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# Consumer *fair*

*Putting consumer issues on the agenda*

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## Our wish list for 2007

*Communication to consumers often comes from lawyers or spin-doctors. We wish for more plain language to be used, not just in contracts and agreements, but in all communication with consumers. This is the only way to ensure that words are used to empower and not to enslave.*

CONSUMERS can look forward to an exciting year in 2007, especially because of two important laws that could help protect our consumer rights: the National Credit Act, passed in 2006, and the Consumer Protection Bill, hopefully to be passed in 2007

But these laws will only help if consumers understand and use them, and if the relevant government agencies are effective in applying them. So much more communication with consumers is needed, and more education about what our rights are and how to enforce them.

We hope that 2007 will be a year of action in implementing consumer rights. Here are ten of our biggest wishes.

### 1 No more reckless lending

The National Credit Act says that banks and other lenders must do their homework properly before offering money to consumers. They must check that the consumer has the ability to repay what s/he is borrowing, and is not about to become over-indebted.

### 2 The enactment of the Consumer Protection Bill

This could be passed into law this year, and would create a National Consumer Commission. The law would strengthen consumers' rights to information and fair treatment, and would boost consumer education (see the article by Olivia Davids on page 6). It also claims to be in support of a stronger civil society, which is vital in any democracy.

### 3 Affordable food prices

The price of food has been rocketing in 2006, and needs to be kept under control or poor consumers will go hungry. Food producers and retailers need to consider having consumers represented in their businesses, to help find ways of keeping basic foods affordable.

### 4 Implementation of the Financial Services Charter

All the banks and other financial institutions have agreed on a plan of action to make banking available to more South African consumers. Part of this plan is to educate consumers about finances, banking and planning their financial lives. We wish that banks will move quickly on this promise, and work with consumer groups to make this happen.

### 5 More information for people in rural areas

There are still many consumers who do not get enough information about issues that affect them. They may be far from the urban centres, excluded from modern communications technology, or functionally illiterate. We need to make better use of radio, for instance, and provide more of the sort of consumer information that these people need.

### 6 Better service from Home Affairs

An identity document (ID) is the starting point for most consumers to enter



the mainstream of economic life – getting tertiary education, getting a job, getting a home, getting basic government services. Without an ID, life is intolerable. So the inefficiency of the Department of Home Affairs is destroying people's lives and undermining our democracy; it needs to be put right in 2007.

### 7 A safer country for all

Crime has shattered lives and made living hard for consumers in SA. We wish 2007 will be the year that government lives up to its responsibility of ensuring the safety of all citizens.

### 8 Better services to meet consumers' basic needs

The first of the United Nation's eight consumer rights is for the provision of basic needs for everyone (housing, food, water, healthcare and education). We hope that 2007 will see great improvements in the delivery of basic

*Banks and other financial institutions have agreed on a plan of action to make banking available to more South African consumers. We wish that banks will move quickly on this promise, and work with consumer groups to make this happen.*

services – especially by municipalities – so that consumers can meet their basic needs.

### 9 Stronger consumer courts

Government has set up agencies to protect consumers – among them is the Consumer Court. But these agencies remain weak and disorganized. We wish for better service and more professionalism from these agencies, so that the taxes poured into consumer protection are well-spent.

### 10 The use of plain language, not jargon

When business or government tries to speak to consumers about legal rights and responsibilities, the words often come from lawyers or spin-doctors. We wish for more plain language to be used, not just in contracts and agreements, but in all communication with consumers. This is the only way to ensure that words are used to empower and not to enslave.

## CONSUMER FAIR IS BACK

Consumer Fair, South Africa's only consumer rights newspaper, is back after a period of absence! Our apologies to regular readers and subscribers.

It has been a difficult time – including some hard lessons about how late payment kills small enterprises, and how nervous many companies and government agencies seem to be about supporting a newspaper on consumer rights.

But our efforts seem to be paying off – consumers are hungry for this sort of newspaper, and the tide is gradually turning in favour of those who recognise the need to respect and

promote consumer rights in a practical way. The days of lip-service must come to an end.

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## NCF ties up with DTI to handle consumer complaints

The number of consumers who bring their complaints to National Consumer Forum has been steadily increasing, so the organisation has signed an agreement with the Office for Consumer Protection to take over this role.

"The NCF is very concerned about the number of complaints coming in, especially as these affect mainly the poor and less-educated – who often cannot defend themselves against abuse by businesses," said NCF chairman Thami Bolani.

The Office for Consumer Protection – part of the Department of Trade and Industry – has dedicated staff and procedures to deal with incidents of bad or dishonest service. They offer a free service to the public to ensure that the playing fields are levelled in

the relationship between consumers and service providers.

This role is crucial in ensuring that businesses abide by the law and that they improve their service and competitiveness.

"Perhaps the growth in complaints is a sign that consumers are becoming aware of their rights," said Bolani. "But many still need help in exercising those rights in a marketplace where corporations are much stronger than individual consumers, and often ride rough-shod over basic consumer rights."

### Consumer complaints:

Contact the Consumer Helpline by phoning the DTI on 0861 843 384, or email [smankanku@thedti.gov.za](mailto:smankanku@thedti.gov.za)



## World Consumer Rights Day: 15 March 2007

An international event to empower consumers

The KwaZulu-Natal Department of Economic Development's Consumer Affairs Division celebrates World Consumer Rights Day every year on 15 March.

This year, the KwaZulu-Natal Office will host a consumer information exhibition, at which important stakeholders including regulatory and statutory bodies will provide consumers with information packages empowering them on their rights and responsibilities.

The exhibition will afford consumers an opportunity to interact with service providers to get first hand information on issues that will allow them to make informed choices in the marketplace.

World Consumer Rights Day is celebrated across the globe to mobilise consumers, consumer organisations, government agencies and the private sector, in an effort to educate consumers about their rights and responsibilities.

South Africa since democracy has been an ardent champion of consumer rights, and has been developing programmes that will help consumers make informed choices.

The Consumer Affairs Division networks with local government, schools, trade unions, community-based organisations, civic groups and other NGOs to promote consumer education. We work to provide consumers with information that empowers them to be discerning and assertive.

## Interest rate hikes: Why punish consumers when the real problems lie elsewhere?

The Reserve Bank has raised interest rates again in December, hoping to slow down the rate of inflation.

Taking advantage of the low interest rates in decades, consumers are borrowing more and more money, which is clearly a concern. But experts have warned that interest rate hikes will be painful for consumers without solving the main causes of our higher inflation rate.

Rejane Woodroffe, chief economist at Metropolitan Asset Management, points out that the main culprits tak-

ing inflation higher than government's inflation target of 6% are the prices of petrol and food. Neither of these prices are affected by the way consumers are spending; the petrol price is determined by the world oil price, and food prices are determined mainly by the agricultural sector.

So what, then, is the impact on the average consumer, particularly those who are poor? Firstly, more of their income is swallowed up by their grocery bill, making it harder to save. The interest rate increase then forces many busi-

*It is vital that people start saving more, but there are few incentives or affordable, easily-understandable financial products that help them do this.*

nesses to up their prices in response to more expensive credit, and the consumer foots this bill as well.

At the same time, government is trying to improve access to credit to previously 'unbanked' South Africans – those who the banks have traditionally spurned

because they were considered too risky to lend money to. Now that more people are getting that access, it appears that they are being discouraged.

Rather than just raising interest rates, shouldn't government be making consumers more aware of the policies it is

trying to pursue; for instance, it is vital that people start saving more, but there are few incentives or affordable, easily-understandable financial products that help them do this.

What are their options? This could be the subject of an awareness campaign on its own. Surely there should be some 'carrot' along with the 'stick'.

## PROTECTING CONSUMERS

# Consumers do have official protection

## *The Office of Consumer Protection is there to protect consumers against unfair business practices*

Where can consumers look when they are treated unfairly by businesses? A good starting point is the Office of the Consumer Protection (OCP), which is part of the Consumer and Corporate Regulation Division of the Department of Trade and Industry.

### What is the role of the Office of Consumer Protection?

The Office of Consumer Protection is there to protect consumers against unfair business practices, through resolving complaints, investigating complaints, prosecuting offenders, consumer education and voluntary compliance programmes.

### How are complaints received?

Consumers can first call the Department of Trade and Industry's Consumer

Contact Centre at 0861 843 384. If complaints need to be followed-up, consumers can fax, email, post or approach the office directly.

The contact centre will provide self-help advice or escalate the complaint to the Complaints Resolution Directorate.

### THE OCP

The OCP administers the Consumer Affairs (Unfair Business Practices) Act 71 of 1988. This law defines an unfair business practise as anything which can harm relations between business and consumers (directly or indirectly), or of unreasonably prejudicing, deceiving or unfairly affecting a consumer. The office also enforces certain other laws that protect consumers.

This directorate will then mediate or negotiate with the parties involved, to resolve the matter.

This process is voluntary: consumers and the person or organisation against which they have lodged a complaint can choose to participate or not. The success of each attempt at complaint resolution therefore depends on the level of co-operation between the parties. Complaints are usually resolved within 20 days.

### What happens when a complaint is not resolved?

If the complaint is not resolved, the matter is forwarded to the Investigations Directorate, to conduct an investigation into the alleged unfair business practice.

