

An informed consumer
is a satisfied consumer

Credit



OFFICE OF THE CONSUMER
PROTECTOR (WESTERN CAPE)



Department of Economic Development
& Tourism

Credit can be used to pay for all kinds of products and services. You can buy medical care, education and even food on credit. But CREDIT CAN BE DANGEROUS because it is easy to get into SERIOUS DEBT by buying on credit.



Kinds of Credit -----

- Loans from banks or Micro Lenders.
- Accounts at shops for things like clothes and shoes.
- Accounts at professional people such as doctors.
- Instalment agreements for goods like cars or furniture.

Before you buy on Credit -----

Think of the following before you decide to buy on credit:

- Do you really **need** the things?
- Is the salesperson **pressurising** you to buy on credit?
- What is the **difference between** the **cash price** and the amount you will pay in the end if you pay it off?
- **How long** will it take **to pay off** your debt?

- Will you be able to afford the instalments every month?
- How much will another shop charge?
- What are the finance charges?
- Have you been able to pay off previous accounts without problems?
- **Can you not save up enough money to pay cash?**



Doing It Right -----

Make sure that the following rules are followed when you enter into an agreement to obtain credit:

- The seller is **not allowed to lend you money for a deposit** as well.
- **Do not sign** any documents before you are sure that you have read them through and are satisfied with the contents and conditions.
- **Insist on a copy of the contract within fourteen days** of signing it, as stipulated in the Credit Agreement Act.
- **Keep your copy of the contract** for further reference.
- **Do not sign** a document stipulating that you will return goods if you are unable to continue paying the instalments.
- **You should only** be required to **sign two documents** for a credit agreement. The one is a credit application form and the other a



credit agreement.

- When buying a car, you will also be required to sign forms for the registration and insurance.
- You can also be asked to insure furniture bought on credit, although the seller **cannot force you to ensure it with a specific company**. If you ensure it elsewhere, you will have to provide proof to the store.
- When goods are delivered, **inspect them immediately** and make sure you are satisfied with its condition before signing for them.
- Never sign a delivery note for goods that have not been delivered.
- Make sure that you **get a receipt for every payment**.
- Keep these receipts with the contract and **never give them to anyone else**. Make a copy if you have to, or simply give the number of the receipt.
- An item bought on credit remains the property of the seller until you have made your final payment.
- You have to let your creditors know of any change of address within fourteen days.
- Some retailers have open account sales which are not credit agreements. When you buy something on an open account, the goods become your property immediately.



When you cannot Pay -----

If you are not able to continue paying your instalments, the golden rule is **never** to just **ignore** requests for payment.



- **Speak to your creditors as soon as possible** when you are unable to pay your instalments. They usually try to help where possible.
- **If you ignore bad debts, they will not go away.** The longer you keep quiet when you cannot pay, the bigger the trouble in the end.
- You have to give your **permission for goods to be repossessed** if the seller does not have a court order. Instruct family members not to let anyone remove things from your house without your permission.
- **Never ignore a court order.** When you receive a summons for debt, it means that someone is taking legal action against you. If you fail to appear in court, you will not have the chance to present your side and judgment may be passed without your side of the story. If possible, get legal advice to protect yourself.

Getting out of Arrears -----

If you miss one instalment you will be consider to be in arrears. It is important to catch up with instalments. Try one of the following to get your account up to date:

- Arrange to pay off the arrears at a certain extra amount per month.
- If you are only one instalment behind, try to pay a double instalment the next month.

When you settle the debt early -----

- Arrange a refund on interest charges.
- Make sure adjustments are made for credit insurance and other charges.

Protecting Yourself -----

Be honest when applying for credit

- Make sure that you pay every month.
- Insure goods bought on credit.
- If you are an impulsive buyer, **NEVER open an open account** where you can end up owing an amount you cannot afford to pay off.

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