


Precious stones





Our theme for the CIO annual report this year is "precious stones". South Africa has a rich and varied history involving gems and minerals, and a large part of our economy is built on the mineral wealth mined from our soil. On these pages we explore some of the extraordinary visual beauty of precious stones.

INTEGRATING

The office of the Credit Information Ombud also values its stakeholders as gems, each with its own individual potential just waiting to be uncovered, cleaned and polished to a new and brilliant lustre.

Our Mission

The Credit Information Ombud will:

- Effectively resolve disputes between members of the credit information industry (credit grantors and credit bureaux) and credit receivers (consumers & businesses) in terms of credit information.
- Act as an educator of the public in matters pertaining to the credit information industry.
- Act honestly, independently and fairly; balancing the rights of both credit receivers and credit grantors.

All matters will be treated in confidence.

Mission and Values

Our Values

The values of the Credit Information Ombud are not negotiable and cannot be diminished in any way.

- Fair: We will act in the best interests of all parties, taking both sides into consideration and considering the merits of each case carefully.
- Independent: We will not take sides and will remain impartial at all times. No individual or organisation will be in a position to unduly influence us.
- Honest: We will openly deal with any issue put before us, asking the relevant questions and communicating clearly and transparently.
- Confidential: Everything that we do will be kept in the strictest confidence and will not be disclosed to another party without permission.



Closeup of polished piece of Malachite containing Azurite and Crysocolla. Malachite results from weathering of copper ores and is often pseudomorphed to Azurite, and the two are very frequently found together.

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Banded Agate. Agate is a microcrystalline variety of quartz (silica), chiefly chalcedony, characterised by its fineness of grain and brightness of colour.

The 2007 year saw the office of the CIO grow from teenager to full adulthood. It was certainly a busy time, with the office playing its rightful role.

The commencement of the National Credit Act (NCA) added a new dimension to the activities of the CIO, particularly with the enactment of Section 73 of the NCA, which called for the removal of specific credit history data within set parameters. The CIO played a leading role in making consumers aware of their rights, benefiting more than 6 million consumers.

The launch of the Isabel Jones – Lungisa Credit Information Awards was another step in which the CIO cemented its place as a credible alternative dispute resolution house for credit information. The past year also saw greater exposure for the CIO. Print and electronic media exposure grew by 236% from the previous year.

All of the positive achievements and accolades would not be possible without the grit and determination of the Ombud, Manie van Schalkwyk, and his team. To them collectively, a hearty thank you.

I would also like to thank my fellow Council members for their contribution and guidance. The importance of a sound Council that adheres to proper corporate governance cannot be taken for granted. A note of thanks must also be extended to the various trade associations and credit bureaux that fund and support the CIO. Without their contributions, there would be no CIO.

Finally, and with sadness, we had to bid farewell to a stalwart in consumer activism, Mrs Isabel Jones. During March 2008, Isabel passed away after a long illness. Being the fiery consumer activist she was, she played a significant role on the Council and was a strong consumer champion. May she rest in peace.

Another challenging year awaits us, but I am confident that the office can grow from strength to strength.

Nicky Lala-Mohan
Chairperson

Nicky Lala-Mohan
Chairperson

Chairperson's Report





Report of the Ombud

Introduction

The Credit Information Ombud's office is entering its fifth year of serving and improving the lives of the people of South Africa by restoring their creditworthiness. The past four years have been a wonderful and rewarding journey, which we share with you through this report of activities for 2007.

It is with great sadness that, at the time of finalising this report, our deputy chairperson, Isabel Jones, has passed away. Isabel served as the deputy chairperson of the council since inception of the office in 2004. We not only lost a valuable and dedicated council member, but also an icon to South African consumers, as Isabel did not hesitate to fight any injustice committed against any consumer in the country. The CIO Council saw it fitting to pay tribute to Isabel by naming the Lungisa Awards in her memory.

As part of our mandate to do dispute resolution, we investigate matters in search of the truth. This takes skill and tenacity, and as soon as the truth is discovered, all matters become clear to the investigator. This process parallels the search for and discovery of gemstones. The prospector requires skill and tenacity to find the rough stone, which sometimes does not look like a gem until it is properly excavated, worked, cleaned and polished. Only then does its real value emerge.

In our efforts to discover the truth in all cases, we thought it appropriate to choose precious stones as the theme of our annual report.

National Credit Act

During the past year the credit industry saw the implementation of the National Credit Act, 2005 (NCA) in June 2007. This saw a credit push from the market

prior to the implementation of the NCA, where credit was offered and granted to various sectors of the market, including some sectors which did not form part of the formal credit market.

