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Consumer*fair*

Putting consumer issues on the agenda

Edition 4, 2009
A publication of the National Consumer Forum (NCF)
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Price-fixers face consumer backlash

NCF LOOKS AHEAD TO CLASS ACTIONS

Price-fixing offenders such as Tiger Brands and Sasol are fined by the Competition Tribunal for breaking the law. But what about the damages suffered by consumers? How can they get some remedy directly for the money they have lost by paying too much?

The National Consumer Forum believes that it is now possible to sue competition offenders for damages through civil action in court, and it has begun lobbying government to financially support such legal challenges.

"The fines levied against corporations that fix prices should be used to redress the damages suffered by consumers," says NCF chairperson Thami Bolani.

Large companies have been fined almost R700 million in fines since 2004 for contravening the Competition Act. The money raised is paid to the national treasury.

Bolani says the Competition Commission has been doing a good job investigating and prosecuting corporate offenders and ensuring that they pay the fines. In terms of the law, a firm involved in an unlawful collusive arrangement with its competitors can be fined up to 10% of its annual turnover.

"Now we need to take the next step and ensure that consumers take legal action to get redress for the damages they have endured," he says.

"This could take the form of legal class actions against price-fixing companies to get them to pay back the illegal profits that they have made from consumers.

"While the offenders have paid the fines, this is only the punishment for breaking the law. The fines have nothing to do with the millions of rands these companies have stolen from the pockets of consumers."

Such legal action is likely to be prolonged and expensive, however, and the consumer movement in South Africa is not sufficiently resourced to fund this action independently.

Bolani says the NCF wants government to use some of the money from price-fixing fines to pay for the lawsuits.

"The tragedy of the current situation is that price-fixing companies make a mockery of their fines by simply passing on the cost to consumers," he says.

"The way that food prices have failed to come down in recent months - despite the fuel price drop and interest rate cuts - shows that there is not enough competition to ensure affordable prices for the poor."

In Brazil, the law entitles consumer bodies to take class action and the state supports these cases financially so that legal costs are not an inhibiting factor.

See letter on page 2 and article on page 4.

The fines are only the punishment for breaking the law… what about paying back the millions these companies have stolen from the pockets of consumers?

NEWS

NCF's letter to the Minister of Finance

Dear Mr Gordhan

Funding of class actions against price-fixing companies

The National Consumer Forum is a self-funding NGO that works in the field of consumer education and consumer rights advocacy.

In recent years, we have been encouraged by the work of the Competition Commission in investigating and prosecuting companies for price-fixing. This work is, of course, vital in ensuring a competitive economy and fairer prices for consumers – especially consumers in lower income brackets who spend a much higher proportion of their income on basic goods and services.

At the same time, we have been asking what recourse consumers have in these price-fixing cases, to claim some compensation for the damages they suffer as a result of being over-charged by these companies over what are often extended periods of time. (As you know, the fines that are levied revert back to the fiscus.)

With the passing of the Competition Amendment Act, the Competition Commission has now confirmed that consumers are within their rights to seek further redress for price-fixing, over and above the fines levied by the Competition Tribunal. Indeed, the Commission has encouraged consumers to pursue this route as part of their consumer right to redress.

The practicality of this kind of action, however, is undermined by the weak and under-resourced state of civil society organisations in general and the consumer rights movement in particular.

We would therefore like to engage the Department of Finance on the matter of using a portion of the fines levied on guilty companies, to fund class actions on behalf of consumers who have been disadvantaged by price-fixing activities. As a consumer rights NGO, we are keen to explore this avenue as a practical expression of our newly enhanced consumer protection environment, and as a powerful strategy in driving the apparent culture of price-fixing from our economy.

We hope that you will be able to accommodate a meeting with us to discuss these matters in more detail; perhaps you would also give us some indication in the interim as to your ideas on this issue.

We look forward to hearing from you, and thank you for your assistance.

With warm regards

Thami Bolani
Chairman: National Consumer Forum

Response:
The Ministry of Finance replied quite promptly, confirming that the fines did indeed go back to the Treasury – but ignoring our request for a meeting to further discuss the matter. We shall have to try again.

Africa must boost financial capability

Educators, regulators, consumer groups and many others gathered in Ghana's capital, Accra, in September to find ways of protecting consumers through building their 'financial capability'.

The conference – sponsored by the development agencies of the US (USAID), the UK (DFID) and Germany (GTZ) – grappled with the many problems faced by Africans in trying to make the best use of credit and other financial services.

Consumers International – a global federation of consumer organisations (including South Africa's National Consumer Forum) – was there to address these issues from a consumer's point of view.

CI president Samuel Ochieng said that less than 10% of Africa could boast proper coverage in most financial services. "For instance, only about 2-3% households with formal income in Uganda have bank accounts," said Ochieng. "This reflects a hugely underdeveloped financial services market on this continent."

High demand but little protection

He also pointed to a relatively low savings ratio in sub-Saharan Africa of about 15% - compared to India with 30% and a 26% average for middle-income countries. "There is a huge potential for savings which is not being encouraged through effective financial services," he said.

Africa was seeing the fast growth of micro-finance institutions, spurred on by high demand and low default rates (about 95% of loans were repaid by borrowers).

The problem was that basic consumer protection mechanisms were weak or lacking entirely. "Consumer protection and financial literacy in most of Africa are still in their infancy," said Ochieng.

Three pillars

Kate McKee, a senior policy advisor at the US-based organisation CGAP (Consultative Group to Assist the Poor) outlined the 'three pillars' of consumer protection:

1. Regulations
   - Prudential regulation
   - Regulations on industry practice
   - Other specific consumer protection legislation
2. Self-regulation by operators
   - Voluntary codes of conduct
   - Encouraging investors/donors
   - How to appeal in cases of conflict
3. Awareness-raising, financial and skills training for consumers
   - Reinforcing knowledge
   - Ability to make sound decisions
   - Decision-making tools

"The three pillars are mutually reinforcing," said McKee. "None is likely to fully succeed in protecting low-income financial consumers on its own."

She said African countries needed to encourage innovation and experimentation within the industry to provide improved access to financial services, and to find the right balance between protecting consumers and accessing financial services.

At the Accra conference on Making Finance Work For Africa: (from left) Paul Crankshaw, editor of the National Consumer Forum's Consumer Fair newspaper; Samuel Ochieng, president of Consumers International; Yasmina Francke, group brand manager of Metropolitan; Joost Martens, director-general of Consumers International; and Thami Bolani, chairman of the NCF.

Consumer Fair is published by the National Consumer Forum, in the interests of consumer rights in South Africa

The newspaper raises funding – through advertising and subscriptions – to sustain the work of the National Consumer Forum as it helps South African citizens to understand and exercise their consumer rights.
Consumer Fair newspaper is also available in PDF format on the NCF website.

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CERTIFIED GRASSROOTS

The National Consumer Forum is a member of Consumers International (CI), a global federation of 220 consumer organisations in 115 countries. CI was founded in 1960 and has offices in London, Santiago and Kuala Lumpur – as well as staff in Johannesburg and Abuja. For more information on CI, visit their website at www.consumersinternational.org.

NEWS

CI Africa group in Ghana

Consumer groups from around Africa – all members of the global federation Consumers International – met in Accra recently to share ideas and discuss joint action on consumer rights. Countries represented included Benin, Cameroon, Cape Verde, Côte d'Ivoire, Kenya, Ghana, Nigeria, South Africa and Togo; Consumers International staff members from London, Nigeria and South Africa were there to organise and guide proceedings. The meeting looked at the constraints that member organisations faced in carrying out their educational, advocacy and other work effectively, and discussed ways of becoming a more powerful African consumer movement that could influence policy. Consumers International director-general Joost Martens said the organisation was re-committing itself to help build the capacity of consumer groups in Africa, and encouraged member organisations to co-operate on campaigns of joint interest. Consumers International will celebrate its 50th year in 2010.

Financial capability: What is it?

Margaret Miller, senior economist, CGAP (Consultative Group to Assist the Poor)

Financial capability can be described as *"the combination of knowledge, understanding, skills, attitudes and especially behaviours which consumers need to demonstrate in order to make sound personal finance decisions, given their economic and social circumstances."*

The focus of financial capability is on changing behaviour; providing information is only one part of financial capability. Financial capability empowers the consumer so they can achieve the result that they want in life. For example:

- reducing risk through the right insurance
- increasing wealth through the appropriate kind of savings
- selecting better financial products to suit their needs
- avoiding fraud

Why is information not enough?