### How is an investigation carried out?

The directorate can conduct three types of investigations:

- A Section 4(1)(c) investigation: This is an informal type of an investigation, which enables the Consumer Affairs Committee to do an initial investigation and gather information.
- A Section (8)(1)(a) investigation: This is a formal investigation. Notice of the investigation will be published in the Government Gazette for public comment, and can lead to the Minister declaring the practice an unfair business practice – which is then prohibited.
- A Section 8(1)(b) investigation: This is a general investigation conducted in those instances where there is systemic unfair conduct on the part of business generally and where multitudes of consumers are affected adversely.

### Penalties and fines

Where the Minister has declared a business transaction to be unfair and the parties fail to comply with the notice, they will be committing a criminal offence punishable by a fine of R200,000 or five years imprisonment, depending on the severity of the case. If already prohibited, the matter will be referred to Legal Support and Prosecution Directorate for onward submission to the law enforcement authorities.

### How can the OCP help you?

If you believe that your consumer rights have been infringed, or you need information or advice, please contact the DTI Customer Contact Centre at 0861 843 384. Or you can submit your complaint on the DTI website: [www.thedti.gov.za](http://www.thedti.gov.za)  
Or write to: Office of Consumer Protection  
Consumer Complaints  
Department of Trade and Industry  
Private Bag X84  
Pretoria  
0001  
Fax: 0861 843 888

# SCAMS: how to protect yourself from them

*Scams can turn up anywhere: in the mail, over the telephone, via e-mail, on the street.*

Consumers are cheated out of loads of money each year by believing and investing in scams. And as soon as one scam is uncovered, scam artists think up a new way of catching people out – often just reinventing old tricks.

### How scams work

Scams can turn up anytime and anywhere: in the mail, over the telephone, via e-mail, on the street, at a seminar or in an advertisement. They can even creep into groups like church congregations and sports clubs.

### Why scams succeed

Scams succeed because it often looks like the real thing. It appears to meet your needs and desires. Scammers prey mainly on our weakness to want to make money quickly and easily.

There are thousands of scams in the market place. Some are new, but most are simply updated versions that have been around for years. Many use the same tactics and continue to fool people.

### Become scam-smart

Don't get taken for a sucker. Protect yourself against scams by being a bit more vigilant and a bit less gullible.

### Look out for:

- Offers that appear too good to be true (they usually are);
- Unsolicited requests or offers for money;
- Personalized faxes, letters, or e-mails from people or business you do not know;
- Prizes from competitions or lotteries you have not entered;
- Operators who discourage you from getting independent advice;
- Cold callers offering shares in overseas companies and investment schemes;
- Free inclusion on database and website;
- Mail order goods that you did not order;
- Offers to help recover money that you have lost to a scam (usually for small fee);
- Contests that require that you pay money upfront to claim the prize;
- Operators that use a post office box but do not have a street address (making it harder to track them);
- False invoices;
- Operators who insist that the offer cannot wait until tomorrow;

- Requests for your bank details;
- Letters or e-mails that ask for your help in exchange for large sums of money;
- Operators that go out of their way to prove the legitimacy of their offer; and
- Officials who request money for 'government agencies' (governments do not solicit).

### Popular phrases used by scammers:

Beware of offers that use this sort of language:

- Amazing offer!
- Special offer – won't last!
- Easy Money
- Big money
- Earner
- Send Money NOW!
- No risk!
- Retire at 30
- Be smarter than your friends, invest now.
- 100% legal
- Order that Porsche now!
- Genuine offer
- Cut your tax bill now!
- BIG profits, no risks
- 50% return on your investment guaranteed
- Be smart, be quick

- Once in a life time offer
- Valuable free gifts
- Lottery prizes guaranteed
- Earn millions legally
- Be the envy of all your friends
- What have you got to lose?
- Turn R1 000 into R50 000 in three months

### How to protect yourself

- Seek professional advice first if you notice that the offer sounds too good to be true.
- Say no to any offer that puts you under pressure to enter into.
- Ask for all the details in writing before you pay or sign for anything
- Do not give your personal or bank details to anyone you do not know.

### What action can you take as a consumer?

More information and alerts on other scams such as money-making schemes, pyramid schemes, chain letters, multiplication schemes, 4-1-9 scams (Nigerian) and work-from-home schemes, can be found on the Department of Trade and Industry's website: [www.thedti.gov.za](http://www.thedti.gov.za).



### Additional Information or clarification

Contact the Education Division via the Customer contact centre:  
Telephone 0861 843 384  
Fax 012 394 2552/8  
Email: [consumer@thedti.gov.za](mailto:consumer@thedti.gov.za)  
Or write to the DTI's Consumer and Corporate Regulation Division:  
Private Bag X 84, Pretoria, 0001.

## CREDIT

# Buying on credit or cash

**Credit cards enable you to buy goods and services or borrow money up to a predefined limit.**

As consumers, we are constantly being invited to buy today and 'pay later' – but there is always a cost in not paying now.

Credit can be a great convenience if used wisely, but the cost of our debt can get out of control. Consumers often overextend themselves during the festive season and flood retail stores to purchase goods such as cars, furniture, jewellery and presents.

### What are your options?

**Paying cash (notes and coins):** Buying for cash means that you pay upfront for goods or services, so there is no extra cost involved. You can also negotiate for a lower price or receive discounts for paying cash.

**Buying with a cheque:** A cheque is a 'negotiable instrument' that tells your bank to pay an amount from your bank account to the holder of the cheque. The cheque will stay in the bank for seven days before it can be 'cleared' and paid to the holder. Paying with a cheque is

### Buying on credit

When you buy on credit, you take the goods now but pay for them over a number of months or years (plus interest), normally through monthly repayments. Your repayment will cover:

- The amount you borrowed
- Interest fees and additional administration charges
- Sometimes insurance

### Credit can come in many forms:

Credit cards are one of the most easily obtained types of loan facility. They enable you to buy goods and services or borrow money up to a predefined limit. Many offer an interest free period, which you can repay the amount borrowed for purchase during the month without cost. However as with all loan facilities you are borrowing money that you have a commitment to repay. If the debt is not repaid in full by the due date, the balance attracts an interest rate that is usually higher than

and it often attracts additional fees and charges (card fee and insurance).

**Interest-free loans:** This type of loan is interest-free only if you pay off the loan within a certain time (stated in the loan agreement). If you don't pay it off, interest is calculated from the date you purchased the goods. Interest-free deals sound good but they may not be as free as they seem. Remember: if you do not repay the loan within the interest-free period, the amount interest will be substantial.

### What are your rights when buying on credit?

- A contract should be explained in a language that you understand and all information should be disclosed.
- Credit provider must give you details about fees and charges and your rights and responsibilities, interest, compound interest and the final cost.
- Many traders exchange goods out of good will, ensure that you keep receipts as proof of purchase. However, it is important to check first the trader's policy if it offers refunds or exchanges on unsuitable goods.

### If things go wrong

- If a financial institution that you did not apply for issues a credit card to you, you have every right to return it and there should be no fees billed to you.
- Keep records, check credit card statements and report discrepancies immediately.

### What actions can you take as a consumer?

Should you require any additional information or clarification you can contact the Education Division via the Customer contact centre at 0861843384 or fax 012 394 2552/8 or e-mail: [www.consumer@thedti.gov.za](mailto:www.consumer@thedti.gov.za) Or write to Consumer and Corporate Regulation Division Private Bag X84 Pretoria 0001

## Consumers often overextend themselves during the festive season

usually considered the same as paying cash, but some shops don't accept cheques because they can't be sure that you have money in your bank account. The bank will charge you a fee for processing your cheque; the larger the amount on your cheque, the higher the fee you will be charged.

other consumer loans.

Store cards are issued by or on behalf of a store or retail group. Contracts and conditions vary between providers, some demand minimum monthly payment, others a fixed payment. The store will normally charge interest if you do not repay the full amount each month



## From interest rates to inflation

When the amount of money being spent in our economy grows faster than all the goods and services we produce, inflation is the result. When the Reserve Bank raises the official interest rate, it is trying to cut the level of spending in the economy. In this way, it hopes to control inflation by changing the interest rate.

The official interest rate is the interest rate at which the Reserve Bank lends money to the banks (who, in turn, lend the money to us – the consumers). This interest rate then affects the whole range of interest rates set by the banks – home loans, car finance, personal loans, overdrafts, credit cards, etc.

By lowering the interest rate, the Reserve Bank makes saving less attractive and borrowing more attractive; this stimulates spending. Lower interest rates can also boost the prices of assets such as houses and shares. Higher house prices mean that home owners often extend their home loans to buy more; if this extra spending is not controlled, families can find that their monthly repayments are too high to meet.

Changes in interest rates can also affect the exchange rate (the value of the Rand compared to other currencies). If our interest rates go up faster than elsewhere, this gives investors a higher return on South African assets (such as shares) This usually makes the Rand assets more attractive, and raises the value of the Rand, reduces the price of imports, and reduces demand for South African goods abroad.

Changes in spending affect how much the economy produces, and this affects employment.

The effects of interest rate changes can take some time to happen – there are time lags before changes in interest rates have an impact on spending patterns, and longer still before they affect consumer prices. It takes up to a year before the output of goods is affected, for instance, and up to two years before consumer prices change.

