

African Bank Press Release

May 2022

Successfully managing your debt burden

There doesn't seem to be much good news for South African consumers at the moment. Financial indicators show a downward trending economy with salaries remaining flat, job security threatened, and more and more families and individuals battling against rising fuel, power, and food costs.

To make matters worse, further hikes in the Reserve Bank's repo rate are expected which will deepen household distress. The repo rate is currently at 4,25% but analysts are predicting a 50 basis-point hike at the end of this month – this so soon after the last 25-point hike.

South Africans' back pockets are directly being affected, squeezing household budgets and increasing the pressure of servicing debt.

"Consumers should think carefully about their financial obligations," notes Darryl Adriaanzen, African Bank Group Executive: Operations. "The regulations governing regular payment of debt instalments have become very strict and if you underpay on your monthly instalments, you will be reported to the credit bureaus, with negative legal consequences".

Adriaanzen says that thinking carefully means considering what a loan is needed for, thinking twice about taking multiple loans and not taking out a loan for luxury items and unbudgeted expenses. He also suggests:

- Customers should be objective and honest with themselves when applying for credit and avoid borrowing with emotion. When applying for a loan, they must

make sure they have included all their monthly expenses, so they are sure they can afford the loan they are applying for

- Customers should try and pay off their smaller debts first. Once they have been paid off, the remaining money should be added to the monthly instalments of the bigger loans
- If customers are battling to pay their monthly instalments, they shouldn't just stop paying instalments. They should contact their creditor provider and try to make a more affordable payment arrangement.
- Customers should consider a bank that offers Credit Life insurance when a loan is extended. That means that benefits are available to the customer in the case of retrenchment, or short-term, permanent or temporary disability, as well as the death of the debt holder.

Adriaanzen concludes by saying, "Thinking carefully about a loan, as well as the size of a loan compared to your earnings and expenses, can help prevent future financial stress. When used correctly, the right loan can improve your quality of life and open the door to financial freedom."

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