1. Time bias: Consumers often 'want it now' – this can lead to overuse of credit and too little saving.
2. Avoidance and procrastination: Faced with an important issue, such as saving for old age, people often avoid making a decision; rather than making an active choice, people settle for the default option.
3. Limits on processing information: Too many choices or too much information can reduce active decision-making.

Consumer change their behaviour during 'teachable moments', when they have an opportunity to use the information on offer; at this point, they become more ready to learn and put the information into practice. For example:

- Consumers in serious debt, who go to debt counsellors
- Making information about pension plans available at the workplace
- Offering savings accounts to children for free

FOOD SECURITY AND FOOD SAFETY

The world has enough food for its population, according to the Consumers International, but over 800 million people suffer from hunger and food insecurity.

Food security means that safe food is available, accessible and affordable by all people. This is of concern to the consumer movements as all the consumers have the right to sufficient and safe food. In protecting that right, governments and international agencies should:

- Promote food security and improved access to food.
- Give priority to the production of stable foods for domestic consumption, where necessary ensuring that agricultural policies are formulated to meet the needs of small-scale farmers.
- Promote improved access to credit and technical assistance to the rural poor.
- Support sound, transparent national land redistribution targeted at the most disadvantaged.
- Support the development of national food control systems, which are in line with international norms, in the interest of local consumers and to facilitate participation in international food markets.

For all those consumers who would like to get further assistance or advise with regards to consumer related matters, they can get hold of us in our offices from Monday to Friday, 8.00 am to 4.30 pm.

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Consumers want their own back

And class actions look like a good way of doing it…

Consumer groups, government and competition experts seem to be in agreement: it is time for consumers to get involved in helping enforce proper competition in the marketplace.

For the past decade, the Competition Commission has been spearheading the fight against price-fixing, abuse of corporate dominance, and cartel behaviour among South African companies. It has been successful in investigating a number of sectors where this illegal behaviour was taking place.

Where it is convinced that the law is being broken, the Commission refers cases to the Competition Tribunal, which acts like a court and considers whether the companies were guilty or not. Those found guilty had to pay an 'administrative penalty' – some of them for the maximum of 10% of their annual turnover. Other firms decided not to go before the Tribunal, and agreed to sign a 'consent order' (admitting guilt) and pay a fine.

All this work is gradually helping to transform the economy from being highly monopolised and concentrated, into being more efficient, competitive and open to new entrants.

Consumer role

Now the focus is turning to what lawyers call "private enforcement" – where individuals or groups of consumers who have suffered damages take legal action against the companies and cartels, for instance, that have kept prices artificially high.

The Competition Commission has earlier this year come out firmly in favour of this strategy, explaining that the law now allowed consumers to claim damages from companies that had been found guilty of breaking the Competition Act.

Government itself, through the (then) Deputy Minister of Trade and Industry (under whose umbrella the Competition Commission resides), has encouraged "an activist stance by the competition authorities."

Victims of competition law violations are too often not compensated for the harm suffered

Kasturi Moodaliyar, a senior lecturer in Wits University's Law School, says that "victims of competition law violations are too often not (fully) compensated for the harm suffered".

Speaking at a recent conference hosted by Competition Commission, the Competition Tribunal and the Mandela Institute, she said that South Africa should be making it easier for parties to claim damages – as there are still a number of practical problems in doing this.

Who can claim?

Moodaliyar says that the Competition Act does not define who has 'locus standi' (standing) to bring a case of damages against a guilty company; in other words, who can demonstrate to the court that they have enough connection to the crime and have suffered from it.

For example, does it need to be the direct purchaser of the overpriced goods, or can it be someone indirectly involved? "The extent to which the loss has occurred is also in question," she said. "These questions are also pertinent to how class actions or public interest groups should be classified and whether or not such entitities would also be allowed to claim damages in competition cases."

It is also necessary to decide which court has the power to hear a civil claim for damages in a competition law matter. "Considering that a plaintiff can sue in the civil court for damages only after the South African competition authorities make their final decision (in terms of the Competition Act), it is presumed that the South African civil courts would thereafter have automatic jurisdiction," said Moodaliyar.

Barriers

She highlighted the fact that plenty of money and legal resources would be needed to pursue a civil case for damages – and that these factors are a barrier to anyone wanting to try this route. Consumers would have to deal with:

- The time taken to get the case to trial ("for example, if the case is pending for a lengthy time at the competition courts")
- The length of the trial ("if the case is not settled at an earlier stage in the proceedings")
- The cost of litigation ("if the plaintiff loses the case, it might be liable for the respondent's legal costs"), and
- The uncertainty of the decision imposed ("if the plaintiff is successful, the damages awarded may not be as favourable as expected").

"It is also problematic trying to organise plaintiffs (aggrieved consumers or competitors) into a group to jointly sue for damages," said Moodaliyar. "This burden may fall on consumer organisations who may not have the resources to pursue the matter."

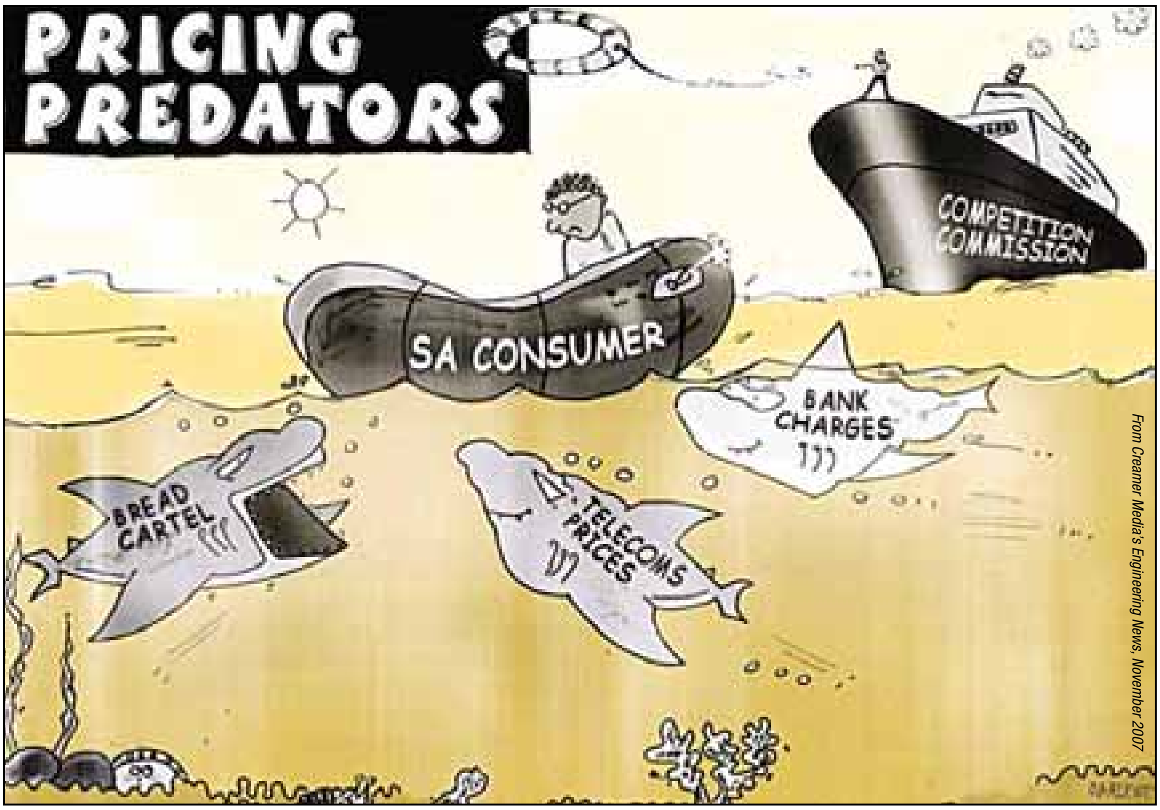
Government should help

In the face of all these obstacles, however, there is still a huge value in private enforcement as a way of discouraging firms from breaking competition laws, she said, and government should be proactive about helping make this happen.

