

African Bank Ltd press release

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A payment break will bring immediate financial relief but will increase the cost of your loan in the long term

In this locked down economy due to the spread of Covid-19, loan customers who are under financial strain are eligible for some financial relief, provided they are up to date with their instalment payments.

Credit Life insurance is the first option to consider if you have been retrenched, put on short time or compulsory unpaid leave. If you are under financial strain for other reasons however, a payment break is worth considering.

“An agreed payment break with African Bank will enable you to skip your monthly credit instalment for a short period of time without negatively impacting your credit score at credit bureaus or records of your payment behaviour at the Bank,” explains Basani Maluleke, CEO at African Bank.

Maluleke says that instead of missing a payment and being in arrears, a payment break offers some breathing room for the short-term, while you may be struggling to meet your monthly payment commitments. Payment breaks are available to selected customers who have a good paying record and who have demonstrated good paying behaviour.

Also, this concession generally applies to fixed instalment credit agreements, like a personal loan. Payment breaks are not available to African Bank credit card holders.

Loan customers who wish to take up a payment break, should research all the facts before opting in for a payment break. While a payment break on a fixed instalment credit agreement may sound like the perfect lifeline, Maluleke warns credit customers to be aware of how their decision will impact their loan cost in the long term.

Here is what you need to know:

Taking a payment break during the term of the personal loan does not change your monthly instalment amount, but the term is extended to take into account fees and interest that accrue during the payment break period. In the end the payment break will cost you more, but you will have gained the immediate relief due to a constrained financial position. Most importantly, by opting in for a payment break you will not be penalised at the credit bureau for inconsistent payment behaviour.

Considering the coronavirus pandemic’s impact globally, Maluleke predicts many South Africans may have no choice but to consider a payment break option.

“We are communicating directly with customers who are in good standing and have the option for a payment break,” says Maluleke.

Maluleke says the main point for our loan customers to understand is that taking a break

will increase their overall cost of credit.

Maluleke confirms that to date the Bank has seen an increase in the number of customers requesting a payment break.

Her best advice for anyone considering a payment break is to explore all options. “Taking a break will be more expensive in the long run but may still provide some welcome immediate relief for those experiencing short term cash flow problems,” Maluleke concludes.

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