

# Credit life insurance regulations to come into effect in August

The credit life insurance industry has until August 2017 to align with the final Credit Life Insurance Regulations, the Department of Trade and Industry (dti) said on Tuesday.



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Issuance of the regulations is a sequel of Parliament's and Cabinet's decision that household over-indebtedness should be curbed.

Trade and Industry Minister Rob Davies, who published the regulations last month in consultation with the Minister of Finance, says the regulations are one of the many that are already issued to deal with household over-indebtedness.

The regulations will come into effect on 10 August 2017 and will only affect credit agreements concluded on or after the date of implementation.

The regulations include:

- The Affordability Assessment Regulations, setting out the criteria for assessing a consumer's means to qualify for

credit, implemented on the 14 September 2015;

- The Review of Limitations on Fees and Interest Rates Regulations, providing for the capping of fees and interest rates charged as cost of credit, implemented on the 6 May 2016; and
- The Determination of a threshold required for credit provider registration, providing for a R0.00 threshold in order to compel anyone involved in the business of extending credit to register with the National Credit Regulator (NCR). The threshold was implemented on the 11 May 2016.

The dti said the Minister of Finance has to concur with Minister Davies before the issuance of the regulations.

Officials of the Department of Trade and Industry, National Treasury, the Financial Services Board (FSB) and National Credit Regulator worked tirelessly on the Regulations until the Ministers' concurrence and issuance.

The Regulations makes several provisions including:

- Applicability to credit providers;
- Maximum prescribed cost per month, that a credit provider may charge a consumer;
- Two options for the calculation of the cost, (either on the deferred amount at the inception of the credit agreement or on the deferred amount from time to time under the credit agreement);
- The settlement of the outstanding balance of the consumer's total obligations under the credit agreement, in the event of the consumer's death or permanent disability;
- The settlement of all the consumer's obligations under a credit agreement that become due and payable for specific periods in the event of the consumer's temporary disability and in the event of the consumer becoming unemployed or unable to earn an income;
- That no cost relating to occupational disability may be included in the cost of the insurance, where a consumer is a pensioner on the date that the credit life insurance policy is entered into.

Minister Davies said the regulations, read together with the aforementioned implemented regulations, court judgments on garnishee orders and illegal deductions on social grants, will make a sizeable dent in the reduction of household over-indebtedness.

"The dti also appreciates the recent judgment of the National Consumer Tribunal (NCT), relating to the deregistration and stoppage of retention of debit cards, credit cards and identity documents of borrowers by micro-lenders."

The Department of Trade and Industry and the National Credit Regulator (NCR) will be embarking on aggressive education and awareness on the Regulations and other credit matters.

The draft Credit Life Insurance Regulations were published for public comment in November 2016.

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