"The DTI and the Commission should take the initiative to produce a policy guideline to facilitate private enforcement," she said. "Successes of the competition authorities will filter down to consumers who claim compensation in the form of private damages.

"Damages claims will be an effective deterrent on anti-competitive behaviour and will contribute to the next level of evolution of enforcement in competition matters."

The success of the competition authorities will filter down to consumers who claim compensation in the form of private damages



From Creamer Media's Engineering News, November 2007

DEBT

Banks look for better ways to get their money back

As more and more troubled companies come to the end of the line, banks are increasingly seeking alternatives to insolvency procedures to recover their bad debt.

Inus du Preez, a credit manager at Rand Merchant Bank, said banks preferred to follow a process that holds hope of a turnaround and the possibility that creditors can recover the full sum owed.

This is in contrast to insolvency, where creditors have to accept a partial settlement and may recover very little or nothing from the debtors.

At a conference arranged by the Association of Insolvency Practitioners yesterday, Du Preez said new legislation could allow for a formal debt standstill period in which the company could evaluate its alternatives.

At present the arrangement is informal and can only be made if all creditors agree and are party to the process. There is no statutory protection from a creditor determined to press ahead and liquidate a company.

Du Preez said the legislation would prevent a situation where one creditor could "pull the plug while the rest of the creditors believe the company might be saved".

The process would then be quicker and easier and more businesses could be saved, according to Du Preez.

He said the arrangement was also beneficial to the economy as jobs would be saved in the process. "It's the bank's intention to save companies rather than liquidate them."

However, Du Preez said the process was only practical when the business was "fundamentally viable and management has the ability to take the turnaround plan forward".

A key aspect of the process was the role of "third parties" known as "turnaround specialists" to advise.

The management team must also be able to execute the plan and the lenders must be prepared to restructure the debt.

However, creditors always run the risk that the turnaround does not work and losses are incurred.

Figures from Statistics SA show that, in the year to May, 87 companies were placed in compulsory liquidation, compared with 64 in the same period last year. Du Preez said the increase reflected financial pressure caused by the recession.

Gross domestic product shrank nearly 2 percent in the fourth quarter of last year and more than 6 percent in the first quarter of this year.

Second-quarter figures, which will be released next week, are expected to show that the economy contracted for three consecutive quarters.

Du Preez said banks had always followed an informal process where possible.

In his experience, the proportion of troubled companies turned around in this way was rising, but he said no figures were available.

Original article by Ethel Hazelhurst in Business Report

More consumers turn to debt counsellors

Consumer debt is spiralling, with 150 000 consumers expected to be under debt review by Christmas, the National Credit Regulator (NCR) said recently.

The NCR said the 100 000 consumers presently under debt counselling owed R20 billion; of this amount, R12 billion was mortgages.

Even if the economy began a slow recovery, for at least 18 months there would be a rising number of consumers applying for debt relief.

"There is a lag between the economy lifting and the personal circumstances of individuals improving," said Andre Snyman, CEO of debt counselling company Consumer Assist.

"At present we are seeing more hardship, not less," he said. Snyman said people were only now coming forward for debt counselling.

"They have been using their reserves – for example, their savings and investments – but now they have no other choice but to get help through debt counselling," Snyman said.

Thousands more each month

He said consumers attempting to address their over-indebtedness were experiencing delays as there was a 10 000 case log-jam at the magistrates' courts.

The courts were mostly refusing to make rulings until there was a declaratory order clarifying consumer and creditor rights in terms of the National Credit Act, he noted.

"That finally came from Justice BR du Plessis in the Pretoria High Court on August 21 but with the courts already overstretched it is unlikely they will be able to make much of a dent in the 10 000 cases already stacked up before the end of the year," Snyman said.

The NCR's Peter Setou confirmed that 1,3 million South Africans had fallen into arrears from June 2007 to July 2009 with 93 000 under debt review, and there are 10 000 new applications each month.

He said the number of those under debt counselling was expected to reach 150 000 before this year ended. When the National Credit Act came into effect in June 2007 there were seven debt counsellors nationwide, there are now just over 1000.

New rich most in debt

Franciscus Haupt, director of Pretoria University Law Clinic, said debt was a factor of privilege. "The poor are coping, they've learnt how to do it over many periods. Usually debt is the result of the ostentation of the nouveau riche."

Haupt said on average those applying for debt counselling at the Law Clinic had 10 creditors. "Some have as many as 16 creditors," he said.

Snyman said on average those applying for debt counselling nationwide had an average of 13 creditors. He said the University of SA agreed debt was a disease of affluence with research showing those most indebted earned R700 000 per annum or more.

Original article by Sapa

HEALTH

Reforming our health system

Robust criticism of specific national health insurance (NHI) proposals should not be seen as negating the need for fundamental strategic reform, which includes both social and universal insurance options as components.

Such reforms are urgently needed, but will require careful reflection, planning and phasing.

Widespread criticism of specific proposals being mooted belies the fact that a wide consensus potentially exists among many in government, civil society and the private system concerning strategic health reforms consistent with the goals of an NHI. Central to this consensus is that both the public and private systems need to be regulated properly to achieve explicit and attainable policy goals.

Key focus areas are:

- substantial improvements in public hospitals;
- full implementation of the district health system with the deepening of measures to ensure greater accountability;
- optimising the quality and quantity of cover on medical schemes; and
- the implementation of national insurance cover for emergency care.

South Africa has close to its national requirement of hospital beds, with about 82 000 and 28 000 in the public and private systems respectively. But the resourcing of public sector beds is less than 50% of private sector equivalents. This gap cannot be made up by the private sector and requires a substantial funding and resourcing strategy, which can only be implemented incrementally.

It is estimated that the recurrent financing gap is about R50-billion, with a need for an additional 160 000 new nurses and 6 000 new doctors who at present do not exist in the country.

It is estimated that getting public hospitals up to private sector levels will take 15 years, depending on the priority public hospitals receive in national policy.

But improved resourcing on its own will not improve the quality of public hospital services. For this to occur, consideration needs to be given to converting major hospitals into parastatals with strong independent and accountable governance structures, consistent with international best practice.

The achievement of basic health goals, such as reduced HIV and TB infection, and reduced child mortality, requires that priority be given to the full implementation of the district health system. It is also more important for districts to become better at dealing with health priorities than it is for them to attract higher-income clientele to clinics.

Of concern is the fact that it has taken 15 years to partially implement a somewhat dysfunctional district system. Strengthening districts, if prioritised now, should take about five years to achieve noticeable changes on the ground.

Medical schemes are central to improving access to healthcare within South Africa, consistent with well-established international practice, for income-earning families.

At present 16% of the population (eight million people), up from 14% in 2004, access their healthcare in this way, with contributions amounting to 3% of GDP (and not the 5% often inaccurately referred to, which includes out-of-pocket expenses), which is now below public health expenditure.

The demand for medical scheme cover correlates strongly with income, with near maximum take-up occurring for any family where contribution costs fall below 16% of household income even in the absence of a system of compulsory membership.

Two discrete, but related, strategic options exist to leverage private services to improve national coverage such that social solidarity improves systematically over time.

Option 1

The first option involves strengthening the protection offered by medical schemes through the introduction of industry-wide cross-subsidies using a risk equalisation fund.

These should include both some income redistribution and sharing of risk between all contributing families. Extensive consultation and strategic work has long been completed on this framework and merely requires that implementation proceed.

The achievable target for coverage is estimated as five million within five years, taking coverage to 26% of the national population.

Option 2

The second option proposes that consideration be given to the consolidation of the health platforms of the existing social insurance funds – the Road Accident Fund and the fund offering compensation for occupational injuries on duty – into a national insurance fund focusing initially on emergency care.

Existing earmarked taxes for these funds should be rationalised with benefits initially tailored to available resources. Thereafter the benefits covered should be deepened where appropriate over time.

The first of these initiatives, which is already under way, would maximise coverage for income earners, deepening to include low-income groups, particularly for routine care, chronic care, and elective hospital care.

The second would, within a fairly short period of time, use existing earmarked revenue sources to provide universal access to emergency and trauma care giving effect to the constitutional right of access to emergency care.

Overall there is much to be done to sort out healthcare in South Africa. An opportunity exists to substantially improve the health system over the next five years. But this is also an opportunity that can easily be squandered with implications that will be felt for decades.

