



AUGUST 2011 EDITION

CONSUMER EDUCATION BULLETIN

IS THE CUSTOMER ALWAYS RIGHT?
UNDERSTAND THE COMPLAINTS PROCESS

MICRO-FINANCE
SOLUTIONS FOR AFRICA

CREDIT WHERE CREDIT IS DUE
GOOD CREDIT VS BAD CREDIT

ARE YOU SMARTER THAN A 5TH GRADER?
TEST YOUR FINANCIAL IQ

LAUGH ALL THE WAY TO THE BANK
THE FUNNY SIDE OF FINANCE

AUGUST 2011 EDITION

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FROM THE EDITOR'S DESK

Welcome back to our second edition; we hope that you were able to obtain enlightening information in our maiden edition published in April 2011. In that edition, we promised to bring you more information around financial issues specifically on Debt Management and Administration Orders, how you as a consumer can lodge a complaint with NAMFISA if you feel aggrieved by a financial service/product provider and also to look into Micro-lending and Credit Agreements.

We have also invited a commentary from the Office of our Chief Executive Officer (CEO), which will become a regular feature. In this bulletin, the CEO provides information on the Financial Institutions and Market Bill and how it affects you as a consumer. Just to make it more exciting, we added an article highlighting the importance of financial capability and further added a financial quiz where you can test your financial ability. As icing on the cake, we have injected a bit of laughter towards the end, through a few jokes to tickle your fancy.

The uptake of our maiden edition was amazing as we received requests for more copies from our various distribution partners. This is proof that the consumers of financial services and products are becoming more aware about their rights and responsibilities, and thus need more educational information to enable them to take up those rights and exercise their responsibilities more prudently.

On that note, we again encourage you to follow our educational bulletins that we will publish and distribute on a quarterly basis through various distribution partners and stakeholders who have an interest in promoting financial literacy in the country. Now fasten your financial seat belts as we take you through this quarterly ride!!!

John Naanda





Phillip Shiimi

From the CEO's Office:

The Financial Institutions and Market (FIM) Bill and the Consumer

WHAT IS IN THE FIM BILL FOR THE CONSUMER?

Most of the laws currently being administered by NAMFISA are outdated. Due to the lapse in time since those laws were promulgated, many technological, social and market developments have taken place. This has caused the relevance and practicality of some parts of the administered Acts to decrease with time. It is for this reason that the idea of revamping and strengthening the regulatory mandate of NAMFISA was born in the form of the FIM Bill. The FIM Bill will not only "replace" the current laws, but will consider all industry and best practice developments and incorporate them into one holistic piece of legislation. The Bill will be modern and practical, and will give NAMFISA more flexible regulatory and supervisory powers.

The Bill is constructed to be a high level overarching piece of legislation which will have standards and regulations to support the idea of a flexible regulatory framework that changes with market developments.

The Bill aims at creating an environment that is conducive for the needs of both the financial services provider and the consumer. In particular for the consumer, the FIM Bill makes provision for the promotion of:

- Fair business practices
- Consumer protection

In order to ensure that NAMFISA will also focus on consumers, one of the objectives of NAMFISA will be the protection of consumers of financial services. Therefore, in its regulation of financial services providers NAMFISA will be required to keep the consumers' benefits in mind.

The Complaints Adjudicator

The FIM Bill makes provision for the establishment of the Office of the Complaints Adjudicator. The Office of the Complaints Adjudicator will be funded by NAMFISA and the Bank of Namibia and will deal with complaints against financial institutions and/or financial intermediaries. The Complaints Adjudicator will give rulings on complaints. The importance here is that the rulings will have the same power as a court order. Moreover, this creates a mechanism for consumers which will lead to the resolution of complaints cheaper and quicker than approaching the courts to enforce their rights.

Market Conduct Regulation of Financial Institutions

The regulator should ensure that Boards of Directors and Management of regulated financial institutions manage these institutions prudently for the sake of consumer protection and financial stability. Equally, the conduct of such financial institutions towards consumers in the market is just as important. There is, therefore, a provision within the FIM Bill that requires that NAMFISA issues amongst others standards for:

- the prohibition of unfair contract terms or undesirable trade practices, including untenable conflicts of interests;
- the advertising, marketing or otherwise promotion of financial services; and
- the making of adequate and meaningful disclosures of relevant, material information to clients, including the disclosures of actual or potential own interest

The above consumer protection measures arose out of the Authority's recognition of the fact that consumers often face imbalances in economic terms, educational levels and bargaining power. Furthermore, this Bill recognises the consumer's right to just, equitable and sustainable economic development. The Bill, therefore, seeks to contribute to the development of a strong consumer protection policy in Namibia.