## Important to understand

### Co-borrowers and guarantors

If you and another person borrow money together, beware: if they stop paying, you will be responsible for the entire debt. Think carefully about being a guarantor for another person's loan; if the borrower cannot repay the debt, you as the guarantor are required to repay the loan.

### Credit report

Your credit report contains information about your credit history, including requests for loans (such as applications for mobile phones and other products), late payments, unpaid debts and any court judgments made against you. Lenders use your credit report to decide whether they will provide credit to you. You can get a free copy of your credit report once a year by requesting from it from the credit bureaux.

## CREDIT

## National Credit Regulator

## Your watchdog when you're borrowing money

The government is getting more strict with companies that lend money to consumers, or sell us things on credit. One reason for this is that consumers' rights have been abused by many unscrupulous lenders in the past.

Among the problems are high interest rates, extra charges added to the loans, not enough information about how the loan agreement works, no proper documentation, and not enough transparency in the whole arrangement.

This has led to many people being blacklisted with credit bureaus, and very few consumers understand how this whole process works – so they don't know how to defend themselves against being abused by this system.

The National Credit Regulator (NCR) has now been set up and, among other things, it will help consumers deal with these sorts of problems. It will regulate South Africa's credit industry, but will also help educate consumers and deal with complaints.

One of the NCR's main tasks is to register all credit providers and credit bureaus, and to make sure that they all obey the new National Credit Act.

If you can't resolve a problem yourself with a credit provider, you

can take the complaint to the NCR. They will mediate in the dispute and try to solve it. If this doesn't work, they can issue a compliance notice or refer the matter to the National Consumer Tribunal.

The tribunal is independent (it is actually separate from the National Credit Regulator), with members appointed by the President. It will hear cases against credit providers that break the law, and will also be able to issue fines. But first, the tribunal will encourage people to use provincial consumer courts, Ombuds and other such agencies.

Credit providers and consumers can also appeal to the tribunal against decisions of the NCR.

How do you challenge credit records and information?

The NCR makes sure that credit bureaus comply with the law when collecting and keeping information on consumers. The National Credit Act says that only certain information may be collected and kept.

If you believe that the information in your credit record is wrong, certain steps must be followed:

- Start by contacting the credit bureau concerned (either Trans Un-

ion ITC or Experian) to raise an objection or lodge a complaint;

- The bureau has 30 business days in which to resolve your complaint;
- If the bureau is unable to resolve the issue, the consumer should refer the matter to the Credit Information Ombudsman (CIO);
- If the CIO can't find a solution, the NCR will intervene on the request of the CIO.

The NCR says that it can't deal with the complaint until the complainant has contacted the credit bureau. Here are the numbers for the credit bureau call centres:

- TransUnion ITC: 0861 482 482
- Experian: 0861 105 665

#### Too deep in debt? You need counselling

From 1 June 2007, debt counselling services will be available to consumers who can't pay their debts. This is being made possible by the National Credit Act, which recognizes that consumers need more (and better quality) counselling to recover from being over-indebted. The law says that debt counsellors must undergo training approved by the NCR.

#### How do you lodge a complaint with the NCR?

- Contact the NCR call centre on 0860 627 627 or send an e-mail to [info@ncr.org.za](mailto:info@ncr.org.za)
- When the complaint is received, it is logged onto the complaints database, and a complaint reference number is generated. You should be given this reference number, as well as information on the complaint officer who deals with your complaint.
- The complaint officer will then contact the complainant to verify the complaint, and to request any further information if necessary. The complaint will then be forwarded to the credit provider. The credit provider is required to respond to that specific complaint, and to provide the NCR with any supporting documentation that may be needed. The NCR normally gives the credit provider 10 business days to respond (this response time may be changed depending on the complaint).
- When a response has been received, the complaint officer will assess the file, and make an objective decision as to whether there has been any contravention by the credit provider. For a simple complaint, this process should not take more than 21 business days. However, complaints may take longer to resolve depending on the complexity of the complaint. Complaints that cannot be resolved by the complaints division, or that are of a serious nature, are investigated and could potentially be referred to the National Consumer Tribunal for a compliance notice. The better the information you can supply to the Complaints Division, the quicker will be the resolution process. Phone the NCR call centre on 0860 627 627, or email [info@ncr.org.za](mailto:info@ncr.org.za)

## TIPS FOR CONSUMERS FROM THE NATIONAL CREDIT REGULATOR: Borrow responsibly and wisely

Consumers find themselves in difficult financial positions at this time of the year when they have to seek credit to cater for essentials such as school fees, transport, rent, uniforms, etc. This is largely because they have failed to plan and exhausted their income during the festive season.

- Only borrow and accept what you need and ensure that you draw up a monthly budget including the repayments and stick to it.
- Remember credit, including loans cost money – make sure that you can afford to repay the loan or credit you have taken out and still meet your necessary living expenses to avoid being caught in a debt cycle.
- Compare interest rates and other costs from different credit providers - Always ask and make sure you understand what the total monthly payment, including insurance and all other charges is. Avoid paying over too many months; it will cost you more in the end.
- Always ensure that you fully understand the different agreements before you take out credit.
- Plan the repayments before you apply for a credit card or overdraft. Also take into consideration the interest and other charges as well as how this will affect your ability to save.



The National Credit Act (NCA) No. 34 of 2005 was enacted in March 2006 and became effective on 1 June 2006. It was implemented in phases, starting with the establishment of the National Credit Regulator and registration of credit providers and credit bureaux. The second phase was the implementation of certain sections of consumer credit information and establishment of the National Consumer Tribunal. The National Credit Act's compliance sections only come into effect on 1 June 2007.

Once implemented it will:

- regulate interest rates, meaning there will be limits on interest charged on different credit products;
- prohibit unfair credit and credit-marketing practices;
- promote responsible credit granting and use and prohibit reckless credit granting;
- in instances where there is over-indebtedness, provide for mechanisms such as debt counseling and debt restructuring;
- regulate consumer credit information held by credit bureaux and investigate related complaints;
- replace the Usury Act of 1968, the Usury Act Exemption Notice and the Credit Agreements Act of 1980;
- ensure consumer rights protection.

For all enquiries and/or complaints consumers can contact the NCR on 0860 627 627 or E-mail: [info@ncr.org.za](mailto:info@ncr.org.za) or visit our website: [www.ncr.org.za](http://www.ncr.org.za)

## CREDIT

# Big changes for credit bureaus

Check that your credit listing is being updated where the National Credit Act requires.

The new National Credit Act (passed in 2006) makes some big changes in the way that credit bureaus can deal with your information. In the past, a company could simply pass your name onto the credit bureau – even without your knowledge – and you could then be ‘black-listed’.

There was no recourse if the information was incorrect, and could even be difficult to find out (a) where your name was black-listed and (b) who had put your name there. Consumers were often kept in the dark about how to resolve the situation, and ended up paying hundreds of rands up-front to

dubious characters who promised to get their names ‘cleared’.

The new law now clamps down on this sort of abuse by placing limits on what a credit bureau can and can’t do, as well as how it does things.

A deadline of 1 June 2007 has been set for credit bureaus to remove certain information about consumers from their database. If you have ‘adverse’ (negative) information on your credit record, you will be interested to see that certain information must be removed by 1 June this year:

- If you have adverse information on your credit record about a debt that was less than R500 on 1 September 2006, then the credit bureau must remove that in-

formation from their database.

- If you have adverse information on your credit record about account that was dormant (where you have made no payment or where there has been no action to enforce payment) on 1 September 2006, then information about that account must be removed.
- If you have a civil court judgement on your credit record on 1 September 2006, there are some cases in which this information must be removed:
- For cases that involve up to R500, the information must be removed (unless you have more than two unpaid judgements

on your record);

- For cases that involve up to R5,000 – this information must be removed if the judgement is older than 18 months (unless you have more than two unpaid judgements on your record);
- For cases that involve up to R50,000 – this information must be removed if the full amount was paid up by 1 September 2006. You just need to show the proof of payment of this debt; a credit bureau can only reinstate that information if your proof is refuted by credible evidence.

To ensure that credit bureaus meet with this deadline, they have to submit an independently audited report to the

National Credit Regulator by 31 August 2007. This report must show, among other things, that all the required consumer information (discussed above) was removed from their databases, and that systems are in place to check the accuracy of the information they receive from credit providers.

### Still having problems? Find out what your rights are:

If you still have problems with a credit bureau, or do not understand exactly what your rights are with regard to your credit listing, then contact the National Credit Regulator on 0860 627 627.

## Blacklisted? Four questions to ask

By Stephen Logan of Logan Attorneys

Every year, well over a million South Africans end up facing legal problems for debts they can’t repay. That’s about one out of every ten employed people.

They will usually all be blacklisted – but not many people know what to do when this happens, or are even aware of the way it can disrupt their lives.

Here are four of the most important questions to ask when you discover you’ve been blacklisted:

- What is the name of the credit bureau where my name appears?
- Which business listed you? (This will be a company that has lent you money, or let you buy something on credit.)
- What type of listing is it?
- What was the date of listing?

Depending on the answer to these questions, you will be able to have the listing removed – or, in the worst case, only amended to reflect that you have paid the debt.

