

More consumers caught by debt

Bernard Sathekge

THE number of consumers flocking to debt counselling is ballooning, which suggests many more South Africans are in a debt trap.

SA Debt Busters, a debt counselling firm, said the number of people enquiring about debt counselling has more than tripled this month when compared to the same time last year.

Luke Hirst, Debt Busters managing director, said the firm received 3 000 inquiries from people looking for debt solutions since the beginning of this month.

He said that most consumers wanted to take more debt to service the existing debt. "That is why the number of consumers who are three months in arrears continues to increase and that figure is now getting closer to nine million from the historical eight million."

He warned that millions of consumers will soon hit a brick wall due to too many unsecured loans by credit providers.

At the beginning of this month the National Credit Regulator (NCR) warned of reckless lending. The regulator pointed out that of 19.10 million



NO MONEY: Debt counselling has increased considerably.

credit-active consumers, 8.83 million consumers had impaired records as at the end of September.

The NCR confirmed that debt counselling applications were on the rise but said it will be able to provide the final number at the end of the month.

Alec Riddle, spokesperson for the Financial Planning Institute (FPI), said the industry has experienced growth as a result of an increase in the number of

people seeking debt solutions.

Tendani Mantshimuli, consumer economist at Liberty Retail SA, said she was not surprised with the mushrooming number of people applying for debt review, despite low interest rates.

"A lot of spending power has been eroded by high tariffs prices such electricity, water and the ever escalating food prices," she said.

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