More information

Alex van den Heever is an economist and former member of the Taylor Committee of Inquiry into Comprehensive Social Security

Understanding the medical aid jargon

Medical scheme:

A scheme that allows you to get any health service and helps your pay for the cost of that service in return for a monthly premium.

Medical administrator:

The company that collects your monthly premiums and arranges payment of your claims on behalf of the scheme.

Medical inflation/ inflation of medical services:

The year-on-year increase in the cost of medical services as a result of rising prices of service providers.

Risk pool:

In traditional schemes, contributions are poured into one risk pool from which all claims are paid.

Medical savings account:

An account from which all of your out-of-hospital expenses are paid. Up to 25% of monthly premiums can be used for this account.

Self-payment gap:

A predetermined amount that you – the scheme member – must pay out of your own pocket when the money in your medical savings account runs out (and before the "above threshold benefit" kicks in). This applies to certain options and schemes only.

Above-threshold benefit:

A predetermined amount of out-of-pocket costs that has to be reached before a scheme will start covering your medical costs again – after you have been through the self-payment gap. This applies to certain options and schemes only.

Prescribed minimum benefit:

The benefit that schemes have to pay in full – and not deduct from a savings account – for the medical care, pathology, radiology and medicine for 26 listed chronic conditions and 270 other non-chronic conditions.

The 26 chronic conditions covered are:

1. Addison's disease
2. Asthma
3. Bi-polar mood disorder
4. Bronchiectasis
5. Cardiac failure
6. Cardiomyopathy disease
7. Chronic renal disease
8. Coronary Artery disease
9. Crohn's disease
10. Chronic obstructive pulmonary disorder
11. Diabetes insipidus
12. Diabetes mellitus type 1 & 2
13. Dysrhythmias
14. Epilepsy
15. Glaucoma
16. Haemophilia
17. HIV/Aids
18. Hyperlipidaemia
19. Hypertension
20. Hypothyroidism
21. Multiple sclerosis
22. Parkinson's disease
23. Rheumatoid arthritis
24. Schizophrenia
25. Systemic lupus erythematosis
26. Ulcerative colitis

RICA, step-by-step with MTN.

Here is some information on RICA registration to help guide you through the process.

What does RICA mean to you?

RICA?

RICA is a new South African law requiring every SIM card to be registered. Whether you have an MTN PayAsYouGo, contract or data SIM card, this law affects you. RICA will help law enforcement agencies to investigate crime.

When can I register?

WHEN?

You are able to register from 1 July 2009. All new cellphone numbers and SIM Swaps will need to be registered before being activated.

How/where can I register?

WHERE?

To register, simply visit any MTN store or participating retail outlet that sells MTN products.

What do I need to register?

WHAT?

- *Green bar-coded ID book, ID card, temporary ID certificate or passport.*
- *Proof of your residential address. This could be a bank or municipal rates statement, phone account, TV licence, insurance policy, lease agreement, new vehicle licence or retail store account. Please note that bank statements and accounts must all be 3 months old or less.*
- *If you live in an informal settlement you can provide an official letter or affidavit from a school, church or retail store where you receive your post (this letter must be on an official letterhead or have the stamp of the school, church or retail store).*

rica
Regulation of Interception of Communications and Provision of Communication-Related Information Act

RICA registration is absolutely free to you.

Contact the RICA hotline on 083 123 RICA (7422) from an MTN cellphone (Toll-free) or dial *131*2# or visit www.mtn.co.za or www.mtnsp.co.za for more information.

Terms and Conditions apply. E & O E.

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SOUTH AFRICA 2010 FIFA WORLD CUP

ABSA – FINANCIAL LITERACY FEATURE

Stay in the driver's seat with your vehicle finance: WHAT YOU CAN DO in difficult economic times

- Consider downgrading your vehicle to a more affordable one. Go to a bank approved dealer to either establish a trade-in value or negotiate the sale of your vehicle. This will help you to determine what alternate vehicle is comfortably within your price range or if you sell your vehicle, provide cash injection to alleviate financial pressure.
- You can extend your payment period in order to reduce payment obligations.
- Banks are able to restructure finance agreements to extend the payment period or build in a balloon payment which will allow you more expendable income monthly.
- Remember, skipping a payment or defaulting in any way should not be an option – this impacts the customer's credit record and reflects badly should you apply for finance in future.
- Don't cancel your insurance on vehicles. You could find yourself in a situation where your car is stolen and you are still liable for the payment. This is also relevant in the case of an accident or mechanical failure when you are unable to pay for repairs.
- If you are looking at buying a new vehicle, take into consideration the impact of future inflation. Make sure you can comfortably afford the vehicle. If you can just make payments now, you may not be able to in the future should interest rates go up.
- Examine any proposed financing option carefully before putting pen to paper to sign the agreement. Pay particular attention to the risks of the financing mechanism as the monthly instalment amount is not the only factor to consider in your decision.
- Budget for future interest rate hikes over the loan period and don't forget to include insurance, petrol and maintenance cost as part of this.
- Consider fixing your interest rates in order to budget and plan for the future.
- Never hand your car over to other parties to take over payments without checking with your bank first or before you have legally changed ownership. Otherwise, you are still legally obligated to pay for the vehicle whether or not it is in your possession.
- Additional vehicle expenses like insurance are often not considered when people purchase vehicles. Consider the various factors such as theft, hijackings and accidents which could cause insurance premiums to rise. Customers, especially younger buyers, have to consider whether they can afford their insurance premiums. They may soon find that their short term insurance premiums are as high as vehicle payments.
- If you are considering purchasing a vehicle, be sure to check what is included in the vehicle's price. Specifications or extras that may have been standard may now be an additional cost – and this can include motor plans and warrantees. Check and discuss this carefully with the dealer before signing.
- Deal with authorised dealers as well as reputable manufacturers to avoid being a victim of fraud.

ABSA – FINANCIAL LITERACY FEATURE

The time to save is NOW

Control your debt

It's pointless to save if you pay more on interest on your debts than the interest that you receive on your savings or investment accounts. Having a debt management plan is essential and the first thing you should do is draw up a budget to see where your expenses are, where you can save and how quickly you can pay off your debt.

If you need immediate results to keep you motivated, make a list of all your debts starting from the smallest balance to the largest. Pay the minimum payment on every debt and put your 'extra' amount towards your smallest debt until it's paid off. Then add the money you would have spent on that debt to your 'extra' amount and put all that money to the second smallest debt. Repeat until all your debts are paid in full. Remember, debt is the most expensive thing you can buy.

Reward yourself by saving

Once you've got a budget and found some extra money by cutting unnecessary expenses, save it. If you can save at least 10% of your net salary, you will be prepared for any eventuality. The best way is to have the money automatically deducted from your account at the beginning of the month – that way you won't accidentally spend it. If you get a bonus, save it before you spend it.

A conservative spending plan also helps by identifying unnecessary expenses.

The rule of 72

If you want to find out how fast your savings will double – apply the rule of 72 and you'll have the answer. If you want to see **how many years** it will take you to double your money – just divide 72 by the interest rate you expect to earn. *For example: 72 ÷ 6% = 12 years.*

If you want to find out what interest rate you need to earn if you want your money to double by a specific year, then divide 72 by the number of years. e.g. you need your money to double in 8 years, so the sum is: 72 ÷ 8 [years] = 9%

Therefore you need an interest rate of 9% in order for you to reach your target.

HOW MONEY WORKS

The Rule of 72 approximates the number of years it takes to double your money.

72%÷3% interest
24 years

72%÷6% interest
12 years

72%÷12% interest
6 years

Bank smarter and save a stack

When it comes to saving on finance costs, fees and charges the good news is, you can. Whether it's using the right ATM or researching the best place for a home loan, if you take the time to find the right product that suits your banking requirements, it can be done.

How to save on banking costs:

- Use your banks' ATMs - you will pay more at other banks' ATMs.
- It's cheaper to draw one large amount of cash than many smaller ones.
- Make sure you have enough money in your account when your debit orders go through.
- Always check your bank statements.
- Choose the account that suits your banking requirements.
- Use your debit and credit card instead of cheques and cash.
- Remember, it's cheaper to do banking at an ATM or through Internet, Telephone or Cellphone Banking.

