

Absa admits R700m exposure to R699 cars

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Absa's R700-million exposure to the "buy a new car for R699" scheme means that it, Standard Bank and Nedbank could face a mountain of bad debt.



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This week, Absa became the first bank to quantify its exposure to the failed scheme, confirming it had financed 6511 Satinsky deals. This represents less than a quarter of the estimated 29000 loans in the scheme, launched by Albert Venter in 2008.

Nedbank and Standard Bank provided the bulk of the remaining loans, so their vehicle finance units could be owed more than R2-billion.

Arrie Rautenbach, the head of Absa Retail Banking, said the loan value from the Satinsky dealership amounted to about R700-million, less than 2% of the bank's vehicle-loan portfolio.

"The vast majority of the 6511 accounts are in good standing," said Rautenbach.

Standard Bank and Nedbank, however, refused to say how many of their clients borrowed through the R699 scheme, nor what their total exposure was.

Motorists who couldn't otherwise afford new cars were paid a monthly sum to drive around with advertisements for the scheme on their cars.

These payments by Satinsky would theoretically cut people's vehicle-loan repayments to R699 a month. In June, the payments dried up, leaving many customers unable to afford the monthly instalments.

The three banks now face allegations of lending recklessly to customers of the scheme, many of whom earn between

R6000 and R10000 a month.

Class action called for

On Thursday, scheme participant Johannes Bartosch of Port Elizabeth will argue in the Eastern Cape High Court that a class action should be brought against the banks to declare the loan agreements "null and void".

More than 3500 people have joined a Facebook group called "I have been done in by Drive a New Car for R699", which aims to drum up support for the class action.

FirstRand's WesBank division refused to finance these cars, saying the business appeared "unsustainable" and bore all the hallmarks of a Ponzi scheme.

Barclays Africa CEO Maria Ramos said this week Absa's parent company was "doing the work to understand how and why and what we did with Satinsky. My only concern ... is how do we keep our customers."

The bank revealed in its otherwise impressive results that it had lost 7% of its customers during the first half.

Absa cut ties with Satinsky at the end of last year.

Venter, who reportedly led a lavish lifestyle including owning an R11.5-million mansion and a fleet of sports cars, is also being sued by his former customers.

It is understood that Venter bought an indirect 25% stake in Melrose Nissan six months ago. The dealership in Joburg supplied about 70 vehicles a month to Satinsky over two years.

On Friday, the other owners of Melrose Nissan bought out Venter's minority stake.

Jason Nestadt, one of the other owners, said the dealership had no knowledge of how Satinsky conducted its business.

Venter would not comment.

Source: Business Times

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