | 0.1%                                |
| <b>7. Incidental credit agreements</b>    | 2% per month                                                                               | 2% per month | 2% per month | 0.0%                                |

1.7 Multiplier , Current repo rate = 5.75%

### 3. Amendment of Regulation 42(2) of the Regulations

#### Maximum Initiation Fees

(1) Regulation 42(2) of the Regulations is hereby amended by substitution of "Table B" :

**TABLE B**

| <b>Sub-sector</b>                                | <b>Proposed interest rates</b>                                                                                      | <b>Current interest rates</b>                                                                                      |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| <b>Mortgage agreements</b>                       | (a) R1 100 per credit agreement, plus 10 % of the amount in excess of R10 000<br><br>(b) But never to exceed R5 250 | (a) R1 000 per credit agreement, plus 10% of the amount in excess of R10 000<br><br>(b) But never to exceed R5 000 |
| <b>Credit facilities</b>                         | (a) R165 per credit agreement, plus 10% of the amount in excess of R1000<br><br>(b) But never to exceed R1 050      | (a) R150 per credit agreement, plus 10% of the amount in excess of R1 000<br><br>(b) But never to exceed R1 000    |
| <b>Unsecured credit transaction</b>              | (a) R165 per credit agreement, plus 10% of the amount in excess of R1 000<br><br>(b) But never to exceed R1 050     | (a) R150 per credit agreement, plus 10% of the amount in excess of R1 000<br><br>(b) But never to exceed R1 000    |
| <b>Developmental credit agreements</b>           |                                                                                                                     |                                                                                                                    |
| - <b>For the development of a small business</b> | (a) R275 per credit agreement, plus 10% of the amount in excess of R1 000<br><br>(b) But never to exceed R2 600     | (a) R250 per credit agreement, plus 10% of the amount in excess of R1 000<br><br>(b) But never to exceed R2 500    |
| - <b>For low income housing (unsecured)</b>      | (a) R550 per credit agreement, plus 10% of the amount in excess of R1 000<br><br>(b) But never to exceed R2 600     | (a) R500 per credit agreement, plus 10% of the amount in excess of R1 000<br><br>(b) But never to exceed R2 500    |
| <b>Short term credit transactions</b>            | (a) R165 per credit agreement, plus 10% of the amount in                                                            | (a) R150 per credit agreement, plus 10% of the amount in                                                           |

|                                    |                                                                          |                                                                           |
|------------------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------|
|                                    | excess of R1 000                                                         | excess of R1 000                                                          |
|                                    | (b) But never to exceed R1 050                                           | (b) But never to exceed R1 000                                            |
| <b>Other credit agreements</b>     | a) R165 per credit agreement, plus 10% of the amount in excess of R1 000 | (a) R150 per credit agreement, plus 10% of the amount in excess of R1 000 |
|                                    | (b) But never to exceed R1 050                                           | (b) But never to exceed R1 000                                            |
| <b>Incidental credit agreement</b> | Nil                                                                      | Remain unchanged                                                          |

#### 4. Amendment of Regulation 43(3) of the Regulations

(1) Regulation 43(3) is hereby amended by substitution of sub-regulation (3) of the following sub-regulation:

“An initiation fee must only be charged when a new credit agreement is established with a consumer and must not be charged on a transactional basis where there is no new credit agreement with the consumer.”

#### 5. Amendment of Regulation 44 of the Regulations

##### **Maximum Service fee**

(1) Regulation 44 is hereby amended by –

(a) the substitution of the sub-paragraph immediately preceding sub-regulation (1) of the following sub-paragraph -

“The maximum monthly service fee, prescribed in terms of section 105 (1) of the Act, is R60”.

(b) addition of the following sub-regulations after sub-regulation (2)

“(3) The service fee covers the cost of administering a credit agreement which is the operational cost of the credit provider such as rent, labour, communication, banking, processing of repayments and related costs.

- (4) A service fee must be charged for a calendar month in which it is due and payable and on a pro rata basis where the credit agreement was concluded during the course of that calendar month.
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