

**Press release**

**27 February 2018**

**Outcome of the audit into the loan book of Residual Debt Services Limited**

Residual Debt Services Limited (RDS), which is the old African Bank bad book, has been notified by the National Credit Regulator (NCR) of the outcome of their audit in respect of affordability assessments conducted for credit agreements that were granted prior to 10 August 2014.

The audit was conducted on the total outstanding RDS book. An independent audit firm appointed by the NCR found that only 2.61% or 19 285 credit agreements of a total population of 738 483 credit agreements were identified as having negative affordability in respect of their interpretation of the National Credit Act. These credit agreements were granted prior to the issuance of the affordability assessment regulations which came into effect in 2015.

The outstanding balances in respect of these credit agreements have been consequently written off by RDS. The 19 285 credit agreements written off amounted to approximately R730 million, which represents the original value of the 19 285 loans granted. All credit bureaus have been requested to amend the records of the individuals concerned. The effect of these write offs means that RDS will not collect on them.

The impact on the financial statements of RDS is expected to result in a net advances write-off of approximately R67 million, which will be reflected in the results for financial year ending 30 September 2018.

Commenting on the conclusion of the NCR audit, Tom Winterboer, the curator of RDS stated; "We have cooperated fully with the NCR and their appointed auditors to conclude this audit. After a thorough and comprehensive process, I welcome the constructive and equitable conclusion which we believe is in the long term interests of all the stakeholders concerned".

**ENDS**

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On behalf of Tom Winterboer, Curator of Residual Debt Services Ltd

*Tom Winterboer was appointed as curator of Residual Debt Services Limited (the "Company") (previously African Bank Limited (under curatorship)) on 10 August 2014 by the Minister of Finance of the Republic of South Africa and pursuant to the Banks Act No. 94 of 1990 (as amended) to manage the affairs of the Company subject to the supervision of the Registrar. Please note, Mr Winterboer acts in the aforesaid capacity.*

**Residual Debt Services Limited** (under curatorship) - Registration Number 1975/002526/06

**Tel:** 011 256 9000 **Address:** 59 16<sup>th</sup> Road, Midrand, South Africa **Postal:** Private Bag X170, Midrand, 1685, South Africa

**Company Secretary:** BW Unser

NCR Registration number: NCRP5. Residual Debt Services Limited (under curatorship) is an Authorised Financial Services and Credit Provider.

## Notes to editors

### Residual Debt Services Ltd

RDS was placed under curatorship on 10 August 2014, when it was still known as African Bank Limited. The business was successfully restructured on 4 April 2016 by means of a transfer of an identified portion of the assets and restructured liabilities; together with a fresh capital injection of R10 billion by the new shareholders into the new banking entity renamed African Bank Limited (Company registration number 2014/176899/06) on that date. The old African Bank Limited (Company registration number 1975/002526/06) was consequently renamed RDS. African Bank Limited and RDS are not related entities.

### Affordability guidelines from the NCR

The National Credit Amendment Act 19 of 2014 (Amendment Act) came into effect in 2015. The Amendment Act inserted Regulation 23A in the National Credit Regulations, 2006 (“NCA Regulations”) which contained the Criteria to Conduct an Affordability Assessment. Credit providers are still entitled to utilise their own mechanisms in order to determine affordability; however, these mechanisms must not be inconsistent with the affordability regulations as contained in Regulation 23A.

### Negative affordability

An independent audit firm appointed by the NCR interpreted negative affordability in respect of their own interpretation of the NCA guidelines that applied prior to implementation of the Amendment Act in 2015. The determination of negative affordability, at the point of application before 10 August 2014, was different to the audit firm's interpretation thereof.

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