Journalists, economists and consumer bodies warned against this credit push and the possibility of overextending the consumer. Without trying to distract from the possible negative implications this could hold for the future, it must be kept in mind that the push also affected consumers who were not previously part of the formal credit industry. Formal credit allowed these consumers to become part of the formal economy, where they will pay more reasonable rates for goods and services. A good example of this is a consumer who previously had loans with a Mashonisa at exorbitant interest rates, but can now enjoy a personal loan or credit card from a bank at more reasonable rates.

The NCA is having a severe impact on the market, not only for credit providers, but also for the credit bureaux and the office of the Credit Information Ombud. The NCA received a great deal of media attention, and consumers were made aware of their rights in terms of credit information. This saw a significant increase of 184% in disputes with credit bureaux. Enquiries to the CIO increased by 148% in 2007 compared to the previous year.

The NCA, specifically Section 73, made provision for the removal of specific data from credit bureaux. This included default data below an amount of R500, judgement information below R5 000 (if the judgement was older than 18 months by September 2006) and judgements below R50 000 if the judgement was paid before September 2006. Dormant accounts older than two years were also to be removed if older than 2 years by September 2006.

The NCA further specified that judgments below R50 000 taken before September 2006 and paid before September 2007 must be removed from the credit bureaux on proof by the consumer that the judgement had been paid. The benefit for the consumer was that they did not have to rescind the judgements and that the judgement information

would not stay on the credit bureaux for the required 5-year period.

The CIO coordinated an advertising campaign using television, radio and print in four official languages to make consumers aware of this opportunity. The advertising campaign was sponsored by the National Credit Regulator, ABSA Bank, African Bank, First National Bank, Nedbank and Standard Bank. The advertising spend totalled just under R5 million and I would like to thank the sponsors for their cooperation in this regard to make consumers aware of their rights. More than 6 million consumers benefited from this data removal exercise. The credit industry voluntarily extended the period for the removal of judgement information from September 2007 until December 2007.

Financial Services Ombud Scheme Act

The Financial Services Ombud Scheme Act, 2004 (FSOS) was promulgated in April 2004, and the regulations of the Act were published in August 2006. The act required the Credit Information Ombud's office to register. The CIO's application was successful and we received a certificate of recognition from the FSOS council.

The FSOS council recommended to the CIO Council that the term of the Ombud be revised. It was recommended that the Ombud should be appointed for five years, with an option to renew the contract for a further three years.



Manie van Schalkwyk
Credit Information Ombud

If the CIO Council wish to extend the Ombud's term for a period longer than above, the CIO Council should apply to the FSOS Council for this extended period. The CIO Council agreed to the recommendation from the FSOS Council.

The CIO Council saw fit to revise the CIO's Constitution and Terms of Reference in light of the newly introduced FSOS Act and the NCA. The CIO Council agreed to introduce a Constitution for the CIO Council. The FSOS Council approved the new Constitution for the CIO, the Constitution for the CIO Council and the Terms of Reference for the office.

Financial Ombud Scheme Initiative

The Credit Information Ombud, together with the Ombudsman for Banking Services and the Long-term Insurance Ombud, started an initiative to make it easier for consumers to reach the relevant office.



Consumers are often unsure which specific Ombud office to contact when wanting to complain. To minimize the confusion, the three offices introduced a centralised helpline, manned by operators, to assist prospective complainants in directing their complaints to the correct office.

A similar initiative was successfully introduced in Australia, where all the financial ombudsmen take part in the initiative. The full impact in South Africa will only be realised when all financial ombudsmen, statutory and voluntary, share in the initiative. The participation of the Short-term Ombudsman, the FAIS Ombudsman and the Pensions Funds Adjudicator will make it easier for consumers to contact the correct ombud's office when lodging a complaint.

The toll-free telephone number, 0860 OMBUDS (0860 662837), is easy to remember and the call volumes have increased from an average of 15 calls per day at inception to the current 175 per day.

Consumer Awareness and Education

Consumer education is a key mandate for the Credit Information Ombud. Since its inception, the office has continued to create awareness of its existence and educate consumers in credit and credit information matters. Every year we make and implement renewed efforts to reach out to more consumers. The year 2007 has been the most successful by far in terms of consumer awareness and education.

The media has been a valuable tool in enabling us to carry our message to consumers countrywide. Our participation in print and electronic media grew by almost 236% from the previous year. The year 2007 saw our office reach the EAV (Equivalent Advertising Value) of R9,4 million, compared to R2,8 million for the year 2006. Educational press releases are constantly sent to the media. These press releases also generate radio and television interviews, thereby increasing our exposure and awareness to the public. We had 110 appearances on television and radio programmes on 29 different stations, and 153 articles were published in 53 different newspapers or magazines.