### What credit bureau does the listing reflect on?

It is important to know which credit bureau the listing appears on, as some credit providers only use one or the other when working out whether or not to grant credit. If the listing was only added to your Experian credit record then you may find by shopping around you can get the credit from a credit provider that does not subscribe to Experian’s credit data but only subscribes to TransUnion’s credit data.

### Which credit provider listed me?

If the listing was added by ABSA, Nedbank or FNB, you can usually have the default listing removed as part of a debt settlement negotiation. On the other end of the spectrum, Standard Bank is far less accommodating and will not even consent to the rescission of a judgment when the debt and all collection costs have been paid.

### What type of listing is it?

- A default or adverse information listing comes off after a year if it relates to “slow payer”, “absconded” or reflects other

subjective information.

- It will stay on for three years if it relates to “enforcement” information like “handed over”, “written off” or “repossessed”. This three-year period for enforcement-type listings may soon be made two years if the draft regulations, now being finalized, are made law.
- Judgments stay on for five years unless removed earlier by being set aside by a court. Administration orders can also be set aside and removed before the ten year data retention period.

Fortunately, nowadays once an administration order is set aside, a notice of rehabilitation is not added to your credit record. However, if you have been sequestered (declared insolvent), a notice of sequestration is added for ten years unless you are rehabilitated before that time. Upon rehabilitation, a notice of rehabilitation is added for a five year period.

### What was the date of listing?

The date of listing should be around the time the account went into arrears.

Credit providers often list the account late in order to keep the listing on for longer. If the date of listing in several months or years after the date the account went into arrears, you can apply to have the date changed to reflect the date the account went into arrears. This means that the listing will come off sooner as there will be less time for it to remain on your credit record.

### For more information

[www.loganattorneys.co.za](http://www.loganattorneys.co.za)  
Tel: 011



## CONSUMER TIPS

# NGO Charter

The National Consumer Forum calls upon all other NGOs in South Africa to embrace the charter in order to improve standards and quality of performance.

Consumers International is among a number of leading international non-governmental organisations that publicly endorsed the first global accountability charter for the NGO sector. The charter was launched in London in June 2006.

As an affiliate member of Consumers International, the National Consumer Forum fully supports the charter and calls upon all other NGOs in South Africa to embrace the charter in order to improve standards and quality of performance.

## Respect for Universal Principles

International NGOs are founded on the rights to freedom of speech, assembly and association in the Universal Declaration of Human Rights. We seek to advance international and national laws that promote human rights, ecosystem protection, sustainable development and other public goods.

Where such laws do not exist, are not fully implemented, or abused, we will highlight these issues for public debate and advocate appropriate remedial action. In so doing, we will respect the equal rights and dignity of all human beings.

## Independence

We aim to be both politically and financially independent. Our governance, programmes and policies will be non-partisan, independent of specific governments, political parties and the business sector.

## Responsible advocacy

We will ensure that our advocacy is consistent with our mission, grounded in our work and advances defined public interests.

## Effective Programmes

We seek to work in genuine partnership with local communities, NGOs and other organisations aiming at sustainable development responding to local needs.

## Non-Discrimination

We value, respect and seek to encourage diversity, and seek to be impartial and non-discriminatory in all our activities.

## Transparency

We are committed to openness, transparency and honesty about our structures, mission, policies and activities, including:

- Complying with relevant governance, financial accounting and reporting requirements in the countries where we are based and operate
- Conforming to relevant laws and practices in our regular audit, which will be done by a qualified independent public accountant
- Adhering to generally-accepted standards of accuracy and honesty in presenting and interpreting data and research

## Good governance

We will have a clear mission, organisational structure and decision-making processes; by acting in accordance with stated values and agreed procedures; by ensuring that our programmes achieve outcomes that are consistent with our mission; and by reporting on these outcomes in an open and accurate manner.

## Ethical fundraising

- Donors – we respect the rights of donors: to be informed about causes for which we are fundraising and to be informed about how their donation is be-

ing used.

- Use of donations – we will accurately describe our activities and needs when raising funds, and will ensure that donations further our organisation's mission.
- Gifts in kind – some donations may be given as goods or services, so we will publish details of these and ensure that these gifts contribute towards our mission.
- Agents – When we seek donations through third parties, these will be solicited in full conformity with our own practices.

## Professional management

We manage our organisations in a professional and effective manner. Our policies and procedures seek to promote excellence in all respects, including:

- Financial controls – to ensure that all funds are effectively used
- Evaluation – to continuously improve our effectiveness
- Public criticism – to be responsible in our public criticisms of in-

dividuals and organisations, ensuring such criticism amounts to fair public comment.

- Partners – ensuring that our partners also meet the highest standards of accountability
- Human resources – we are committed to investing in our staff and volunteers, striking a balance in our remuneration between public expectations of voluntary-based, not-for-profit organisations and the need to attract and retain the staff we need to fulfil our mission.
- Bribery and corruption – we will specifically prohibit acts of bribery or corruption by staff
- Respect for sexual integrity – we condemn sexual exploitation, abuse and discrimination in all its forms
- Whistle-blowers – staff will be enabled and encouraged to draw management's attention to activities that may not comply with the law or our mission and commitments

## Use a budget to control your finances and lead a better life

Budgeting is a priority for all consumers and should be regarded as an integral part of everyone's Financial Plan.

It is the beginning of the new year. For many consumers, this is the first opportunity to be able to identify and manage income, expenses and goals – an important tool for consumers to start controlling their finances and leading a better life.

Without it, it is difficult to imagine anyone making an informed decision in the market-place that will enhance his or her financial well being. It is difficult without a budget to avoid pitfalls such as increased debt, 'black listings', garnishee orders, repossessions and expensive micro-loans.

Consumers struggling with debt can also benefit from budgeting. They can get rid of debt quickly if they are honest with what they owe and the budget will help determine how much they have to pay every month.

How do I start a budget?

- Establish your sources of income
- Track your expenses for at least two months before creating the budget
- Be realistic. It is always advisable to have third party assistance if you are doing this for the first time
- Remember that for the budget to work for you, you need to be strong and disciplined

Writing your budget

Your budget should include the following sections: monthly income, monthly fixed expenses and monthly variable expenses.

In writing your budget, create a table with three columns:

- In column 1 you write down the amount of money you receive

every month, e.g. salary, pension, investments, government benefits etc.

- Column 2 will contain information about your fixed expenses such as rent / bond, car / trans-

port payments, insurance etc.

- In column 3 you write down expenses such as groceries, utilities, telephone, clothing etc.

What to do next?

Add up your monthly expenses and compare with your total monthly income. Check if your expenses are more than your total monthly income. Ask

yourself if there are areas where you can cut back on your expenses:

- Can you pay more to get rid of debt quickly?
- Can you put more into your savings and insurance such as life cover, retirement and etc?

Consumer Fair will be providing more tips on budgeting in the next issues.

### Example - Writing your budget

Monthly income	Fixed expenses	Variable expenses
Salary: R7 760	Bond: R1 900	Groceries: R 1000
Rental income: R1 500	Student loan: R500	Petrol: R800
Special pension: R740	Vehicle loan: R1200	Telephone: R350
	Insurance: R450	Utilities: R600
	Medical: R650	Entertainment: R300
	Savings: R500	Clothing: R400
	Credit card: R500	
	Other debt: R750	
Total: R10000	R5200	R4700

# NGO Accountability Charter

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The first global accountability charter for the NGO sector was launched in London in June 2006.

Consumers International, of which National Consumer Forum is a member, is a signatory to the charter.

## **1** Respect for Universal Principles

## **2** Independence

## **3** Responsible advocacy

- 4 Effective Programmes**
- 5 Non-Discrimination**
- 6 Transparency**
- 7 Good governance**
- 8 Ethical fundraising**
- 9 Professional management**

FOOD

# Food prices push up inflation

Every three months, the National Agricultural Marketing Council (NAMC) reports on the prices of 75 food products. These days, their reports bring disturbing news: the prices of many basic foods, particularly maize meal and meat, are going up drastically.

Nobody can avoid buying food, so this kind of inflation hits everyone – especially poorer consumers and those affected by HIV/Aids. The NAMC said that the retail prices of maize meal went up by 35%, and beef by over 25% in the year from July 2005 to July 2006.

Statistics South Africa, the government department that researches and keeps track of all the country's important facts and figures, gives a monthly consumer price index (CPI) which measures the cost of living. Stats SA also gives a more specific CPI which measures just food: this showed a 7.5% increase for the year up to

July 2006, 8% for August, 8.5% for September and almost 10% for October.

According to the NAMC, foods that increased in price by more than 6% (the inflation target set by the Reserve Bank) were:

- Super and special maize meal (35%)
- Brisket beef (28%)
- Stewing beef (30%)
- Lamb chops (27%)
- Beef mince (21%)
- King korn (17%)
- Pilchards (15%)
- Apples (17%)
- Oranges (10%)
- Potatoes (10%)
- Frozen beans (9%)
- Tomatoes (9%)
- Plain macaroni (8%)
- Cooking oil (7%)

Foods that decreased in price included:

- Pork chops (-23%)
- Skimmed milk powder (-18%)
- Cheese (-12%)
- Coca cola (-11%)
- Frozen peas (-10%)
- Frozen corn (-10%)
- Strawberry jam (-10%)
- Long life milk (-6%)

Maize meal

Over the past year, maize meal prices increased by 35%. "This is an extremely large price increase for a product considered to be a staple food for the majority of the South African population," reported the NAMC.