How to save on insurance costs

- Know the current replacement costs of your home, vehicles or home content so assets are insured at the correct amount.
- Update your insurance policies with the most recent valuations as some assets, e.g. vehicles, will lose value while homes, generally increase in value and you don't want to be under-insured.
- Compare quotes from different insurers and make sure that the quotes reflect what you want to insure.
- Ask for discounts – some insurers reward no claim behaviour.

How to save on vehicle finance

- Make sure the car you buy suits your needs regarding passengers, distances, luggage/gear.
- Make sure you sell your old car at the best price. The more you get, the bigger the deposit, the less you will pay on the new car.
- You can save by buying a used car from a reputable dealer.
- When you are budgeting to see how much you can afford, don't forget to factor in insurance, maintenance and servicing costs.
- Shop around and negotiate the best price with a dealer.
- Decide whether you should buy or lease. Choose the best deal for your life stage and circumstances.
- Negotiate a good deal and arrange for a residual value which will lower the monthly instalment of your car finance.

How to save on your credit card

- Choose the credit card with the interest rate and usage benefits that suit your financial situation. Our consultants will advise you which card will be the best for your needs.
- By paying the full amount every month you'll avoid any finance charges on your credit card.

How to save on your home loan

- Try to pay-off all other short-term debts prior to buying new property so you can put any extra cash into your bond. Remember your bond is your cheapest form of debt.
- If you can, increase your monthly bond instalments.
- Pay any bonuses or lump sums into your bond.
- Don't lower your home loan if the rates drop.
- Interest rates vary so try and fix your rate at the lowest rate.
- Switching your home loan from one bank to another can cost you money.

Compound interest: the 8th wonder of the world

Here's how it works

If you start saving today, you will start earning interest immediately. Next month your savings will be more and you will even start earning interest on the interest every month.

For example, if you invest R1 000 and get 5% annual return on your interest, at the end of the first year you'll have R1 050 (R1 000 investment plus R50 interest). The next year you will receive 5% but now it will be on R1 050 instead of R1 000. At the end of the second year you'll have a total of R1 102,50 (the interest now being R55,50). Now imagine the snowball effect of this over 40 years.

Most parents dream of sending their children to the best schools and universities. As we all know, however, these costs increase every year so the key is to start saving early to help pay for the education.

SAVINGS SOLUTION

The power of compound interest

R200 Monthly Savings for 35 Years (age 30 -65)

3% interest
R148 680

6% interest
R286 370

12% interest
R1.3 Million

ABSA – FINANCIAL LITERACY FEATURE

Teach your children to manage their finances

Children who are exposed to principles of good financial management grow up to be confident when managing their own finances. Children who understand the power of money grow up to be independent, self - supporting individuals who make responsible and informed decisions about their financial health and economic wellbeing.

This article contains some important and basic concepts that your children will need to understand in order to become financially fit in life.

About earning an income

Pay your children a monthly allowance but make it part of an earned income. Make a list of jobs and chores they need to do around the house that will earn them extra income.

Children need to understand that an **income can be earned** in various ways such as working for an employer, doing household chores or making something and selling it, that will generate income – which can also be referred to as entrepreneurship. When people work they use their skills, talents and abilities in creative ways. Consumers have a need for goods and services which is created and established through the work of others.

How can your children realise that they have the skills, talents and abilities to create goods and services that other people might want to buy?

Dream with your child……

Discuss with your child the opportunities for him/ her to earn some income through products or services. Washing dad's car, walking the neighbours' dog, babysitting or cutting the lawn are a few examples of services that can help your child earn money. You can also encourage him/her to make a product that people would like to buy. Your child can bake biscuits or plant some seedlings to sell later. That way they learn about products and services as well as entrepreneurship skills while also developing their own creative skills and talents.

About spending

When your child wants an expensive item, offer to contribute **half** the amount and encourage him or her to pay the other half. By doing this, it will teach your child the value of money and in most cases the child will often opt to buy a less expensive item.

Children need to learn about choosing between alternatives, scarcity and opportunity cost when spending their earned income.

Children learn about these concepts when you allow them to identify **alternatives** and to compare prices of these alternatives. Children will learn about **scarcity** when they realise that their income/ money can only pay for the less expensive alternative. This forced choice teaches your children the concept of **opportunity cost.** In this way they consciously compare the quality and value of the best option and the next best alternative. You can also offer to pay half the price for an expensive item.

Children learn about opportunity costs, when they have to make choices between entertainment, clothing, technology and toys. They will learn to become responsible spenders when they need to choose between items needed for school and something to play with. This will emphasize the value of spending on education.

It is important to allow your child to experience the power of money and how good it feels when he/she can earn it and spend it on the best alternative.

About saving

Children need to learn that money earned or received which is not spent on goods and services constitute savings. Discuss the reasons to save with your children. Children can save for things that they want in the short term or even for their education.

Encourage your child to save for a specific item and then offer to match his/ her savings at a specific future date.

Get a **money box**, preferably one that is transparent which will enable your children to see how their money grows. Encourage your children to save change after a day of shopping or coins received from the tooth fairy. When the cash box is full, help your children to count and sort the money and take them to the bank to deposit the money into a savings account.

Start **savings accounts** for your children and help them to track deposits, interest and withdrawals.

Teach your children the concept of **compound interest**. Help them to understand that if they start saving today, they will start earning interest immediately. Next month their savings will be more and they will even **start earning interest on the interest** every month.

Be a role model

By drawing up a household budget and by spending within the allocated amount you are setting a good example for your children. You can put the money for groceries into an envelope and ask your children to help you select all the items on the list in such a way that the money in the envelope will be enough to pay for all the groceries.

Remember your child's money belongs to your child. Be supportive and give your children good sound advice which will encourage them to spend and save wisely. Allow your children to make financial decisions and let them reap the rewards. This gives them the opportunity to be independent and to take responsibility for their own financial management decisions.

ABSA – FINANCIAL LITERACY FEATURE

Accessorise or Money-wise?

Wouldn't it be great to win the lottery, or inherit a fortune, and suddenly have enough money to pay off all your debts and enjoy being rich for the rest of your life?

If we are realistic, it is not likely to happen. And even if the dream came true, you would probably find that having a lot of money does not end your financial worries. Even millionaires need to know how to manage money.

A good place to begin learning how to manage your money, is to love and care for the things we have. In the same way that we care for our children, homes, furniture and clothes, we need to care for our money.

You need to plan for what you will do with your money, use what you have wisely, and stay out of financial trouble. Managing money has a lot to do with being aware of the money that you have or don't have – and being sure of what you are going to do with it. It's about looking at your budget and plugging those spending leaks.

Managing money is also about planning for your future and the future of your loved ones. For some of us, saving simply makes it possible to provide our families with shelter, food and other basic needs in times when we have no income at all!! But it is especially important to save money for our old age!

To be successful at saving for your future, you have to believe it is important, stick to it – and have patience. You will see the results.

Your money is precious! Think about how you use it!

There are different ways to save money; you could take your hard earned extra money and use it on luxuries – but then what would you have left for emergencies?

You could put your money under your mattress – but what if you were robbed?

You could join a savings club in your community – but make sure you safeguard against it being stolen.

To keep your money safe, and to make sure you get the best possible solution for your needs, you could talk to a bank about the products and services they offer.

Banks and financial institutions can really help in times when we have money to save, and in times when we need money to improve our lives. So think about your unique circumstances, and how you choose to work with your money and remember, your money is precious.

Think carefully about what you will do with it, and who you will give it to for safekeeping. Here are some of the main ways that money can be managed using community-based services or banking services:

Community-based offering

- **Saving money for emergencies:** A stokvel or money club allows you to contribute monthly and when it's your turn you get a lump-sum payout.
- **Saving for funerals:** Funeral cover and burial societies will help you cover the cost of a funeral; but will it provide you with enough money for you and your family if it is the breadwinner that dies?
- **Borrowing money** (micro-lenders and mashonisas): When you need to borrow money, you might want to turn to a friend, family member or somebody you know. Microloans attract interest at rates that are higher than normal loans. They are useful for emergencies, but you can get into serious trouble when you take out a loan for ordinary expenses or borrow large amounts.