The Credit Information Ombud is not only using the media for consumer education, but has also committed itself to be involved in more consumer education activities by doing presentations to various communities. Working with provincial consumer affairs bodies, NGO's and other community-based organizations saw us participating in consumer workshops in Gauteng, KwaZulu-Natal, Mpumalanga, Eastern Cape and North West Province. The aim is to provide credit education and reach consumers of all provinces in the country. We were involved in 32 workshops around the country. The Ombud's decision to bring public relations and communications in-house has enabled us to carry out outreach activities more effectively.

The CIO has teamed up with the Credit Providers Association (CPA), and it was agreed that the CIO would deliver content,

developed by the CPA, to consumers. This content includes broader credit-related information to benefit consumers. The CIO has also developed a comprehensive education strategy to deliver the above information, which includes working with the community, incorporating information in school curricula and working with various universities around the country.

Through executing the consumer education strategy, the CIO has realised that a need exists for a single entity to coordinate and deliver consumer education on behalf of the credit industry. Currently, various parties engage in consumer education. With this fragmented and uncoordinated approach, the industry not only creates duplication, but the message often has little real impact on consumers. There is a definite need to investigate the advantages of creating a single entity to establish a holistic consumer education strategy and to coordinate the efforts from all the stakeholders in the industry. The CIO is currently discussing this concept with all the role players in the industry.

The Isabel Jones - Lungisa Credit Information Awards

The word Lungisa means “fix it” or “correct it” in isiXhosa, isiZulu and siSwati. The Credit Information Ombud has launched the Isabel Jones - Lungisa Credit Information Awards to encourage business to seriously engage in dispute resolution in terms of credit information and to make consumers aware of the existence of the CIO.

Against the backdrop of the National Credit Act and the Consumer Protection Bill, it is becoming more relevant for business to implement effective dispute resolution processes and procedures to manage disputes in terms of credit and credit information. This will not only ensure that businesses comply with legislative requirements, but will reinforce their relationships with their customers. Consumer bodies, credit providers, including the Credit Providers Association and the Banking Association, credit bureaux and the National Credit Regulator have welcomed this initiative and pledged their full support.

The Isabel Jones - Lungisa Awards comprise three awards:

- Best Credit Information User (credit providers, debt recovery agents, etc.)
- Best Credit Bureau
- Best Consumer Journalist supporting the CIO

The CIO Council has agreed on the criteria for each category, and the criteria mainly focus on infrastructure and process in terms of in-house dispute resolution. An independent party has been appointed to act as a judge and appoint the winners in each category. Winners will be announced with the release of the Annual Report in July 2008.

The following parties have endorsed the Isabel Jones - Lungisa Credit Information Awards: The National Credit Regulator, the Banking Association of South Africa, The Credit Providers Association, Credit Bureaux Association and some consumer bodies.

The International Network of Financial Services Ombudsmen (INFO)

The CIO joined the International Network of Financial Services Ombudsmen in 2007. This network created an environment for financial ombudsmen on a global basis to network and share experiences within the industry. Experience has shown that ombud offices around the world deal with similar challenges. This forum therefore creates a wonderful opportunity to learn from different ombud offices around the world. The conference in London hosted 129 delegates from 32 countries.

Finmark Trust Report on landscape for consumer recourse in the financial services sector of South Africa

Consumer protection and education are important in all financial service markets, but particularly in South Africa, where the policy, legal and regulatory environments are being changed in an effort to improve access to financial services.



It is on this premise that Finmark Trust, an organisation well known for its interest in making financial markets work for the poor, engaged in research on the landscape for consumer recourse in the financial services sector of South Africa.

The findings of the report are that there is no independent Alternative Dispute Resolution (ADR) or Ombud for complaints or problems related to non-bank credit. Non-bank credit can be defined as credit provided by institutions registered with the NCR for the purposes of supplying credit to consumers (excluding licenced banks). This could include pawnbrokers, retail stores, micro lenders and even employers who provide staff loans.

The report includes the following recommendations:

Expanding the jurisdiction of the CIO to included non-bank credit in its jurisdiction and changing the name to the Credit Ombud. This recommendation was based on the fact that the CIO's institutional fit is most appropriate, given that the CIO's existing "membership" includes micro lenders, retailers and other credit providers.



A further recommendation was to change the terms of reference of the CIO to include non-bank credit in its jurisdiction and change the name to the Credit Ombud. Should groups of non-bank credit providers not want to be part of such an initiative, non-bank credit providers or certain categories could be declared "Financial Institutions" under section 17 of the FSOS Act, with the result that such credit providers would fall under the jurisdiction of the FAIS Ombud.

