Payslips or bank statements no longer necessary when applying for credit

We have all learned to accept that when you apply for credit, you are required to provide your payslips and bank statements as proof of income. But what do you do when you do not have a bank account or payslips? In many instances, small business owners like informal traders, freelancers, and self-employed consumers, are refused retail accounts due to the fact that they do not have a bank account or payslips. The main reason for this is that a credit provider may be refused judgment when a consumer fails to repay the money and it appears that the credit provider did not comply with the regulations of the National Credit Act (hereafter referred to as "NCA") and failed to obtain a bank statement or payslip.

Affordability assessments have always been a requirement of the NCA, but credit providers were allowed to determine the manner in which they conduct the assessment. During March 2015, new regulations to the Act were promulgated, which introduced strict criteria to be followed when conducting the assessments, one of which were that documentary proof of income in the form of three months' payslips or bank statements had to be obtained.

Recently, clothing retailers Truworths, Foschini and Mr. Price, approached the Western Cape High Court to challenge this prerequisite for credit applications. The court found that it is discriminatory to demand proof of income in the form of only bank statements or payslips, as it excludes many consumers, who could easily pay off credit instalments.

The court used an example of a flower seller who wants to apply for credit to pay for her child's school uniform, but does not have a bank account. The court stated that it is unlikely that such a person would have financial statements, which meant she would have been prevented from obtaining a small amount of credit, even if she was earning a reasonable amount each month.

It is important to note that the ruling does not affect a retailer's obligation to conduct a fair and objective affordability assessment. A credit provider still needs to properly evaluate the application to ensure that the consumer is not overindebted and will be able to afford the repayment. It merely removes the obligation to demand payslips and bank statements as proof of income in certain cases.

The judgment was welcomed by credit providers all over the country.

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