Banking and financial institutions offerings

- **Saving money for emergencies:** ATM cards, savings account, Mzansi accounts and debit cards allow you to deposit your money in a place where it is safe. If you leave some money in your account, it can grow. You can draw the money you saved at any time, from any ATM in the country.
- **Saving for funerals:** Funeral policies will help you cover the costs of the funeral by paying you a lump sum and can help you plan for the money you will need if it is the breadwinner that dies. What will your family do if there is no longer a weekly or monthly income to survive on?
- **Borrowing money:** Short-term loans, credit, hire purchase (HP), and clothing accounts are good services, but only if you plan and budget for it, and only use it to buy things that you need and that will last a long time, like furniture. Otherwise you can get into serious trouble. At banks and financial institutions, the interest you pay on the money you borrow is often not as much as a micro-lender will charge you. So do your planning carefully before you decide to borrow money.

GAMBLING

New lottery game under attack

National lottery operator Gidani will launch a new game in October, but critics are asking why.

Powerball, which carries a one-in-70 million chance of winning (compared with Lotto's one-in-14 million) has drawn opposition from South Africa's most powerful consumer body, gambling associations and churches. Gidani has declined to comment.

Supermarket chains Shoprite Checkers, Pick n Pay and Spar said this week they would introduce Powerball on October 16 at stores across the country.

Shoprite said they could not gauge how the game with higher jackpots, but consequently less chance of winning would be received by customers.

Pick n Pay finance director Dennis Cope said the company was "confident" it would be ready for the launch of Powerball.

The National Consumer Forum slammed Gidani's move to make available Lotto tickets – through cellphones and ATMs – during a recession, saying the Powerball plan is "not ethical".

"Once again we're dismayed that there are now more opportunities for people to gamble," said forum spokesman Paul Crankshaw.

"We're in a recession. We are still in a position as a country where most of our consumers are not as financially capable or empowered with financial knowledge as they could be and we have this overriding problem of poverty," he said.

Crankshaw said it was "highly ironic" that an initiative aimed at supporting development and alleviating poverty was "essentially drawing its income from the country's poorest, who could least afford it".

The SA Council of Churches' Eddie Makue said such games were geared towards "raising unrealistic hopes" among the poor.

"There can unfortunately be only one winner, but there are so many who have their hopes raised by these ventures," he said.

The executive director of the National Responsible Gambling Programme, Peter Collins said: "The experience from around the world is that if the prize starts off being R10-million people think that's wonderful. Then another lottery comes along and the prize is R30-million and they think, 'Gosh, who wants to play a lottery where the prize is only R10-million'."

"It's all very irrational because the chances of winning are so slim. All you are really doing is paying for the opportunity to talk about what you would do with the money if you won it."

Collins said in developed countries like the US, if people bought six lottery tickets a week it would not make much difference to their income, even if they were fairly poor. (Powerball is based on an international game played mainly in the US.)

But in South Africa, he said, it could put "a serious dent in your ability to feed your family".

"It is still a very small minority of people who get into trouble playing the lottery, but it is bigger in developing countries where there are a lot of poor people," he said.

Original article by Suthentira Govender and Werner Swart, The Times

Lotto by cellphone sends wrong message

At a time when South Africans need to be tightening their belts and trying harder to save money, it makes no sense for the National Lottery to be rolling out easier ways for people to start gambling.

This is according to the National Consumer Forum, an independent consumer rights NGO, which was reacting to the Lotto's recent announcement that it was now making Lotto tickets available for purchase by cellular phone or ATM.

NCF chairman Thami Bolani said it was ironic that the new scheme was launched in July – which is National Savings Month – and sent completely the wrong message to consumers.

"South Africa has one of the lowest savings rates in the world, and government needs to be urgently addressing this problem with imaginative programmes and incentives," said Bolani.

"Instead, we are making it easier for consumers to gamble; too many consumers are spending money they don't have, in the vain hope that financial rescue will come from a winning Lotto ticket – instead of from personal financial responsibility and regular saving."

He said it was also serious concern than younger consumers would now have access to gambling through their cellphones, diverting airtime value into ticket purchases. "Apart from drawing people into the habit of gambling at an early age, there is also the problem that the airtime on their phones is paid for by parents who would not condone this," he said.

Bolani said the DTI should be more focused on job creation and the promotion of small businesses, especially as the recession bites and the pressure grows on employment and earnings.

MARKET

Little boxes, little boxes…
all priced just the same

How often have you been in a supermarket, and noticed a range of products from different suppliers – but all with one important thing in common: the price.
In this case, Consumer Fair noticed four different brands of tissue paper on the shelf in a Spar store in the suburbs of Johannesburg. We could not help but notice that all the brands have coincidentally all arrived at exactly the same price for their product. How is this possible? With all the variations of company cost structures, varying profit margins, etc. they all manage to arrive at precisely the same price-to-consumer – to the last cent. Perhaps the Competition Commission would be interested in this startling coincidence…

Send us your 'startling price coincidences'

Next time you are shopping and come across a range of brands which are all priced the same, take a photo of each product and price (preferably with a digital camera, but sometimes a cell phone can give a print-quality image).

*Email it to us at **ncf@sabs.co.za** with an explanation of where you took the picture and when, as well as some comments of your own.*

We'll publish the best ones.

New rules for cigarette makers

Original article from Sapa

Two new laws will dramatically increase smoking fines and crack down on tobacco companies, the National Council Against Smoking said recently.

The acts also make it illegal for adults to smoke in a car where there is a child under 12, and pave the way for picture warnings such as diseased lungs on cigarette packs.

"The new laws will have dramatic, important and far-ranging effects on public health and the tobacco industry's marketing activities," said council director Dr Yussuf Saloojee.

The acts were passed by parliament in 2007 and 2008. Saloojee said fines for smoking or allowing smoking in a non-smoking area have now gone up; the fine for the owner of a restaurant, pub, bar or workplace that breached the smoking laws was now up to R50 000, and for the individual smoker R500.

Smoking was now illegal in "partially enclosed" public places such as covered patios, verandas, balconies, walkways and parking areas. Nor was it allowed on premises, including private homes, used for commercial childcare activities, or for schooling or tutoring.

The tobacco industry was no longer permitted to hold "parties" or use "viral" marketing to target young people.

The sale of tobacco products to and by people under 18 years was prohibited, as was the sale of confectionery or toys resembling tobacco products.

The use of picture-based health warnings on tobacco packaging would come into effect only later this year, because the health ministry was still finalising regulations.

Also in the pipeline were rules to keep smoking away from entrances to buildings, and restrict it in sports stadiums, railway platforms, bus stops and outdoor dining areas.

Saloojee said tobacco killed 44 000 South Africans every year, three times more than vehicle accidents.

"Our efforts to reduce the death toll will be helped by the new legislation," he said.

Prevalence of adult smoking in South Africa had fallen by a third in the past decade, from 32% in 1995 to 22% in 2006.

PLAIN LANGUAGE

Consumer Protection Act

At last, we get 'the right to plain and understandable language'

By Fiona Ingham

Gobbledygook. Officialspeak. Legalese. These are just some of the terms used to describe official and legal writing so overloaded and abstract it makes the eyeballs ache. The legal profession, the financial sector and government are the biggest culprits.

How modern consumers came to accept "small print" that is set out in a "not-to-be-read" format is hard to fathom!

But a piece of legislation has come to the rescue of consumers in the form of the Consumer Protection Act of 2008. It became law on April 29, 2009 and comes into force in August 2010. The Act has far-reaching implications for every aspect of consumer relations and business communications.

Aiming at average literacy skills

The relevant part of the Act, in terms of plain language, is: Right to information in plain and understandable language for ordinary consumers … "with average literacy skills".

"This part of the Act has been lauded the world over," says plain language expert Frances Gordon, of the consultancy Simplified. Gordon says this is because the starting point is not the information itself, but whether it is understandable to the ordinary reader.

Clear and intelligible language is welcome news for South Africa, where almost half the population is functionally illiterate. South Africa might have 11 official languages, but it's common knowledge that English in the principal language of law and commerce. On top of that, fewer than 10% of the population speak English as their first language.

But who will determine what "plain and understandable language" is? How will the law be enforced? Guidelines will be given on how to comply with the Act. But until that happens, the basics need to be adhered to – and these aren't rocket science, although they do involve time and money.

Just editing sentences down to 20 words, and rewriting them into the active tense, will go a long way to making language understandable. Difficult words need to be replaced with everyday ones, where possible. The next step is to test them with readers.

Hallowed ground?