The CIO had preliminary consultations with non-bank credit providers on this subject and there is an eagerness from the non-bank credit industry to work with the CIO to explore the possibilities of expanding the current jurisdiction of the CIO and to include credit transactions within the jurisdiction.

Appreciation

We increased our staff complement to ten full-time staff members. In an effort to focus on a staff retention strategy, the CIO introduced a provident fund to all staff members. The CIO Council agreed to introduce a medical aid scheme in 2009 as a further step to provide market-related benefits to the staff of the CIO.

I would like to record my sincere appreciation to the Council and staff of the CIO for their dedication, hard work and positive attitude during the past year to ensure that the CIO serves our complainants effectively and that we impart our knowledge to consumers to manage their credit profiles more effectively.

Manie van Schalkwyk
Ombud

The staff at the Credit Information Ombud's office clockwise from left to right: Caroline Buthelezi - Public Relations Officer, Amanda Erasmus - Senior Case Manager, Jacob Sefure - Call Centre Agent, Anthony Mpyantona - Call Centre Agent, Karishma Diar - Case Administrator, Manie van Schalkwyk - Ombudsman, Cynthia Matshiakgotshi - Senior Case Manager, Magda van Biljon - Case Administrator Supervisor, Zuko Mbewu - Case Administrator, Bets Noordman - Personal Assistant and Bookkeeper

Our Stakeholders

The office of the Credit Information Ombud is an independent and impartial body that reports to the CIO Council and not to the credit industry. The Council consists of four (4) constituencies: consumer bodies, the credit granting industry, the credit bureau industry and business representatives:

Consumer Bodies:



Credit Granting Industry:



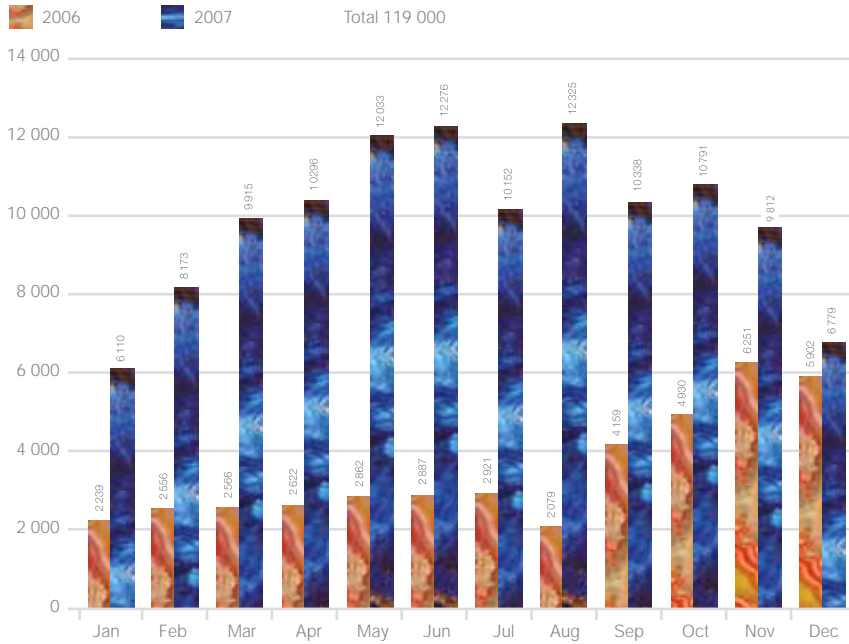
Credit Bureau Industry:



Business:



Table 1: Disputes Recorded by Credit Bureaux - 2006 vs 2007



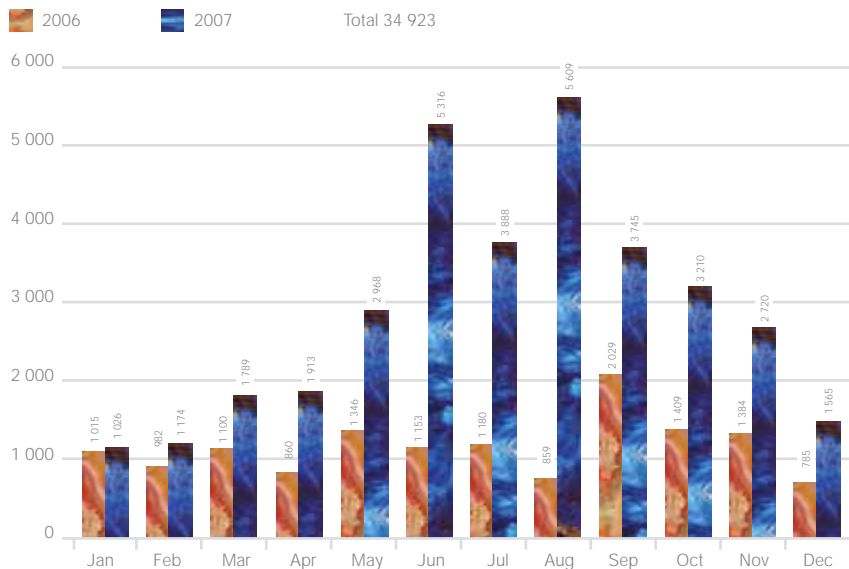
As the first step in the CIO process, credit receivers disputing information on their credit profile need to contact a credit bureau first and make the credit bureau aware of the dispute.

