

African Bank Limited press release - March 2019 3

Debt-free living - make it a reality

There doesn't seem to be much good news coming out of the South African economic landscape at present and indicators show a downward trending economy. As South Africans recalibrate following the 2019 budget speech, fears of continued job losses remain a real concern as employers battle to sustain their salary bills.

Over the last twelve months South African's back pockets have been directly affected by price increases in basic goods like transport, food and housing. These increases have impacted the pressure on consumers to pay monthly instalments of their debt.

"Consumers should think carefully about their financial obligations," notes Mellony Ramalho African Bank's Group Executive: Sales, Branch Network. "The regulations governing regular payment of debt instalments have become very strict and if you underpay on your monthly instalments at all, you will be reported to the credit bureaus, with negative legal consequences."

Ramalho says that thinking carefully means considering what a loan is needed for, thinking twice about taking multiple loans and not taking out a loan for luxury items and unbudgeted holidays. She also suggests:

- Customers should be objective and honest with themselves when applying for credit and avoid borrowing with emotion. When applying for a loan, they must make sure they have included all of their monthly expenses, so they are sure they can afford the loan they are applying for
- Customers should try and pay off their smaller debts first. Once they have been paid off, the remaining money should be added to the monthly instalments of the bigger loans
- If customers are battling to pay their monthly instalments, they shouldn't just stop paying instalments. They should contact their creditor provider and discuss debt restructuring or other debt solutions.
- Customers should consider a bank that offers credit life insurance when a loan is extended. That means that benefits are available to the customer should the

occurrence of an insured event take place. Examples of insured events include retrenchment, short time, permanent or temporary disability and death of the debt holder

Ramalho concludes saying, "Thinking carefully about a loan as well as the size of a loan compared to your earnings and expenses can help prevent future financial stress."

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PREPARED ON BEHALF OF AFRICAN BANK BY CATHY FINDLEY PR. CONTACT JACQUI RORKE ON JACQUI@FINDLEYPR.CO.ZA OR (011) 463-6372 WITH ANY CONSUMER PR QUERIES.