“In both developed and developing countries, people need the skills and confidence to manage their money well.” - Anonymous

FINANCIAL CAPABILITY

Article from "Making Finance Work4Africa: Issue No. 29"

Financial capability refers to the knowledge, understanding, attitudes and - most importantly - behaviours which consumers need to display in order to manage their money well, adapt to new financial circumstances and take advantage of financial opportunities as they arise.

In both developed and developing countries, people need the skills and confidence to manage their money well. At the bottom of the pyramid, the growth of microfinance, the expansion of remittance networks and the introduction of branchless banking technologies have put new financial products within reach for millions of poor consumers – many of whom are entering the financial system for the first time and find it challenging to fully harness the benefits of these developments.

Low-income households in Africa often have limited access to demand-oriented financial services such as savings, loans and insurance, often resulting in vulnerability to adverse shocks and the necessity to revert to more expensive traditional alternatives. Research has shown that in order to strengthen financial inclusion in Africa, there is a need to promote financial capability, and thus to empower people to be capable of managing their financial assets and liabilities by better understanding their rights and responsibilities. Increasing financial capability ultimately aims at empowering people and changing behaviours.

Strengthening financial capability might however not be sufficient. Governments also have a role to play in protecting consumers by ensuring that financial institutions apply recognized standards and suitable codes of conduct; financial capability cannot be discussed without recognizing the need for consumer protection.

In order to protect consumers, governments need to ensure that they have regular reliable information on the prices and risks involved in the services offered by financial institutions, to enable consumers to make informed choices. An enforcement mechanism has to be in place that ensures rules are obeyed by all market players.

Financial capability measures need to go hand in hand with responsible, transparent and reliable services provided by financial institutions. While regulation can establish a general operating framework, it is up to the individual financial services provider to implement responsible financial practices.



HOW TO LODGE A COMPLAINT WITH NAMFISA

NAMFISA has a dedicated Complaints Department which investigates complaints on behalf of consumers of non-bank financial services and products. These complaints range from breaches of contract, for example increasing repayment periods without prior consent, increasing repayment amounts (installments) due to increased interest rates, over-charging on loans, non-payment of insurance benefits as per the contract/agreement, non-payment of pension benefits and so on.

In the event that the consumer feels aggrieved, he/she can lodge a complaint against such a non-bank financial institution (registered and doing business in Namibia) with NAMFISA. It is however important to note that NAMFISA only has jurisdiction over institutions registered with it and doing business in Namibia. It is therefore very important to ensure that you ONLY do business with registered entities (you can contact NAMFISA with the details of the business to find out whether it is registered or not).

The steps to follow when lodging a complaint are:

- First ensure that you have a valid complaint by checking with the NAMFISA Complaints Department at the following telephone numbers: 290 5115 or 290 5102.
- You will be required to first lodge your complaint with the financial institution concerned (in writing). If this fails, then you can contact NAMFISA.
- Keep copies of all relevant documentation to send with the complaint and for record purposes.
- Keep copies of all correspondence between you and the financial institution.
- Do not send original documents unless you are required to do so.
- Record names, dates, contact details and important information (this makes the investigation easier and faster to conclude).
- If you complain on the phone, always follow up the call with a letter.
- Stay calm even if the financial institution's representatives become hostile.
- Back up your claim in writing as far as possible.

Complaints can be submitted via:

- E-mail
- Post
- By hand (in person)
- Fax
- Website

“Right or wrong, the customer is always right.” - Anonymous

“Creditors have better memories than debtors.”
- Benjamin Franklin

Debt Management

In our previous edition (April 2011), we introduced you to the concept of debt management. In layman's terms, debt management simply means how to control your debt. This need not be very complicated as you already know what your income is and what your expenses are. To be more specific, you know who you owe money to and how much.

The trick, as some would say, is to live within your means. This means that you should not live beyond your income. If your income is N\$5,000-00 (after all deductions), this simply means that you should live within that N\$5,000-00. You must however include savings (for unforeseen events such as death, sickness and other emergencies) in your expenses, so that you do not spend the whole N\$5,000-00.