In total, 119 000 disputes were recorded by the credit bureaux for the period January 2007 to December 2007. This is an average of 9 917 disputes per month. This figure increased from 41 974 in 2006, thus an increase of 184%.

This increase in disputes is not because more problems are being experienced, but as a result of increased public awareness of the CIO office and the awareness created by the National Credit Act implemented in June 2007.

The credit bureaux successfully resolved 98,6% of the complaints with the balance of 1,4% escalating to this office.

Table 2: Telephone Calls Received by the CIO Call Centre - 2006 vs 2007



The CIO contact centre assists credit receivers by taking down their complaints telephonically, by explaining the CIO dispute resolution process to the public if they do not have a valid reference number from credit bureaux or by addressing general enquiries that consumers may have in terms of the credit information industry.

In total, 34 923 telephone calls were recorded by the CIO Call Centre for the period January 2007 to December 2007. This is an average of 2 910 telephone calls per month. This figure increased from 14 102 in 2006, thus an increase of 148%.

There is a definite increase in telephone calls received by the Call Centre as a result of increased awareness of consumers by the implementation of the National Credit Act.

Statistics

The CIO receives general enquiries from the public in the form of letters, faxes and e-mails. These general enquires vary in the type of information that consumers need clarified, and the volume of general enquiries relates directly to media exposure of the CIO.

In total, 9 085 general enquiries were recorded by the CIO Call Centre for the period January 2007 to December 2007. This is an average of 757 general enquiries per month. This figure increased from 4 761 in 2006, thus an increase of 91%.

In total, 1 683 cases were opened by the CIO office for the period January 2007 to December 2007.

This is an average of 140 cases per month. This figure increased from 1 320 in 2006, thus an increase of 28%.

The increase of 28% is not in line with the significant increase of 184% in credit bureaux disputes, the 148% increase in calls to the call centre and the 91% increase in general enquiries. The main factor contributing to this figure not increasing by a comparable percentage is due to the provisions in the NCA that force credit bureaux to seek credible evidence of a listing when a consumer disputes the listing. Clearly, credit bureaux are successfully adhering to this section of the NCA.