Bread

Both white and brown bread prices continue to increase year on year. White

bread increased by 2.8% and brown bread increased by 5.4% year on year July.

Beef and Poultry products

On average, fresh beef products prices increased by 26% year on year at the retail level. The increase in the price of beef is largely due to the increase in weaner and grain-fed carcass prices which increased by 35% and 26% respectively year on year. This increase is mainly because of a shortage of livestock due to fewer imports from Namibia, and farmers holding back stock to increase herd sizes.

Whole fresh chicken prices increased by 4.5% while frozen chicken prices decreased by 2.4%. The increase in fresh chicken prices is likely due to the increased feed cost as maize constitutes the main component of poultry feeds.

Dairy products

Dairy prices displayed some "interesting" price changes, according to the NAMC. Fresh milk prices increased while cheese, butter, UHT milk and skimmed milk powder all decreased.

"It is unclear why fresh milk prices increase while processed dairy prices follow a decreasing price trend as does the price of raw milk paid to farmers," said the NAMC. Could this have something to do with the alleged collusion between big dairy companies like Clover, Parmalat and Nestle (see story in this edition).

For more information ...

For more information on the Food Price Monitoring Committee, go to the National Agricultural Research Council website at [www.namc.co.za](http://www.namc.co.za) and click on 'Published Reports'.

## THE TABLES BELOW SHOW THE PERCENTAGE IN PRICES BETWEEN JULY 2005 TO JULY 2006.

Percentage change

Wheat Products Jul-05 to Jul-06

Bread - White Sliced	2.8%
Bread - Brown Sliced	5.4%
Flour 2.5kg	-2.5%
Spaghetti Plain 500g	6.1%
Macaroni Plain 500g	8%
Average	3.9%

Percentage change

Maize Meal Jul-05 to Jul-06

Maize Super 5kg	35.7%
Maize Special 5kg	35.2%
Average	35.5%

Percentage change

Sunflower Products Jul-05 to Jul-06

Cooking Oil 750ml	7.1%
Medium Fat Spread 1kg Tub	-0.9%
Margarine 500g Brick	5.3%
Average	3.8%

Percentage change

Processed Vegetables Jul-05 to Jul-06

Beans in Tomato Sauce 420g	-6.9%
Butter Beans in Brine 410g	3.2%
Chopped Peeled Tomato 410g	0.1%
Tomato & Onion Mix 410g	0.3%
Canned Peas 410g	0.2%
Frozen Green Peas 1kg	-9.9%
Frozen Baby Carrots 1kg	3.6%
Frozen Corn 1kg	-10.1%
Frozen sliced beans 1kg	8.8%
Average	-1.2%

Percentage change

Fresh Vegetables Jul-05 to Jul-06

Carrots 1kg Pack	-0.3%
Onions 1kg Pack	-0.6%
Potatoes BS-7kg	9.9%
Tomatoes per kg	8.54%
Sweet Potatoes 1kg	3.12%

Average

Red Meat and Chicken Jul-05 to Jul-06

Meatballs in Gravy 400g	2.20%
Picnic Ham 300g	-0.78%
French Polony 1kg	-3.24%
Rind less Back Bacon 250g	4.07%
Streaky Bacon 250g	4.6%
Pork Chops per kg	-23.3%
Lamb Chops per kg	26.5%
Boerewors per kg	-5.0%
Brisket per kg	27.5%
Beef Mince per kg	20.9%
Beef Stewing per kg	30.2%
Chicken - Whole Frozen	-2.4%
Chicken - Whole Fresh	4.4%
Average	6.5%

Percentage change

Dairy and Eggs Jul-05 to Jul-06

Average	1.9%
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Butter 500g

Butter 500g	-5.1%
Cheese - Cheddar	-11.8%
Fresh Milk Full Cream 2l	1.3%
Fresh Milk Low Fat 2l	1.6%
Fresh Milk Low Fat 1L Sachet	3.4%
Fresh Milk Full Cream	3.3%
1L Sachet	3.3%
Skimmed Powder Milk 1kg	-17.5%
LongLife Milk Full Cream 1L	-6.2%
Eggs 30's	5.9%
Average	-2.7%

Percentage change

Fruit Jul-05 to Jul-06

Sliced Peaches 410g	-4.5%
Pears Halves 410g	0.2%
Strawberry Jam 450g	-9.5%
Apricot Jam 450g	-0.7%
Granny Smith Apples 1.5kg	16.5%
Orange 2.5 kg	9.7%
Average	1.9%

Percentage change

Fish Jul-05 to Jul-06

Pilchards in Tomato 425g	14.7%
Tuna Shredded in Brine 170g	-2.9%
Average	5.9%

Percentage change

Other Jul-05 to Jul-06

King Korn 1kg	16.7%
Jungle Oats 1kg	-2.5%
Cornflakes 750g	5.7%
Rice Crispies 400g	4.7%
Sugar 2.5kg	6.9%
Rice 2kg	5.4%
Ricoffy Reg 750g	-1.7%
Glen Tea 100's	1.7%
Coca Cola Regular 2l	-11.1%
Peanut Butter Smooth 410g	0.0%
Soya Mince Tomato & Onion	0.1%
Average	2.3%



## FOOD

# Are we being milked?

One of the important things that government has to do to keep prices from rocketing, is to ensure that there is competition in the marketplace. Without proper competition from other businesses, companies would keep their prices high to make more profit.

Most modern economies, therefore, have a government agency to police the market and ensure that businesses do not strike secret agreements with each other to keep prices high. The agency we have for this purpose, the Competition Commission, recently found evidence that a number of dairy companies were involved in price-fixing. It has passed the case on to the Competition Tribunal for further investigation and – if necessary – prosecution.

The companies involved are:

- Clover
- Parmalat
- Nestle
- Ladismith Cheese
- Woodlands Dairy
- Lancewood
- Milkwood Dairy

The Competition Commission said it had been investigating the companies since February 2005. If found guilty, they could be fined up to 10% of their turnover.

The commission said that Clover, Parmalat and Nestle had exchanged sensitive information on procurement of raw milk, and had entered into long-term supply and exchange agreements to sell surpluses to each other.

It also said that Clover and Parmalat had abused their dominant market positions to compel raw milk producers to sell them their total milk production. This meant that surpluses could not be sold at lower prices or directly to consumers. This prevented smaller milk producers and distributors from entering the market.

The commission also found that Clover, Parmalat and Woodlands worked together to remove surplus milk from the market, which reduced the supply and kept prices artificially high. This was an indirect form of price-fixing.

Clover applied for leniency from the commission, but Nestle argued that it had done nothing wrong.



# New standards to make your food safer

**Infected food is causing so many cases of illness that countries across the globe – including South Africa – now have to improve the standards of health and food safety.**

The problem is severe in not only developing countries, but developed countries as well. In the United States, 76 million people are affected by food-borne illness, 325 000 people are hospitalised and 5 000 die from food-related diseases each year.

Apart from the health hazards, food-borne illness can cost countries a fortune in medical treatment, absence from work, insurance payments and legal compensation.

Standards for food safety are therefore vitally important – particularly ISO 22000, the latest international standard in this field. Without a standard requirement for food safety, food providers in different countries will not know what safety measures to put in place, especially when they want to export or import food.

“The growing number of national standards for food safety has generated the risk of uneven levels of food safety, led to confusion over requirements, and increased the cost and complication for suppliers that find themselves obliged to conform to multiple programmes,” said Mariana Marneweck, manager of Food and Health Standards at the South African Bureau of Standards (SABS).

So ISO 22000 has become that international standard, allowing standards to be harmonized across the globe. In

South Africa, it has been adopted and published as SANS 22000. Food safety management systems – Requirements for any organization in the food chain in South Africa.

As food safety hazards can enter the food chain at any stage, adequate control throughout is essential. The ISO 22000 standard can be applied to a range of food-related organizations, including:

- feed producers
- primary producers
- food manufacturers
- transport and storage operators
- retail and food service outlets
- producers of equipment, packaging material, cleaning agents, additives and ingredients



## Bakers – why is brown bread not 14% (or more) cheaper than white?

Brown bread is cheaper to make than white, and you don't pay VAT on brown bread – so it should be at least 14% cheaper at the till.

But it is not, according to the National Agricultural Marketing Council, which monitors food prices. In fact, brown bread was only 6% cheaper than white bread in May and June. In other words, if VAT was levied on brown bread, it would now be more expensive than white!

This is despite the fact that you can produce 2,280 loaves of brown bread from one ton of flour and only 2,135 loaves of white bread from the same ton of flour.

Are the poor being exploited – and government efforts to safeguard food security being undermined?

## Previous food price crisis

The last time food prices increased drastically was in 2001-2002, causing severe problems for the poor. This crisis led the government to act, increasing old age pensions by R20 from R620 to R640 and the Child Support Grant by R10 from R130 to R140. It also appointed a Food Price Monitoring Committee to watch food prices, to monitor all the price mark-ups put on food at each step in the supply chain, and to make the public more aware of these prices and how they are marked up. In addition, government encouraged the Competition Commission to continue monitoring and clamping down on any price collusion along the food supply chain (see article in this edition on collusion between dairy companies).

