

National Debt Awareness Month 2020

by DEBT  BUSTERS

How I dealt with debt

Real-life lessons in overcoming over-indebtedness

Too many South Africans from diverse backgrounds, different generations and varying income levels know the despair of being over-indebted.

“Debt doesn't discriminate,” says Benay Sager, chief operating officer of DebtBusters, South Africa's leading and largest debt counsellor.

Evidence of this are the stories of a young paramedic and a middle-aged engineer who seem to have nothing in common, but the shared experience of dealing with debt.

“Anyone can get into financial trouble so this National Debt Awareness Month, we're sharing two clients' journeys from over-indebtedness to being debt free in the hope it will encourage people in similar circumstances to get the help they need,” says Sager.

The young paramedic

Vicky Johannes¹ is 28, lives in Parktown, Johannesburg and works as a paramedic for an emergency medical services company. As a junior paramedic, she earns R15 293 a month and takes home R11 373 after deductions.

Vicky broke up with her boyfriend, who, when they lived together, covered a lot of their living expenses like the rent. She had to move out and suddenly had a lot more expenses per month than what she used to have. She took out a personal loan to try and adapt to her new personal life situation, and then later took out another two loans, on top of a credit card and retail account that she had already. Soon she found herself in a situation where she did not feel in control of her money at all.

“I tried every solution possible, but I could not handle my monthly payments and started going into arrears with some of my accounts. I even started getting lawyers' letters which was frightening and all of this, combined with the fact that I did not have my boyfriend to help me anymore, caused me a lot of emotional stress and anxiety.”

The DebtBusters debt counsellor who analysed her income and expenses found that she needed R5 382 a month to service her debt alone. As she needed at least R8 000 per month for rent, transport, groceries and other living expenses, she had a shortfall of R3 373, which is why she was declared over-indebted.

When Vicky agreed to debt counselling, DebtBusters was able to contact her credit providers and agree upon reduced interest rates on her debts and extension on the payment terms. Her new monthly debt repayment became R2 548.

¹ Not her real name

Credit providers	Original annual interest rate	Monthly instalment before debt review	New monthly instalment after entering debt review
Personal Loan 1	31.00%	R3 239	R2 548
Personal Loan 2	32.10%	R650	
Personal Loan 3	21.75%	R518	
Credit Card 1	19.50%	R634	
Retail Account 1	26.00%	R341	
Monthly payment		R5 382	

With her monthly re-payments at a more manageable amount and following the debt counselling process, Vicky was able to afford her living expenses while working towards becoming debt free.

The middle-aged engineer

David Jefferson² is a 50-year-old engineer from Gauteng. His net income is R52 176 a month.

Unfortunately, David is in poor health. He takes medication for diabetes, high blood pressure and depression. He also frequently visits the doctor and has been hospitalised. These substantial medical costs exceed his medical aid cover. His wife is unemployed, and he supports his two children, although they are capable of earning their own income.

As his expenses mounted, David began borrowing more and more money from the bank. Gradually the situation worsened and to pay back what he'd borrowed he began taking out personal loans at increasingly high interest rates, resulting in a debt spiral. By the time he sought help, David needed to pay R96 822 per month to cover his debts.

After drawing up a budget, DebtBusters negotiated with all his creditors, including the providers of his home loan and vehicle finance. The vehicle finance was included in the debt counselling process, which ensured that David was able to keep his car rather than it being repossessed. The interest rates on his home loan were reduced. Other creditors also co-operated, allowing David to pay R21 471 per month as part of debt counselling.

² Not his real name

Credit providers	Original annual interest rate	Monthly instalment before debt review	New monthly instalment after entering debt review
Home Loan	8.8%	R8 216	R21 471
Vehicle Finance	12.9%	R8 982	
Credit Card 1	18.5%	R197	
Credit Card 2	18.5%	R55 396	
Personal Loan 1	15.5%	R668	
Credit Card 3	16.9%	R1 413	
Credit Card 4	17%	R6 061	
Credit Card 5	12.5%	R3 540	
Cheque Account 1	10.5%	R1 845	
Personal Loan 2	31%	R1 590	
Cheque Account 2	18%	R1 183	
Store Account 1	15%	R1 326	
Personal Loan 3	32%	R1 338	
Personal Loan 4	30%	R1 049	
Credit Card 6	15.5%	R1 070	
Personal Loan 5	28%	R905	
Cheque Account 3	17%	R204	
Personal Loan 6	17.9%	R1 841	
Monthly payment:		R96, 824	

By choosing to undergo debt counselling David has more than R75 000 a month extra to pay for his medical bills and support his dependants.

Get expert help sooner, rather than later

"If your monthly spending regularly exceeds your income and you can't find a way to make ends meet you may need help. A free debt assessment will show whether or not you should consider a debt-management solution such as debt counselling," says Benay.

Debt counselling is regulated by the National Credit Act and offers consumers a way to renegotiate interest rates and extend their payment terms while protecting their assets. For more information visit www.debtbusters.co.za

Benay says that consumers who would happily consult a lawyer, tax advisor or other professional to fix a financial problem are often reluctant to speak to a debt counsellor and wait too long.

"The sooner you ask for professional help from a debt-management specialist the more likely we are to be able to negotiate better rates, extend loans and protect your assets."

ENDS

Notes for editors:

DebtBusters is the country's leading and largest debt counsellor. The quarterly debt report tracks client trends quarter-on-quarter and over the past four years.

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