Table 3: General Enquiries Logged at the CIO - 2006 vs 2007

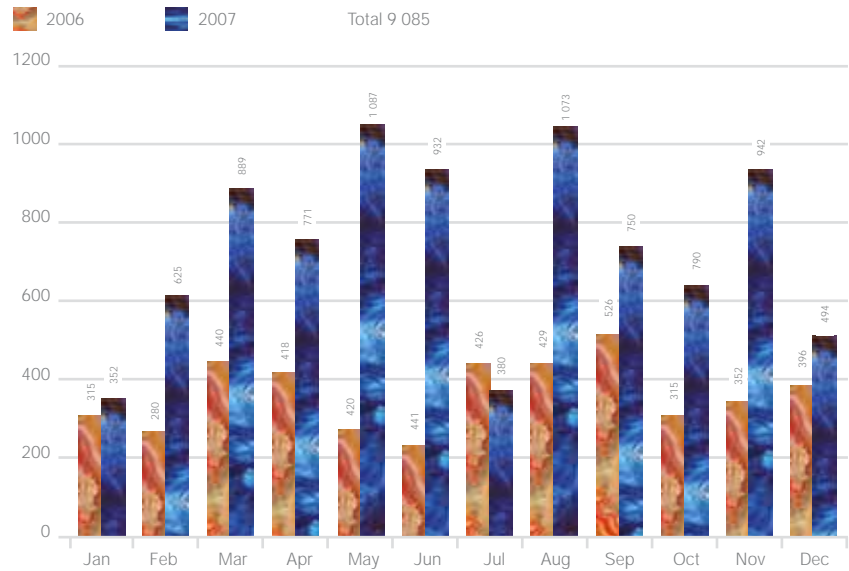


Table 4: Cases Opened by the CIO - 2006 vs 2007

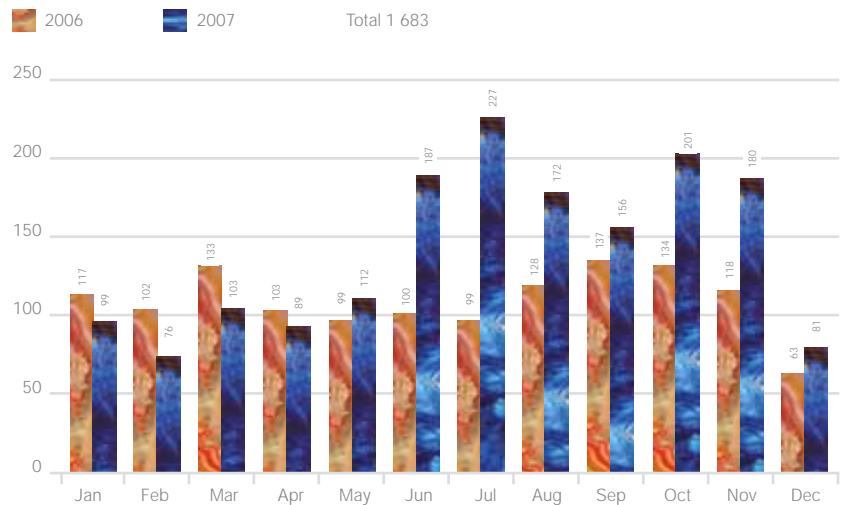
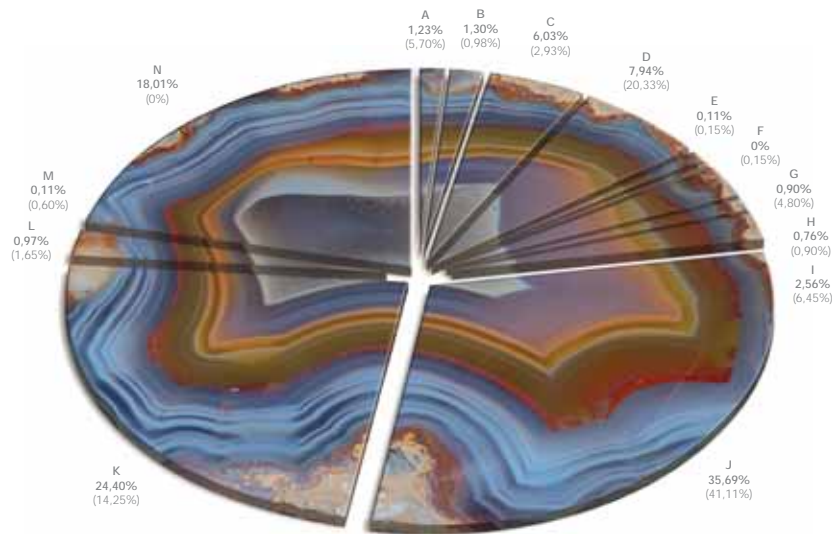


Table 5: Percentage of Resolved Cases Closed by Jurisdiction - 2006 vs 2007
(Figures in bold represent 2007 – Figures in brackets represent 2006)



What is clear from the statistics is that there was a decline in inaccurate and/or incorrect information listed by the credit bureaux (A) and credit grantors providing incorrect information to the credit bureaux (D). The listing of prescribed debt (G) has also decreased significantly, as well as complaints that fall outside the jurisdiction of the CIO (I).

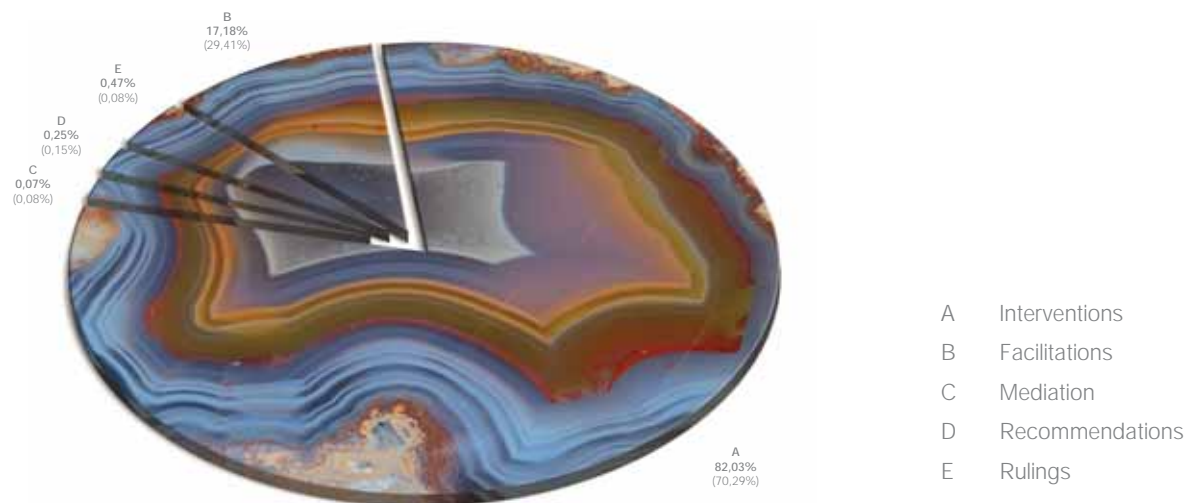
Alarming is the increase in outdated information listed by the credit bureaux (C) – from 2,93% to 6,03%. This is mainly due to rescinded judgments that remain on credit lists longer than is necessary.