### For more information ...

For more information on the ISO 22000 food safety standard, contact Mariana Marneweck at the SABS, telephone (012) 428 6629, fax (012) 428 6368 or email marnewm@sabs.co.za

LAW



# Consumer Protection Bill

Olivia Davids, Financial Services Board

Building consumer confidence through education

The proposed new law to protect consumers – currently called the Consumer Protection Bill of 2006 – will hopefully boost efforts to educate consumers about their rights.

There are three closely-linked factors in the implementation of consumer rights:

- consumer protection laws;
- information and awareness; and
- consumer education.

The need for comprehensive consumer protection legislation is clear. There are more than 70 separate pieces of consumer protection legislation in South Africa. These pieces of legislation are spread among various government departments and regulators.

To complicate matters, some departments share the responsibility for regulating different aspects of one particular product or service. This creates gaps in the legislation protecting consumers. But it is also impossible to have one piece of legislation to properly address the issues contained in 70 laws. However, it is possible for a national regulatory agency to play a coordinating role in referring complaints to the appropriate entities and to ensure the necessary follow up.

Despite the good intentions of our law-makers, without a coordinating mechanism and strategy, consumers are left unprotected. The FSB hopes that the implementation of the new consumer protection legislation will contribute towards consumer protec-

**There is a responsibility attached to this right which requires suppliers and consumers to provide accurate and truthful information.**

tion through education.

Consumer education and the Consumer Protection Bill

In the preamble of the Bill, consumer education is seen as education about the environmental, social and economic effects of consumer choices. This is in line with the provisions of the United Nations Guidelines for Consumer Protection.

The Bill also describes consumer education as:

- Improving consumer awareness and information and encouraging responsible consumer choice and behaviour; and
- Promoting consumer confidence and empowerment, and the development of a culture of consumer responsibility through individual and group education, vigilance, advocacy and activism.

The National Consumer Commission (NCC), one of the regulatory bodies that the new law will establish, will share the responsibility for consumer education.

Implications for consumer education

The aim of educating consumers is to provide information and opportunities for gaining knowledge about their rights, responsibilities, products and services. Very importantly consumer education can only be truly successful

if it equips consumers with the skills to make effective decisions in the market place. The Consumer Protection Bill 2006 addresses its protective measures in terms of consumers' rights.

Right to disclosure or information

There is a responsibility attached to this right which requires suppliers and consumers to provide accurate and truthful information. For example, consumers need to provide truthful information when submitting insurance claims. There are short-term insurance cases in which consumers have embellished the value of items for which they are claiming, or in the case of life insurance have omitted to disclose a particular habit or illness.

Consumers need to be informed about the effect of non-disclosure. Similarly, product and service providers also need information and education about the negative effect of non-disclosure on the effective decision-making ability of consumers.

Consumers need to know that they have a right to ask a supplier for some form of identification in terms of company registration. If they are dealing with an individual, they can ask to see an identity document. The purpose of this right is for the consumer to know with whom the consumer deals, so that if a problem arises, this information will help the complaints process.

Consumers also need to know that

dealing with unregistered suppliers is risky. They also need to know where to find information about whether or not particular companies are registered. The Bill further gives consumers the right to information in an official language, as well as in plain understandable language.

Right to fair and responsible marketing and promotion

The Bill says that suppliers are not allowed to advertise a product without having enough stock; they may not advertise a product just to get consumers into the business place to look at buying other (usually more expensive) items. The supplier must tell the consumer of any additional products and services and the consumer must agree upfront to these.

Right to honest dealing and fair agreements

Consumers need to know about misleading or deceptive advertising, unfair transactions (such as selling goods that are unsuitable for their intended use), unlawful consumer agreements with minors or mentally unfit persons), as well as unfair contract terms and fraudulent schemes (such as pyramid schemes).

The Bill gives consumers a right to be heard and obtain redress. It gives a rough sketch of the routes open to the consumer for dealing with complaints.

The new law will allow a consumer to:

- Attempt to settle the dispute with the supplier.
- Apply to the provincial consumer court.
- File a complaint with the National Consumer Commission (NCC).
- Approach another court with jurisdiction on the matter.
- Approach a recognised ombud scheme.
- Approach a provincial consumer protection authority.
- Approach a consumer protection group to assist with mediating the dispute.
- The consumer and supplier may also apply to the National Tribunal for adjudication of the dispute.

Role of civil society

It is important for the consumer to know that consumer protection organisations will be able to apply to the NCC for accreditation. This is to ensure that organisations are indeed representing the interests of consumers and are practicing good corporate governance. It will also give the NCC a database of consumer organisations to disseminate important information or to invite inputs on particular topics.

The NCC will consider working with accredited consumer organisations in consumer advice, education activities and publications. The new Act not only addresses consumers' rights, but also provides for the establishment of the NCC. All this will help to build consumer confidence through added protection and will highlight

# Getting more stokvels to invest

South African Association of Investors (SAAI) works to improve the knowledge and capacity of consumers by demystifying the investment sector; this, it is hoped, will get more people involved in the economic mainstream.

Its latest project is aimed at stokvels – savings clubs that collect from members and pay out at a certain time of year or for a special occasion.

“There is a need to promote a culture of investing in the mainstream economy, as well as to ensure the sustainability of locally grown “traditional” forms of investment, such as, Stokvels and burial societies,” according to the SAAI. To do this, people should be trained to find the most appropriate financial product for their purposes.

The group tries to remove the mystery and fear about investments, encourag-

**Stokvels: savings clubs that collect from members and pay out at a certain time of year or for a special occasion.**

ing direct investment in the local economy by small businesses and historically disadvantaged individuals.

“Our main drive for 2007 is to reach as many stokvel members as possible,” says the SAAI. “We will be running a roadshow called Power in the

Collective, aimed at stokvels, on Saturdays from 3 February to 24 March at local community halls in Soweto and Alexandra.”

While all these activities will be only in the Gauteng region, it is hoped that they will reach other provinces with time.

Find out more about the SAAI 2007 Stokvel Drive

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## HEALTH

# Bringing down the cost of medicines

## How was the dispensing fee for pharmacies worked out?

Last year, government finally announced its new dispensing fee for pharmacists. It is hoping to bring down the cost of medicine by controlling the price at every step between the factory and the consumer.

The dispensing fee means that pharmacists can only add a certain fee to the price of medicine when they dispense it to the consumer. But many still complain that this fee is not enough to keep them in business.

So how did government work out what the price should be? Anso Thom of the Health-e News Service put this question to University of Cape Town's Professor Di McIntyre, chair of government's Pricing Committee – the committee that had to advise government on what this dispensing fee should be. The article below is an edited version of her interview.

The medicine dispensing fee for pharmacies is a highly contentious topic, with pharmacists claiming that they will not be able to survive if they stick to the numbers put forward by government. Professor Di McIntyre, one of the top health economists in Africa, had the sticky task of chairing the government's Pricing Committee which recommended the new dispensing fees and has been tasked with devising a number of measures to reduce the cost of medicine.

**Health-e: How did you get to the dispensing fee structure that is now on the table? What did you include in your calculations?**

We wanted to find out how much it costs to run the dispensary part of a pharmacy, excluding the front shop. We got information from a range of sources on the rent, salaries of pharmacists, and so on. The health department conducted a survey among pharmacists, we got information from the organizations representing pharmacists, and we even phoned suppliers asking them – for example – how much it costs to install the shelving where the medicine is stored.

We included recurrent and capital costs. We knew that a lot of these costs would be incurred even if there was no front shop for example air conditioning, refrigeration, employing a pharmacy assistant, a pharmacist and so on. One hundred percent of these costs were included. But then there are costs that are shared with the front shop such as rent, and electricity and those were apportioned. So in the end we included all costs related to dispensing plus we included a return on investment or profit component.

We then calculated an average dispensing fee per item. We even conducted time and motion studies to see

the average time it takes to dispense an item and spoke to pharmacists to get their input on the time they took.

**Health-e: What impact are you hoping this will all have on the man in the street?**

When we made our first recommendations on the dispensing fee of R26 or 26%, it was never fully implemented because of the court case. Some pharmacists charged the R26/26 percent while others just continued to operate in the way they have been doing.

Many, many pharmacies continued charging whatever they liked using old mark-ups of anything between 35 and 50 percent plus. For consumers who have been using these pharmacies the cost of their medication will come down. Those who have been using the pharmacies that have been charging the R26/26 percent may end up paying a bit more.

But we are expecting many pharmacies not to charge the maximum dispensing fee, even though they are entitled to. We are aware of medical schemes that have established contracts with pharmacies to levy a 26 percent/R26 fee so shopping around may produce additional savings.

**Health-e: The pharmacists are claiming that more than 60% will go out of business. What is your response to these claims?**

These estimates are based on the status quo, what pharmacists are currently getting. So what they have done is estimate the income pharmacists will get under the new fee, and subtract from that everything that pharmacists

are currently claiming as expenses and their current profit levels – any pharmacy where this income won't cover what they currently have as expenses and profits is taken to mean the pharmacy will go out of business.

The assumption is that it doesn't matter if the pharmacy has been operating inefficiently – such as employing 3 pharmacists when the volume of items dispensed only warrants 1, or been renting large, expensive premises when there are two other pharmacies within a few hundred metres away from you – or if the profit levels of the pharmacist have been 30% or even more. It is simply assumed they will go out of business. This does not need to be the case – there is lots of space for reducing expenses and we believe that

the return on investment built into the fee is a fair one.