But simplifying language is an area where lawyers and actuaries fear their hallowed territory is being trespassed upon. They worry that legal and financial terms meaning something specific and unassailable might be changed, and that meanings could be made horribly simplistic if legally tested terms were replaced with simpler ones. And they worry that using non-legal terms will get them into trouble with the regulator.

Bankers and lawyers need to be coaxed into understanding that plain language experts do value precision. Not all jargon and Latin will be replaced – it might just have to be properly explained. Language practitioners and actuaries and their ilk will have to work together to hammer out agreements and consumer contracts, for the consumers' interests to be taken more seriously.

Gordon explains that last year a few cases were taken to the Ombudsman because Liberty Life consumers had not understood the term "illustrative values". Although there was no litigation involved, the Ombudsman had ruled against the company, saying the term had not been explained properly. Gordon hopes plain language doesn't become an impossible goal, and yet another burden to the banks and law profession.

Plain language elsewhere

Support for the plain language movement in the UK, Europe and US is huge, and the Internet reveals hundreds of plain-language consultancies, with clients including NASA and large state departments. It's hard to assess just how big support for plain English and the plain language movement is in South Africa, but it's growing apace.

Most of the banks have made a commitment to plain language with the Code of Banking Practice. Both the National Credit Act and the Consumer Protection Act have placed language under the spotlight.

Plain language is good for everyone, as it builds trust and understanding. And that can only be good for business.

More information

Fiona Ingham has been a book editor and sub-editor for most of her working life. She's been a plain language writer since the 1990s, without being aware that the term existed.

CONSUMER RIGHTS WITH THE AFRICAN BANK CONSUMER ADVOCATE

Credit bureaux: Where and how to complain

Marilyn Budow
African Bank
Consumer Advocate

There is a huge amount of information on the bureau, and since the NCA, strict controls have been put in place to ensure that the data is accurate, up-to-date and securely protected.

There are many parties involved in the collecting and storing of bureau data and sometimes the information is incorrect. Sometimes your information may land up in the wrong hands, and sometimes there may even be ID fraud on your name. As a consumer you need to know what your rights are, what to look out for, and how to complain if you have an issue that needs to be rectified.

This section answers questions which guide you on how to stand up for your consumer rights!

It seems as if the credit providers and the bureaux have all the power. What are my rights as a consumer and how are they protected?

Consumers are protected in the bureau environment by the National Credit Act. Consumers have the following rights:

- The Right to Privacy - your bureau information must be kept confidential and may only be accessed by people other than yourself in certain circumstances allowed by law
- The Right to Security – the bureaux have to ensure that their systems are safe and protected from unlawful access
- The Right to be Informed – you must be given 20 working days notice before any adverse information may be listed on the bureau
- The Right to Access – you have the right to receive a copy of your bureau report at any time
- The Right to Redress – you have the right to have any mistakes rectified/corrected, and to receive compensation for any costs you may have incurred.

If there is something wrong with my report, who do I complain to?

- You should always log a complaint with the bureau concerned. If the mistake was caused by the company/entity that sent the information to the bureau, it may help to also log the complaint with them – the bureau will in any event, send your complaint to the company or entity to investigate.
- Remember to keep a complete record with details of who you spoke to and when, and what was discussed. Also keep copies of all correspondence and proofs – you may need these if you are unhappy with the way that your complaint has been handled.

For disputes contact

Experian – consumer@experian.co.za (attach copy of ID and details of dispute) or call them on 0861105665

Transunion ITC - 0861 482 482

Compuscan – ccc@compuscan.co.za (copy of ID and statement showing recent address and contact details and details of dispute) or call them on 021 8886000 (press option 4) or fax 0214132424

What is the process once I have lodged my complaint?

The NCA requires a bureau

- to investigate any challenge by a consumer regarding the accuracy of information (they will contact the credit provider to investigate and provide proof)
- to finalise the investigation within 20 business days of receiving the complaint
- to delete the disputed information on the bureau until the matter has been resolved*
- to remove the information permanently if it cannot find sufficient evidence to support the listing
- if the data is correct, to provide the consumer with a copy of the evidence of correctness

So you will be notified of the outcome within 20 business days.

What do I do if I am unhappy with the answer given by a bureau?

The next step would be to send the complaint to the office of the Credit Information Ombud. The Ombud is an independent body which was set up to protect the rights of consumers by amongst others, assisting them free of charge to resolve complaints with the bureaux. All decisions taken by the Ombud, Manie van Schalkwyk, are binding on the credit provider and the bureaux.

The Credit Information Ombud describes their process to follow when you have a dispute:

1. First, contact the relevant Credit Bureaux and obtain a copy of your report to find out the exact nature of the listing/s
2. If you dispute any of the information on your report, lodge a query with the Credit Bureaux, giving them all the facts of the case.
3. Get a reference number, and the name of the person you speak to. Make a note of the date and time of your call.
4. Allow a maximum of 20 working days for the Credit Bureaux to resolve the query.
5. If your query is still unresolved after 20 days, or if you are not satisfied with the resolution by the Credit Bureaux, then contact the Credit Information Ombud call centre at 0861 66 28 37 or go to www.creditombud.org.za and submit a complaint form (quoting the reference number from the Credit Bureau).
6. If you query is within our jurisdiction, we will then launch an investigation FREE OF CHARGE, and you may be contacted to provide additional detailed information about your case.
7. Your case will then be forwarded to the organization/s who listed you for their response.
8. Once he CIO has all the facts of the case, we will negotiate a settlement or make a ruling.
9. If you are satisfied with the CIO decision – case closed, BUT if you are not happy, you can take alternative legal action.

Send your letters to

If you have a consumer issue that you would like Marilyn Budow to discuss in this column, send your letter to:
African Bank Consumer Advocate
Private Bag X170, Halfway House, 1685
Phone: 011 256 9284
Fax your letter to: 011 207 3890
Email it to: cmenoe@africanbank.co.za

UNEMPLOYMENT INSURANCE

Claiming from the Unemployment Insurance Fund (UIF)

The Department of Labour collects money every month from employed workers' wages, and put it into an Unemployment Insurance Fund (UIF). This allows the department to offer those workers have a temporary 'safety net' for a few months if they lose their job. Here are some questions and answers about how it works.

Who can claim from the fund?

Employees who are registered with the UIF and who have been contributing to the fund can claim.

Can I claim from the fund if I have resigned?

No, you cannot claim if you have resigned from the job. You can only claim unemployment benefits if you have been dismissed or retrenched, or if your contract has expired.

What kind of benefits can you claim from the UIF?

The UIF covers five kinds of benefits:

- Unemployment benefits
- Illness benefits
- Maternity benefits
- Adoption benefits
- Death benefits

When can I claim illness benefits?

You can claim illness benefits if you are off work because of an illness for a period longer than two weeks.

How does the maternity benefit work?

Maternity benefits can be claimed if you are pregnant and take maternity leave. You can take maternity leave at any time from four weeks before the expected date of birth and you may not work for a period of six weeks after the birth.

How does the adoption benefit work?

You can claim adoption benefits if you legally adopt a child younger than two years old and you leave work to look after the child. Only one of the adopting parents can apply for benefits.

My spouse dies, can I claim?

The wife, husband or minor child of someone who has died can claim death benefits if the deceased contributed to the fund.

How much can workers claim from UIF?

- If you have been contributing to the fund for four years or more, then you can claim for up to 238 days.
- If you have been contributing for a shorter period, then you can claim one day for every six days that you worked while you were contributing to the fund.
- If you take maternity leave, you can only claim up to 121 days.
- The UIF pays a percentage of the wage/salary that you earned while you were contributing to the fund. The highest amount that can be paid is 58% of what you earned per day.

More information

Information from Cape Gateway; for more, visit the website ww.capegateway.gov.za. The Department of Labour also has a useful website at www.labour.gov.za, or you can phone your local Labour Office.

Why low inflation is important

The main aim of the South African Reserve Bank (the Bank) is to achieve low inflation. Low inflation means that money will lose value slowly, if at all, over time.

No modern economy can function well if its money keeps losing value. That is why it is very important that the value of money should remain stable.

What is inflation?

Inflation means that the value of money keeps dropping. This can be seen in the ever-increasing prices of all goods and services. It is important that price inflation should be kept very low so that the people of a country can have faith and confidence in the value of the money they use.