The CIO has ruled in favour of consumers in 37,35% of the cases and in favour of the credit industry in 35,69% of the cases. The balance of the cases either fell outside the jurisdiction of the CIO office or the complainants had withdrawn their cases. If these cases are eliminated and only valid cases are taken into account, the CIO ruled in favour of the credit industry in 49% of the cases and in favour of consumers in 51% of the cases.

Categories of jurisdiction

- A Inaccurate or incorrect default credit information is listed on the credit receiver's credit profile – 1,23%.
- B Insufficient or incomplete credit information is listed on the credit receiver's credit profile – 1,30%.
- C The negative credit information listed on a credit receiver's credit profile is displayed by a credit bureau for a longer period than is dictated by the NCA – 6,03%.
- D The subscriber to the credit bureau supplied inaccurate information to the credit bureau – 7,94%.
- E The subscriber to the credit bureau did not inform the consumer that it would be listing him/her adversely with the credit bureaux – 0,11%.
- F The consumer defaulted on the debt through no fault of his/her own, and has subsequently rehabilitated himself/herself; this is typically where a consumer has defaulted as a result of retrenchment or any circumstances beyond the person's control – 0%.
- G The debt has prescribed – 0,90%.
- H The credit receiver has been listed more than once in terms of the same debt – 0,76%.
- I These cases fall outside the jurisdiction of the CIO office – 2,56%.
- J In these cases the CIO office has not ruled in favour of a complainant – 35,69%.
- K The complainant has withdrawn the case. This usually happens if complainants fail to respond to requests for information or a respondent's version of the case. Complainants receive numerous requests from the CIO office to respond before we assume that a complainant does not want to proceed with the case – 24,4%.
- L A credit receiver has been listed by a credit bureau due to a fraudulent transaction – 0,97%.
- M A credit receiver has been listed by a credit bureau due to a service-related dispute with a credit grantor and the dispute has been resolved between the parties – 0,11%.
- N The CIO added this category to indicate the number of disputes as a result of Section 73 of the NCA where consumers qualified for early removal of information – 18,01%.

Table 6: Manner of Finalisation by the CIO - 2006 vs 2007
 (Figures in bold represent 2007 – Figures in brackets represent 2006)



The majority of cases (82,03%) were resolved through **intervention** from the CIO office. An intervention occurs when the CIO is able to remove information from the credit bureaux without extended deliberation with the supplier of the information or with the credit bureaux.

Facilitation between the parties constitutes a summary of the complainant's case and the response of the credit grantor/subscriber to the credit bureaux. A credit receiver will provide a detailed complaint and will in turn be able to respond to the response of the credit grantor/subscriber to the credit bureaux. The CIO will evaluate the facts and make a decision on the validity of the negative listing by the credit bureaux. 17,18% of the cases were resolved through facilitation.

Mediations are formal meetings between the complainant and representatives of the credit grantor/subscriber of the credit bureaux, with the Ombud as the mediator. The Ombud guides the debate between the parties until an agreed outcome is reached. The CIO resolved 0,07% of cases through mediation.