**Health-e: The dispensing fee you have recommended is a complex structure. How are consumers going to calculate what they should be charged?**

A: It is complex, but we had to make sure we safeguard pharmacists' income. We have asked pharmacies to put up notices with the maximum fees and we will also be putting the information on the Department of Health website. From now on, pharmacists will be expected to provide consumers with an invoice which separately states the single exit price (the manufacturer's price and distribution fee) and the dispensing fee.

**Health-e: What recourse do consumers have if they do not agree with the pharmacy calculations?**

They should contact the Department of Health (Directorate of Pharmaceutical Economic Evaluation) who will be able to check if the correct amount has been charged. They can check that no more than the single exit price and maximum dispensing fee has been charged.

**Health-e: Why the separation between the Single Exit Price and the dispensing fee?**

In terms of the regulations, they have to be separately stated, and this is to ensure that any other costs cannot be concealed. The consumer will not need to pay for anything else (such as sending the claim to the medical scheme, or administration fees).

It is the same fee whether an item is on prescription or being purchased over the counter (schedule 1 and 2 medicine). For Schedule 0 medicine, there will be no dispensing fee. So, consumers are entitled to ask advice on what medicine to take for a particular health problem, how it should be taken and so on, without being charged an extra fee for the consultation. The only separate fee that is allowed to be charged is a delivery fee, but pharmacists are of course entitled to not charge for this service.



For more information...

[www.health-e.co.za](http://www.health-e.co.za)

### What and why of "international benchmarking"?

"I was in Australia recently and I had forgotten to get a script made out for my medication. I bought the medicine in Australia and paid only one third of what I pay for the identical medication here. It seems unacceptable that in South Africa we pay more than that one would pay in a developed country. We simply want to ensure that South Africans are not paying more for their medication than people in other countries that have medicine regulations."

**Which countries does SA compare itself to?**

"We selected countries that also had a good regulatory framework in terms of quality, safety and appropriate pricing. We also had to make sure that these countries have a regulated price so that the price we use is a 'true price'. The four countries that met these criteria were Australia, New Zealand, Spain and

Canada."

**Why not middle-income countries such as Brazil and India?**

"They did not fulfill the regulatory criteria. Also, the majority of those who use private pharmacies in South Africa have income-levels similar to those in higher income countries. It is worth remembering that SA is unique in terms of its health system and regulatory structure, and there is no country that fits all of our characteristics."

**How will international benchmarking work?**

"We will obtain the manufacturer price in Australia, Canada, New Zealand, Spain and South Africa for each branded medicine sold in South Africa. This will be easy because it will be the same companies providing medicines to the various countries. We will get their headquarters

to report this information and this price will then be converted it into South African Rand using the exchange rate. The price will be exclusive of VAT. We will then look at which of these prices is the lowest and that is the one that will be adopted in South Africa."

**What are we hoping to achieve with international benchmarking?**

"We are expecting considerable decreases in the price of many medicines. In some instances, we find our prices comparable, but in many instances the South African price is significantly higher. The Pricing Committee is one hundred percent committed to introducing benchmarking. It would have been introduced long ago if we didn't have to contend with the court challenge from pharmacists who were challenging all the regulations."

After all of the regulations have been

implemented, do you believe the man in the street is going to see and feel a difference?

"Yes, those consumers who pay cash for their medicines they will immediately see a difference. Medical scheme members are less conscious of prices as their scheme pays the pharmacist, but they will find that their annual acute and chronic medicine allowance is going to last longer."

"Spending on medicines by medical schemes will drop, but it may not mean that medical scheme contributions will drop – as we have seen increases in the costs of private hospitals and specialists, for instance. To date, the pricing regulations have produced a 22% reduction in medicine prices. This does not include the benchmarking plans, which should mean a further saving for the consumer."

## HOUSING

# House buyers left unprotected by old law

An outdated clause in a law passed in 1981 is denying consumers the right to change their minds when buying a house, according to the National Consumer Forum.

The consumer rights group has pointed out that the right to a five-day 'cooling off' period - provided by the 1981 Alienation of Land Act - is limited to transactions of less than R250,000. During this period, the law allows a buyer to pull out of an agreement they have signed to buy a property. This amount has not been updated

## It appears that many estate agents are not telling their customers about provisions in the law, and whether it applies to them or not.

since the Act was passed, and has become completely unrealistic in the face of rising property prices.

"The limit of R250,000 should be scrapped altogether," says Thami Bolani, chairman of the NCF. "There is no reason why consumers' rights should be limited by the size of their purchase."

He says it is surprising that the law was amended in 1998 without any attention being given to the R250,000 limit. According to the law, this amount can be raised by the relevant government minister, to counter the effect of inflation. However, says Bolani, this has not been done.

"The result is that the law is rendered virtually pointless," he says. "Rising

property prices over the past two and a half decades - and particularly over the last few years - mean that there are fewer and fewer properties being sold for under R250,000."

Bolani states that most consumers are not clear about the application of the cooling off period, and more education needs to be done in this regard. He says it appears that many estate agents are

not telling their customers about this provision in the law, and whether it applies to them or not.

not telling their customers about this provision in the law, and whether it applies to them or not.

The purpose of a cooling off period is to give consumers time to consider the implications of their offer to purchase. This is important when the purchase is large and consumers need time to make sure they can afford it, or when their purchase has been influenced by a salesperson.

That way, the seller can always line up alternative offers in case the first offer is revoked.

The cooling off right is an important aspect of any purchase agreement or offer to purchase. As such, estate agents are obliged to explain what this means to both the buyer and the seller. According to the Estate Agency Affairs Board's Code of Conduct, this explanation must include:

- The fact that the buyer has the right to revoke their offer or terminate the sale agreement within five days of signing it;
- How and by when the buyer must exercise the cooling off right if they wish to; and
- The fact that the offer or sale agreement will not bind either party if the buyer follows the correct procedure in revoking the offer or agreement.



The cooling off period does not necessarily prejudice the seller of the property, as a contract can allow the seller to carry on showing the house to other prospective buyers during this period.

### More information

Mr. Sello Khumalo  
Estate Agency Affairs Board  
Tel: 011 731 5614  
E-mail: [sello@eaab.org.za](mailto:sello@eaab.org.za)  
Website: [www.eaab.org.za](http://www.eaab.org.za)

## CONSUMER TIPS FROM ABSA



Venete Klein  
Executive Director  
Absa Retail Banking

### ESCAPE THE DEBT TRAP

The ability to buy on credit presents financial freedom and flexibility, but many consumers fall in the trap of overspending and they acquire expensive lifestyles that are simply not affordable. Unfortunately it is virtually impossible to live debt-free in today's world, and it is therefore necessary to control your debts and avoid financial difficulties.

At Absa we promote healthy financial decisions and have compiled a few useful guidelines to help you escape the debt trap and manage your credit effectively.

#### • Reduce your short-term credit repayments

It is advisable not to pay more than 30% of your income on short-term debt. Draw a clear distinction between real needs and wants, and don't be lured into the temptation of overspending during the festive season. Make informed decisions before buying and remember that loans always seem more attractive when you are in debt.

#### • Avoid feeding debt with more credit

By taking out one loan to pay off another, you are subjecting yourself to double interest rates. If you pay more than the minimum amount in time each month, you will pay less interest on the outstanding balance.

#### • Draw up a budget that is working for you

Start by drawing up two separate lists: one for your needs, the other for your wants. The next step is to prioritise your needs - highlight your

most important needs clearly. To work out a realistic, workable budget, follow the steps below:

- Step 1: List your fixed costs and expenses (mortgage repayments, school fees, etc).
- Step 2: List your variable or changing costs (water and electricity, telephone bills, etc).
- Step 3: Add your total fixed expenses to your total changing expenses and determine your total expenses.
- Step 4: Subtract your total monthly expenses from your monthly income. If your expenses are more than your income, you should re-evaluate your variable costs and cut down where you can. The ideal is to limit your expenses and put a fixed amount towards saving each month.

With these practical tips in mind, you can take the first steps to effective financial planning and escape the claws of uncontrollable debt. By planning and buying responsibly today, you are securing your financial future.

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WORLD

# Renewed efforts to get US to sign tobacco treaty

With the shift of power in the US Senate and Congress, the Bush Administration is under fresh pressure to join 142 other nations in ratifying the global tobacco treaty.

The administration signed the global tobacco treaty over two years ago, but has not yet submitted it to the Senate, a key next step in the ratification process.

"This first-ever public health treaty protects more than 75% of the world's population, yet our government is still waiting on the sidelines," according to Patti Lynn of US lobby group Corporate Accountability International.

"We're calling on incoming Senate

Foreign Relations Committee chairman Senator Joseph Biden to take the initiative in moving us forward toward ratifying the global tobacco treaty. As chairman of this committee, Senator Biden has greater leverage in calling on the Bush Administration to submit the treaty to the Senate.

According to Corporate Accountability, tobacco is the leading cause of preventable death in the world, killing more than five million people each year. "It is time that the US government ratifies this important public health treaty that would regulate the reach and influence of global tobacco companies," said Lynn.