What low inflation means

Low inflation does not mean that the prices of goods and services will never change. Prices will always change in response to changes in relative scarcities. A change in relative scarcity means that something becomes either less or more available than before. To use an example: a fire in the factory of Buck Clothing might result in a smaller supply of clothes by Buck Clothing and, therefore, a higher price for clothes made by Buck Clothing compared with clothing made by Lightening Clothing. However, this is a change in the relative scarcity of Buck Clothing products and not because general prices went up.

Low inflation does mean that the continuous rise in the general price level, that is, in the prices of all goods and services, drops to such a low level that it no longer makes a significant difference to the decisions made by producers and consumers.

Disadvantages of inflation

Job creation

Although it is sometimes stated that higher inflation will create jobs, this is not true. Higher inflation destroys jobs in the long run. It is true, however, that policies that are aimed at lowering inflation might have a short-term negative effect on job creation. Initially, raising interest rates leads to fewer goods being bought and fewer jobs being created. Later on, as inflation goes down, interest rates can also go down, and more goods can be bought and more jobs can be created.

Other disadvantages

Inflation has the following bad effects. It

- disguises changes in relative scarcity;
- causes losses to savers, because they can buy less and less with their savings;
- causes losses to people with fixed incomes in money terms, for example, pensioners;
- causes resources to be wasted when there is hyperinflation, of say 10 000 per cent a year (which has never happened in South Africa), because prices have to be changed often – an example would be where new menus have to be printed every day; and
- causes lower growth because so much energy is devoted to hedging against inflation, for example, buying gold coins, that there is insufficient focus on new businesses and production.

What the South African Reserve Bank does to keep inflation under control

The Bank's approach is to lend money to other banks at such an interest rate that it keeps inflation under control. If there is too much spending, it causes inflation. By raising interest rates, spending is cut back and inflation is stopped. If there is too little spending, prices in general will start falling. To prevent this, interest rates will be reduced. The Bank's aim is not to keep interest rates unnecessarily high or low, but to keep them at a level that is enough to achieve the inflation target of the country of between 3 to 6 per cent.

In the long run high inflation leads to high interest rates. Savers are smart enough to demand an adequate interest rate for saving.

South African Reserve Bank

CELLPHONES

Interconnect fees "should only be 25c"

South African telecommunications company ECN recently published distributed a Namibian benchmarking study that shows that the true cost of interconnection, based on the performance of an efficient operator, should be R0,25. "Vodacom, MTN and Cell C charge operators such as ECN R1,25 in peak hours," said ECN.

The company said that South Africa suffers from some of the highest cell phone costs in the world. "The primary reason for such high telecommunications costs is interconnection charges – the charge levied to terminate a call on another network," it said. "Mobile interconnect charges generate billions of rands in revenue for the mobile network operators… [while] the consumer is ultimately losing out."

These are among the problems that these high charges cause:

- High interconnection charges prevent new operators from entering the telecommunications market and discourage consumers from changing to new operators.
- Mobile interconnection charges cost more than five times that of fixed-line interconnection fees (calls to landlines).
- The current mobile termination rates cost consumers up to 80% of the price per minute from a landline to a cell phone.
- High interconnect charges create an 'artificial price floor' that keeps consumer prices high, because charging less than the interconnect fee is not feasible.
- Excessive mobile termination rates stop many people from using cell phones freely and they stop landline customers from calling cell phones.

"Removing over-inflated mobile interconnection charges would enable new entrants like ECN to offer its customers groundbreaking deals the kind of which have never been seen before in South Africa," said ECN.

"Without high interconnection charges it would be possible for example to offer fixed-price bundles offering 'all-you-can-eat' unlimited calls from landlines, which would include calls to cell phones on all SA mobile networks."

Cellular interconnection rates to be reduced - Icasa

The Independent Communications Authority of SA (Icasa) and telecommunications companies will embark on a process to cut call termination rates, Icasa has said.

Following a meeting between Icasa, Vodacom, MTN, Cell C, Telkom, Neotel and the Internet Service Providers Association, Icasa said the interconnect rate had been discussed.

Interconnect rates are the amounts charged by networks for carrying calls on behalf of one another, with South Africa having exorbitant interconnect fees when compared to most other countries.

"The meeting was necessitated by the ongoing public discussions around the cost of call termination in the country," Icasa said in a statement.

After deliberations, the meeting had resolved to embark on an industry-led process to reduce termination - or interconnection - rates, with Icasa exercising an oversight responsibility.

The meeting resolved to ensure that in negotiating a new termination rate regime they took into account competition law requirements.

The meeting decided to conclude negotiations between the operators by the end of December 2009, with Icasa proposing an implementation date of February 1, 2010.

"Meanwhile, Icasa will continue with its process in terms of Chapter 10 of the Electronic Communications Act," said Icasa's statement. "This process will entail the publication of the necessary regulatory framework pursuant to regulations defining the relevant market; evaluating the effectiveness of competition; a declaration of licensees with significant market power and the implementation of pro-competitive remedies."

By Sapa

Firms will bear cost of cellphone databases

Cellphone users will be protected against unauthorised eavesdropping once users have to supply identification details when obtaining airtime. Cellular providers say they will not pass on the substantial cost of building and maintaining databases of all their customers.

Jeff Radebe, the minister of justice, said that law enforcement agencies would be strengthened in the fight against crime as the new law takes effect. It will apply to all cellphone users, including those without contracts.

Callers who fail to identify themselves in this way will have their SIM cards blocked.

The purpose of the new Regulation of Interception of Communications Act was aimed at criminals, who tend to use pay-as-you-go airtime, with SIM cards that did not identify the user, to plan and carry out crimes.

Not all cellphone calls can be monitored. A retired judge, Judge Swart, is the only person who can give permission to do so. The minister said any individual who listened in to calls without the written permission of the judge would be liable to a fine of R2 million and 10 years' imprisonment. If the offender were a company, the penalty would be a fine of R5 m.

Dot Field, the chief communications officer at Vodacom, said all four local cellular companies would run targeted campaigns to inform their subscribers about the new conditions and the reasons for them. All the networks had dedicated call centres to re-educate the market and contact subscribers.

She said it was already a criminal offence to fail to report the theft of a cellphone so that the SIM card could immediately be blocked, preventing it from being used by an unidentified person. The theft of handsets should also be reported.

Zolisa Reauboka Masiza, the chief corporate services officer at Vodacom, said most other countries, including others in Africa such as Sudan, already had similar legislation enabling law enforcement agencies to monitor cellphone calls by suspected criminals.

He emphasised that the cellular companies themselves would not monitor customers' calls, but would provide the information on their databases to law enforcement agencies when they produced a letter from Judge Swart authorising them to listen in.

WHERE DO YOU GO WHEN YOU NEED TO COMPLAIN?

Consumer Affairs Offices

These are government agencies that offer a free service.

KwaZulu-Natal
Tel: 031 310-5300
Fax: 031 310-5416

Free State
Tel: 051 400-9611/4852
Fax: 051 400-9606

Northern Cape
Tel: 053 830-4800
Fax: 053 830-4828

Mpumalanga
Tel: 013 752-3761
Fax: 013 752-3729

Eastern Cape
Tel: 045 808-4000
Fax: 045 838-3981

North West
Tel: 018 387-7820
Fax: 018 392-5660

Limpopo
Tel: 015 293-8529
Fax: 015 291-1336

Gauteng
Tel: 011 355 8000/6/7
Fax: 011 355-8019

Western Cape
Tel: 021 483-5133
Fax: 021 483-5872
Toll Free: 0800-007-081

These organisations and associations can also help answer your questions and hear your complaints:

Banks
The Banking Adjudicator
0860 800 900

Furniture retailers
The Furniture Traders Association
011 789-6770

Building companies
The National Home Builders Registration Council 011 348-5700

National Energy Regulatoir
(NERSA)
Tel: 012 401-4600
Fax 012 401-4700

Credit providers/bureaus
The National Credit Regulator
0860 627 627

Unfair competition
Competition Commission
012 349-3200

Medical schemes
Council for Medical Schemes
Share call: 0861 123 267

Financial advisors
Ombud for Financial Services Providers
0800 20 20/0800 11 04 43

Blacklisting
Credit Information Ombud
0861 662 837

Motor vehicles
Motor Industry Adjudicator
012 348-9311/011 789-2542

Tourism Grading Council
Tel:011 783-0383/ 11 384-7600
Fax: 011 783-0485