Knowing the difference between luxuries and necessities is also very important. What is considered a luxury by some could however be considered a necessity by others. For example, a television can be debated to be on either side of the coin. In this technological age, it is vital that people keep themselves informed about whatever develops around them; but then should this information come at a hefty cost such as purchasing the most expensive flatscreen television on the market, or will an ordinary sized television fill the purpose? I will let you ponder on that.

Eating is also vital for one to survive and live healthily; but again, eating expensive food or eating out too often can be detrimental to your finances (and ultimately your health, because if you are constantly short of money, you are likely to become stressed). It is thus important to consider living a healthy life by reducing your intake of unnecessary junk food and eating fruits and vegetables which are in most cases cheaper and healthier.

Administration Orders

Administration Orders come in when one fails to manage their own finances to such an extent that they fail to pay their creditors on time, or are completely unable to pay them. What happens if you are in this situation is that you voluntarily apply to be put under administration. This then means that your financial independence is put in the hands of an administrator (usually a lawyer) to deal with your finances. This further means that the administrator will get your monthly income and pay your creditors off. The administrator is also paid (from your income) to administer your finances.

Being under administration may sound like an easy and good thing but you must consider the following:

- The administrator will take full control of your finances and will decide what is good for you and what is not. He/she will become almost like your parent in that you will need his/her approval to spend your own money
- Only the court can release you from being under administration and this can only happen once all your debt has been repaid
- When entering financial contracts, you must indicate that you are under administration because if you do not, you could be held criminally liable
- It is also your responsibility to ensure that the administrator is paying your creditors by following up with them on a monthly basis

It is thus very important that you manage your finances in such a way that you retain your financial freedom.

Contribution by NAMFISA Legal Department

“If I had the privilege of making the Eleventh Commandment, it would be this: OWE NO MAN.”
- Josh Billings



■ MICROLENDING

What is a micro loan transaction?

A micro-loan transaction means a money lending transaction where the loan amount does not exceed N\$50,000-00, repayable in equal monthly installments or otherwise, within a period of 60 months from the date the borrower receives the loan amount.

Why are micro-loans so popular?

Micro-loans are popular because they are easily accessible with less strict requirements than those normally applicable to obtaining financing from banks.

Easy access to a micro-loan does not mean that Micro-lenders are not performing proper affordability checks prior to making financing available. In this regard, the loan repayment, whether in monthly installments or a lump-sum payment, should not exceed 50% of a borrower's take-home salary, including interest. Take-home salary refers to the amount that a borrower gets after all salary deductions have been made. For instance if a borrower's take-home salary is N\$3,000-00, then the repayment of the capital amount plus interest should not exceed N\$1,500-00.

When can your details be forwarded to a credit bureau?

Micro-lenders are obliged to subscribe to a credit bureau. The purpose of a credit bureau is to ascertain a prospective borrower's current indebtedness to other Micro-lenders, prior to disbursing a loan. NAMFISA discourages Micro-lenders from giving loans to borrowers whose credit history shows that they currently have a micro-loan from another source. In such a situation, the borrower should be requested to settle the loan at the other micro-lending outlet, before approaching the new Micro-lender for a new loan. Alternatively, the new Micro-lender can give a loan to the borrower, provided the new loan, or at least part of it, is used to settle the outstanding balance at the other Micro-lender.

It is important to understand that a borrower approaching a second Micro-lender for a micro-loan while already having another micro-loan, may be an indication that such an individual is experiencing financial problems and such problems should be addressed immediately and the person not be allowed to get even further into debt (by giving him/her access to further loans).

A Micro-lender can only have someone blacklisted with a credit bureau after giving him or her written notice. After 28 calendar days of sending the notice, the lender may then send the information to the credit bureau.

Signing of Loan Agreements: What to look out for and when to sign:

Borrowers are urged to never sign any blank documentation when taking out loans from Micro-lenders. NAMFISA issued a Circular in 2003 outlawing this practice. In terms of this circular, Micro-lenders may not ask borrowers to sign blank portions of documents.

Borrowers are herewith informed that it is illegal for Micro-Lenders to request that you sign blank documents or blank parts of documents. Examples are signing blank Consent to Judgment forms. By signing these forms, borrowers effectively waive their right to receive a formal Letter of Demand in the event of default. Borrowers thus unknowingly agree to judgment against them at the time of taking up the loan and without defaulting.

Correct procedures in the event of default by a borrower:

The correct procedures are for Lenders to first send a Letter of Demand or Summons to the defaulting borrower. Thereafter, a lender may attempt to obtain a written Consent to Judgment and a written consent to an Emolument Attachment Order from the borrower.

