

'Easy access to credit' sees consumers overspending

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MANY South African households are in a financially precarious position after taking on an unsustainable debt burden, says Marc Sternberg, MD of Spark ATM Systems, one of the main automated teller machine deployers in SA.

The ease with which households can access credit in the form of personal loans and credit cards has led many to spend way beyond their means, he warned last week.

"I do think at the moment there is an issue with debt," he told Business Day in an interview, echoing growing concern over household debt. "What is concerning is the ease with which South Africans can access credit in the form of unsecured loans — as well as credit and retail cards becoming a prominent issue."

Rapid growth in unsecured credit in the past couple of years has ignited concern over the debt position of consumers, and the Reserve Bank is probing the trend in the course of its normal communication with commercial banks.

Figures from the National Credit Regulator show unsecured loans grew by nearly 60% in both the third and fourth quarters of last year.



Marc Sternberg

Calculations vary, but data from the Reserve Bank show unsecured lending leaped by more than 29% in March compared with the same month last year — roughly the same pace as in February.

Mr Sternberg said the boom in unsecured lending was fuelled by retailers and banks looking for new revenue opportunities.

Banks in particular are scrambling for a bigger share in the market in the face of waning demand for mortgage advances, their staple credit product. "People are spending way beyond their means," Mr Sternberg said. "The cost of living has skyrocketed in the last two years and wage increases have not kept up with those increases."

“What is concerning is the ease with which South Africans can access credit in the form of unsecured loans

He cited a financial wellness index launched last month by Momentum, the Bureau for Market Research and the University of SA's Personal Finance Research Unit.

The index showed nearly 5% of local households fell into a category called "anchored unwell", which means they have very little chance of being extricated from debt without major outside assistance.

Another 48,5% of households fell into the "drifting unwell" category, which refers to households with an unstable debt position that could become entrenched.

Mr Sternberg said much of the unsecured credit extended in SA was being used to finance day-to-day expenses and "aspirational" or discretionary spending.

Households should learn how to budget their expenses to avoid becoming mired in debt, he said.

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