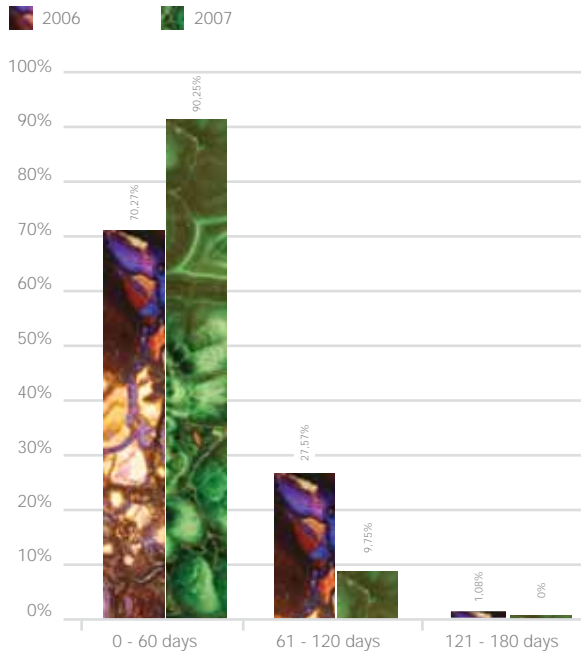
Recommendations are normally detailed reports to a credit grantor or subscriber to the credit bureaux, explaining the reasons why the information on a credit receiver's profile should be removed. If the credit grantor or subscriber to the credit bureaux is able to provide additional evidence to substantiate the reasons for listing the information, all new evidence will be considered and then incorporated in a ruling. 0,25% of cases were resolved through recommendations.

The CIO resolved 0,47% of cases through **rulings**.

The increase in the percentage of cases resolved through interventions is very positive, as it shows the willingness of credit providers and credit bureaux to resolve the cases without protracted mediation.

All decisions of the CIO are binding on the credit bureaux and subscribers to the credit bureaux. If subscribers to credit bureaux fail to remove information from the credit bureaux, the CIO could instruct the credit bureaux to remove the information.

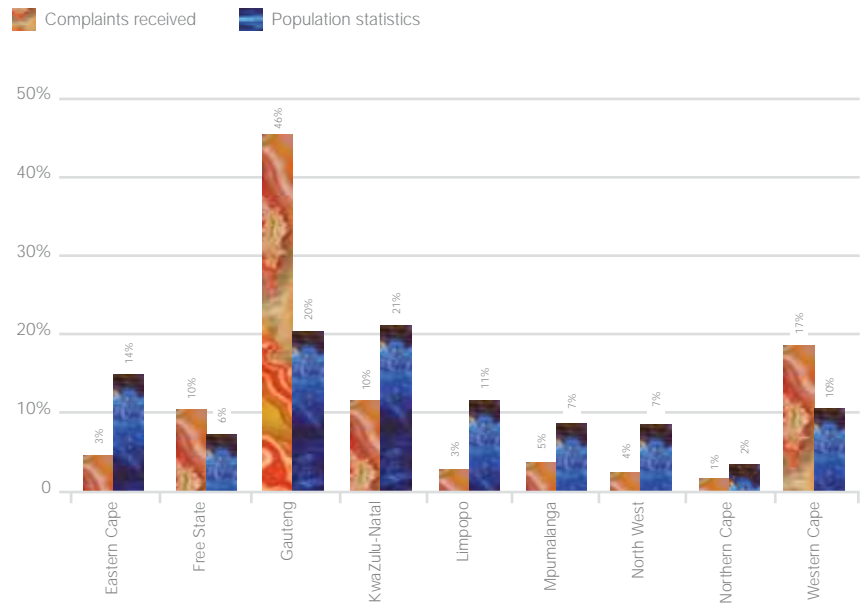
Table 7: Period from Opening to Closure of Cases - 2006 vs 2007



In 2007 we concluded 90,25% of all cases within 60 days, compared to 70,27% in 2006.

9,75% of the cases were concluded between 61 and 120 days and no cases were older than 120 days. This indicates a significant improvement in productivity.

Table 8: Complaints Percentage by Province - 2007



With these statistics we measure the actual percentage of complaints compared to the population statistics of each province.

This graph is significant in terms of the awareness of the CIO office in the province. What is clear from the statistics is that the CIO needs to focus on all the provinces where there is a significant difference between the percentages of cases received compared to the actual population of the province.

Other Statistics

Average period to conclude cases

The average number of days for the CIO to conclude a case is 47,8 days. This was reduced from 58,9 days in 2006.

Cost per case

The average cost per case in 2007 amounted to R1 881, compared to R2 511 in 2006.

Race indicators of complainants

The CIO does not capture race on its application forms, but our call centre agents capture race based on their subjective opinion.

Black – 48%
White – 29%
Indian – 16%
Coloured – 7%

Gender of complainants

The CIO does not capture gender on its application forms, but our call centre agents capture gender based on their subjective opinion.

Male – 72%
Female – 28%

Boulder opal consists of concretions and fracture fillings in a dark siliceous ironstone matrix. It is found sporadically in western Queensland, from Kynuna in the north to Yowah and Kookynie in the south.




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