

**YOUR MONEY SORTED**



# BECOMING DEBT-FREE

By LETITIA WATSON

Send suggestions for topics and requests for info to [yourmoney@you.co.za](mailto:yourmoney@you.co.za). We may answer your questions in this column but won't reply personally.

Are you being hounded by debt collectors? Debt counselling can get them off your back – provided you play ball

### DO YOU QUALIFY?

Debt counselling has many benefits provided you do your bit: you have to pay the counsellor's fees and not take on new debt. To qualify for counselling you have to be over-indebted, meaning your monthly repayments must exceed what you have left after basic living expenses. You must also have a fixed income. The credit bureaus are informed you're under debt counselling and once your debts are paid this notification is removed.

### HOW TO APPLY

Your application must disclose your income, monthly budget (your income and how you spend it) and debts. You must also supply copies of your payslips, ID and debt statements. The counsellor contacts your creditors and credit bureaus to verify the amount you owe. They then draft a repayment proposal that covers your monthly debts and living expenses. After they've explained the costs involved you can officially apply for debt counselling.

### THE COUNSELLOR'S JOB

The counsellor presents a repayment plan to your creditors. If it's rejected the counsellor approaches a magistrate for a final repayment plan. Debt counsellors work through payment agencies to whom you make one monthly payment so they can pay your creditors and the counsellor. Alarm bells should ring if the counsellor asks for payment upfront. Also, if you're still getting calls from creditors the counsellor has slipped up.

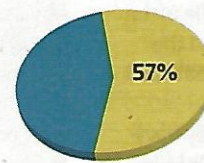
### WHAT DOES IT COST?

- Application fee of R50.
- R300 fee if your application is rejected on legal grounds.
- Restructuring fee – equal to the first instalment of the repayment plan to a maximum of R6 000 (excluding VAT).
- After-care fee of five percent of the monthly amount owing to the payment agency to a maximum of R400 for the first 24 months, thereafter three percent up to a maximum of R400.
- R750 for a consent order.
- Other legal fees if necessary.

## 5 QUESTIONS ABOUT DEBT COUNSELLING

- 1** What if I want to stop the counselling? You have to pay an amount equal to 75 percent of the debt-restructuring fee.
- 2** What if I'm married in community of property? You apply jointly for debt counselling and you and your spouse both sign the application.
- 3** Can I rent property if I'm under debt counselling? Yes. Ask the debt counsellor for written confirmation that the rent has been included in your budget.
- 4** What is a clearance certificate? It's a letter from your counsellor confirming your debts have been paid and that your long-term loan agreements such as a home loan are up to date.
- 5** In what instance can I get my money back? Your restructuring fee must be refunded if the counsellor fails to submit your repayment plan to your creditors within 30 days or if your matter hasn't been referred to a tribunal or magistrate.

## 57,7% HAVE GOOD CREDIT RECORDS



On 30 September 2015 there were 23,4 million consumers listed on SA credit bureau databases, of whom 42,3 percent had impaired credit records and 57,7 percent good records. Some 21,6 percent were at least three months in arrears, 11,8 percent had adverse listings and 8,8 percent had judgments and administrative orders against them. SOURCE: CREDIT BUREAU MONITOR, SEPTEMBER 2015

### TIP!

You must pay the monthly repayment amount in full or you could forfeit the protection the debt-counselling process gives you against creditors.

### GET MORE HELP HERE

- National Credit Regulator: [ncr.org.za](http://ncr.org.za) for registered counsellors
- Credit record: [mycreditcheck.co.za](http://mycreditcheck.co.za), [mytransunion.co.za](http://mytransunion.co.za)
- Debt Counsellors Association of South Africa: [dcaa.co.za](http://dcaa.co.za)

*If you make time each month to give your money some attention, you'll start the next year in fabulous financial shape*

– FINANCIAL ADVISER SUZE ORMAN