Democrat Senator Dick Durbin said: "When it comes to international health issues, you would think the United States would want to be in the first rank of nations to approve this convention, but for reasons I cannot explain the Bush Administration will not even send this treaty to Congress for consideration."

**For more information**

Visit the Corporate Accountability International website at [www.stopcorporateabuse.org](http://www.stopcorporateabuse.org)



# Politics for people, not profits



## To build a better world, regulators and policymakers must be free to protect people and the environment without business interference.

US group calls for better standards of political conduct for big business

Big companies often cause serious harm to consumers and the environment around the world, and get away with it because of their political influence.

A lobby group in the United States – Corporate Accountability International – has launched a campaign calling for higher standards of political conduct among big companies.

According to the group, these companies often use their political influence to block the work on public protectors (agencies that act on behalf of the consumer), and to promote policies that help them make money – at the expense of the public good.

expense of the public good.

"Transnational corporations in particular, operate worldwide without limits on their power and influence," said Corporate Accountability. "To build a better world, regulators and policymakers must be free to protect people and the environment without business interference."

Corporate Accountability has set these standards for how big companies should operate in the political arena, so that they help create a safer, healthier and more democratic world.

The standards, they say, will raise awareness of how corporate political influence harms people and the environ-

ment; they should also help to protect workers, consumers and people in communities where corporations operate.

"Unlike voluntary corporate codes of conduct, which are often designed by the corporations to serve public relations purposes or to avoid independent regulation, these standards set a high bar for corporate conduct and are independent from corporate influence," said Corporate Accountability.

**For more information**

Visit the Corporate Accountability International website at [www.stopcorporateabuse.org](http://www.stopcorporateabuse.org) or email them at [info@stopcorporateabuse.org](mailto:info@stopcorporateabuse.org)

## Politics in the public interest: Standards that business must meet

- **Lobbying:** Corporations must fully and publicly disclose all lobbying activities around the world, including their lobbies through trade associations and public relations campaigns.
- **Political contributions:** Corporations must end financial contributions to political candidates, parties and referenda worldwide.
- **Political access:** Corporations must not trade favours with or buy access to local, national or international public officials.
- **Safeguards:** Corporations must follow the precautionary principle and must not interfere in the development or implementation of global, national or local policies affecting human rights, health or the environment. Corporations must also require their subsidiaries and suppliers to abide by such policies.
- **Independent oversight:** Corporations must respect the independent authority of and refrain from 'partnering' with institutions that set standards affecting their business.
- **International institutions and agreements:** Corporations must accept policies that protect people, human rights and the environment and must not use trade agreements or governing institutions (such as the World Trade Organization) to pre-empt such policies or use them for private gain.
- **Local control:** Corporations must honour local control over natural and financial resources.

INFO & ADVICE

# Yini ama Consumer Rights?

**Njengoba siqale unyaka omusha, sibonile ukuthi ngesikhathi sika December ku Radio, ku TV nase maphephandabeni bekukhulunywa kakhulu ngama consumer rights noma amalungelo abathengi. Lezinkulumbo bezigxile kakhulu kuzinto eziphathelele nokuthenga ngesikhathi sikakhisimusi nokutholakala kwezimali kalula zokubolekwa.**

Yini khona lokhu? Lamalungelo aqala okokuqala ngesikhathi uMongameli waseMelika u Mnuz JFK Kennedy ememezela ukuthi izwe lakhe lizoqala livikele amalungelo amane abathengi ukuze bonke abantu uma bethenga imithi, ukudla, izinto zasendlini kanye nokunye bathole izinto eziphephile kanti futhi ezizezingeni elivumelekile emthethweni.

Lamazwi uMnuz JFK wawakuhluma ngesikhathi enza inkulumbo yakhe phambi kuka Khongolose waseMelika ngomhlaka March 15 1962. Wabe esememezela amalungelo amane okuqala abathengi.

Lenkulumbo ka Mnuz JFK yabangela ukuthi kuqale ngamandla umkhankaso wokuvikela amalungelo abathengi wonke umhlaba. Lomkhankaso wawuholwa inhlangano esibizwa njengamanje ngokuthi iConsumers

International noma iCI, esihlanganise izinhlangano ezingaphezu kuka 260 emazweni angu 120. ICI yasungulwa ngonyaka 1960 kanti ikomkhulu layo lise Ngilande.

Umsebenzi we CI waholela ekutheni inhlangano yezizwe iUnited Nations ithathe isinqumo ngo March 15 1985 sokuphasisa umthetho womhlaba wokuvikela amalungelo abathengi owabizwa ngokuthi iUnited Nations Guidelines on Consumer Protection. Lomthetho waphinda wabukezwa ngonyaka ka 1999, wenziwa waqina kakhulu. Wonke amazwe omhlaba agunyazwa ukuthi awulandele lomthetho ukuze wonke amalungelo abathengi avikeleke wonke omhlaba.

Lomthetho womhlaba uqokethe amalungelo abathengi angu 8. Kusho ukuthi amalungelo amane ayemeyezelwe ngu Mnuz JFK akhula

afika ku 8 ngenxa yomkhankaso we CI nezinye izinhlangano ezivikela lamalungelo emazweni ahlukenene.

Lamalungelo njengamanje aziwa njenge:

- Right to Basic Needs
  - Right to safety
  - Right to be informed
  - Right to choose
  - Right to be heard
  - Right to redress
  - Right to consumer education
  - Right to a healthy environment
- Iningi labantu licabanga ukuthi

ethile esitolo. Kodwa uma ubhekisisa wonke amalungelo abathengi uthola ukuthi cishe wonke amalungelo ethu okuphila impilo engcono kakhulu avikelekile ngalomthetho.

Lamalungelo ayasivikela ukuze sithole izindlu zokuhlala, amanzi aphephile, ugesi ezindhlini esiphila kuzo, sisebenzise izinto eziphephile ezifana nezitofu, sithole yonke imininingwane ngemithi esiyithenga emakhemisi, ukudla esikudlayo, sikwazi ukuthatha izinyathelo ezisemthethweni ukuze labo abaphula lamalungelo bajeziswe nokuthola ukufundiswa ngawo wonke amalungelo ethu asemthethweni.

Amalungelo abathengi aqala ukuthi avikelwe ngomthetho we United Nations kusukela ngonyaka ka 1994 ngesikhathi kukhethwa okokuqala uhulumeni weningi eSouth Africa. Kodwa lokhu akusho ukuthi konke kuhamba kahle.

nizi abancane nabakhulu abasaphula amalungelo abathengi ngaphandle kokujeziswa kanti futhi iningi labantu, ikakhulukazi ezindaweni ezingekho emadolobheni, abayitholi yonke imininingwane ephathelele nokubalulekile ngezimpilo zabo.

Kwiphephandaba elizayo sobhala kabanzi ngosuku uMarch 15 eselaziwa umhlaba wonke jikelele ngokuthi iWorld Consumer Rights Day – sichaze ukuthi lisho ukuthini nokuthi kwenziwani emazweni ahlukenene omhlaba ukugubha lolusuku olubaluleke kangaka emkhankasweni wokuvikela amalungelo ethu sonke thina abathengi.

Abathengi abadinga ukwazi kangcono ngamalungelo abo bangathintana namahovisi e National Consumer Forum noma amahovisi kahulumeni aziwa njengama Consumer Affairs Offices kuwo wonke amaprovinci akuleli.

Khumbula ukuvikela amalungelo akho ngaso sonke isikhathi.

## WHERE DO YOU GO WHEN YOU NEED TO COMPLAIN?

### Consumer Affairs Offices

These are government agencies that offer a free service – they are part of the Department of Trade and Industry

<b>Eastern Cape</b> Tel: +27 (40) 609-3052 Fax: +27 (40) 609-3231	<b>Free State</b> Tel: +27 (51) 400-4700/4852 Fax: +27 (51) 400-9610	<b>Gauteng</b> Tel: +27 (11) 355-8117 Fax: +27 (11) 355-3017
<b>KwaZulu-Natal</b> Te: +27 (31) 310-5310 Fax: +27 (31) 310-5416	<b>Limpopo</b> Tel: +27 (15) 298-7071 Fax: +27 (15) 295-8750	<b>Mpumalanga</b> Tel: +27 (13) 752-3761/5 Fax: +27 (13) 752-3729
<b>North West</b> Tel: +27 (18) 389-5046 Fax: +27 (18) 889-5636	<b>Northern Cape</b> Tel: +27 (53) 832-2566/7 Fax: +27 (53) 832-2564	<b>Western Cape</b> Tel: +27 (21) 483-4235 Fax: +27 (21) 483-3483

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

<b>Banks</b> The Banking Adjudicator 0860 800 900	<b>Furniture retailers</b> The Furniture Traders Association + 27 (11) 789-6770	<b>Building companies</b> The National Home Builders Registration Council +27 (11) 348-5700
<b>Registered micro lenders</b> The Micro Finance Regulatory Council 0860 100 406	<b>Unregistered micro lenders</b> The DTI customer contact centre 0861 843 384	<b>Appliances and products</b> The Consumer Provincial Offices see table above
<b>Blacklisting</b> Credit Information Ombud 0861 662 837	<b>Unfair competition</b> Competition Commission +27 (12) 349-3200	<b>Motor vehicles</b> Retail Motor Industry Organization +27 (11) 789-2542 or +27 (12) 348-9311