Any other way of obtaining consent is illegal and should be reported to NAMFISA.

Things to remember:

- A Microlender may not ask you to leave your original Identification Document (ID).
- A Microlender should not ask you to sign blank documents.
- A Microlender may not use any violent means to collect the money owed. The microlender may also not take your personal belongings such as your refrigerator, television set, bed or cellphone. This is illegal and a criminal offence.

Recourse when treated unfairly by a Microlender:

The issue should immediately be reported to NAMFISA, with full details of the Micro-lender concerned. You may either send us an online complaint through our email facilities at info@namfisa.com.na or read the Complaints Procedures on our website at www.namfisa.com.na or alternatively hand-deliver your complaints to us on the 2nd Floor, Sanlam Centre, Independence Avenue. You can also mail your complaint to us at PO Box 21250, Windhoek.

Contribution by NAMFISA Microlending Department

ON A LIGHTER NOTE... LAUGHTER IS THE BEST MEDICINE

A few jokes to make your day:

- **Good news and bad news**
A priest announced to his congregation: "I have good news and bad news. The good news is, we have enough money to pay for our new building project. The bad news is, it's still out there in your pockets."
- **Too little, too much**
Never talk about money with people who have much more or much less than you.
- **Where is the money?**
Money is always there, but not in your pockets.
- **John Paul Getty**
If you owe the bank \$100, that's your problem. If you owe the bank \$100 million, that's the bank's problem.



TEST YOUR FINANCIAL KNOWLEDGE

A few questions to test your financial literacy (answers are provided below):

Q1) If I have just started working, the first thing I should do is ...

- A. Start a savings account
- B. Shop for office clothes
- C. Have a party to celebrate my first pay cheque
- D. Set aside money for my dream vacation/holiday

Q2) The most basic insurance that one should have is ...

- A. Life insurance
- B. Disability insurance
- C. Health insurance
- D. Retirement savings (annuity)

Q3) The right thing to do when your friend is sick is to ...

- A. Advice him/her to see a doctor
- B. Use your medical aid card so that he/she can be treated
- C. Drink the whole day with him/her
- D. Stay away from him/her

Q4) I live from pay cheque to pay cheque. So I ...

- A. Leave it upon others to acquire financial plans for me
- B. Don't think I can take up any financial plans
- C. Can start financial planning later on
- D. Should get immediate help in my personal financial planning

Q5) A budget is ...

- A. A burden to my finances
- B. Not really important and I can do without it
- C. A necessity to me and my family/dependants
- D. Compulsory because NAMFISA says so

Q6) A financial consultant is like a ...

- A. Cockroach
- B. Best friend
- C. Personal secretary in finance
- D. A thief

Q7) When I buy an asset like a car, the basic things I should look out for are ...

- A. The monthly premiums, insurance, practicality and maintenance costs
- B. The maximum speed the car travels
- C. What my neighbours, friends, colleagues and family will say about the car
- D. The colour of the car

Q8) The best way to manage credit card debt is ...

- A. To consistently pay part of the amount owed every month
- B. To not pay every month but pay a lump sum using my bonus at the end of the year
- C. To pay the full amount owed for that month
- D. To buy things for others so that they can pay off the amount when they get money

Answers

Q1-a; Q2-c; Q3-a; Q4-d; Q5-c; Q6-c; Q7-a; Q8-c

If you scored less than 6 points, we strongly recommend that you follow our consumer education programmes so as to improve your financial capability.

PAST EDUCATIONAL ACTIVITIES



Eager members of the public gather for our Rehoboth Roadshow - April 2011



A NAMFISA representative engaging the public at the 2011 Lüderitz Crayfish Festival.



Part of the excited audience at our Marien- tal Roadshow - April 2011



A thrilling performance from our Street Theatre at the 2011 Lüderitz Crayfish Festival.

IN OUR NEXT EDITION:

We invite you to follow our Consumer Education Bulletins because we will be looking at what to look out for when entering into a contract, pension and medical aid funds and life and short-term insurance. We will also bring you some interesting interviews and comments from the industry.

For comments on any article in this Bulletin, please feel free to contact us at: NAMFISA Consumer Education Department, P.O. Box 21250 Windhoek or SMS to 3030* or e-mail: consumer@namfisa.com.na
*normal SMS charges apply

“Who is rich? He that is content. Who is that? Nobody.”
- Benjamin Franklin

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