BRIEFING NOTE

Debt Is How South Africans Survive

17 November 2026

Introduction

South Africa's household debt crisis is frequently approached through the lens of individual 'irresponsible' financial behaviour, excessive borrowing, and inadequate financial literacy.[1] This interpretation obscures a more fundamental economic reality. Millions of South Africans in fact borrow because decent employment and real incomes are often insufficient to meet the costs of everyday life, while essential services that could reduce household expenditure remain exclusionary, insufficient, or expensive. In this context, debt increasingly functions as a private substitute for decent wages, social protection, and public provision.

The scale of this structural vulnerability is considerable. In the third quarter of 2026, only 16.8 million people (representing 39.7% of South Africa's working-age population) were employed. The number of unemployed stood at 13.2 million over the same period, and a further 4.6 million formed part of the potential labour force,[2] placing the unemployment rate at 44%. Households are therefore attempting to sustain consumption[3] (often credit-financed) and credit repayment in an economy in which employment income is unavailable to a substantial proportion of working-age people.

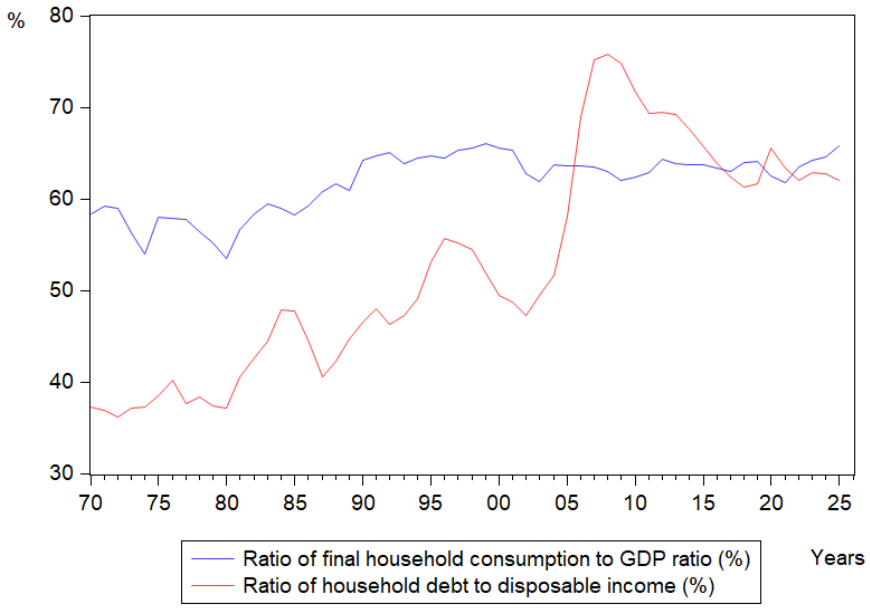
[1] For example, during Parliament's 2018 debt-intervention hearings, inadequate financial literacy was identified as a contributing factor to household indebtedness, while the National Treasury's 2026 Draft National Consumer Financial Education Policy emphasised financial knowledge and responsible borrowing.

[2] The potential labour force comprises working-age individuals who are neither employed nor officially unemployed, yet maintain a marginal attachment to the job market. In quarter three 2026, South Africa's potential labour force recorded a net increase of 69,000, driven by a 70,000 rise in discouraged job-seekers to 3.7 million (those available to work but not actively searching due to low job prospects), alongside a 1,000 decrease in other available job-seekers to 860,000 and an unchanged total of 44,000 unavailable job-seekers (those searching but not currently available).

[3] Household final consumption is approximately 65.8% of South Africa's GDP as of recent 2025/2026 data from the SARB - Figure 1 shows this trend.

Very slightly improved debt-to-disposable income ratios don't indicate sustainable debt levels or improved household conditions. According to the South African Reserve Bank (SARB), the household debt-to-disposable-income ratio declined from 62% in the first quarter to 61.3% in the second quarter of 2026. This aggregate improvement, however, conceals substantial financial distress among households. TransUnion's second quarter credit data for 2026 shows that 26.5% of bank personal loan accounts and 48.3% of non-bank personal loan accounts were at least three months in arrears. This reveals that aggregate deleveraging (a decline in the debt-to-disposable income ratio), as illustrated in Figure 1, does not necessarily imply improved affordability as recently purported by the SARB, but rather a decline in household borrowing due to an inability to obtain additional credit, service existing obligations, and maintain consumption (what is referred to as debt overhang).

Figure 1. Household debt to disposable income and ratio of final household consumption to GDP (%), 1970-2025



Source: SARB online statistical query.

Household indebtedness must also be understood within South Africa's highly unequal distribution of income, wealth, and financial services, in which higher-income households access debt on more favourable terms. High-income households are more likely to access relatively inexpensive and secured credit that facilitates homeownership and asset accumulation because of higher levels of disposable income and improved levels of creditworthiness. On the other hand, low-income households are more exposed to costly unsecured and predatory (*omashonisa*) lending, short-term credit, and borrowing to finance regular household expenses because of inadequate disposable incomes and exclusion from formal lending institutions.

These differences mean that the same interest rate decision can have substantially different consequences across social classes.

Monetary policy is central to this problem. In September 2026, the SARB increased the repurchase (repo) rate by 25 basis points to 7.25%. The increase in the repo rate was made despite the acknowledgement that much of the inflationary pressure originated in international energy disruptions, due to the US-Israel war of aggression on Iran, and that South Africa's economy contracted by 0.2% in the second quarter of 2026. The Institute for Economic Justice (IEJ) argued that higher interest rates increase debt-service costs on variable interest rate borrowing, constrain disposable income, and can discourage pro-employment investment expenditure. In an already demand-constrained economy, these effects risk reinforcing the underlying conditions that make borrowing necessary.

This briefing note advances five central arguments. First, South Africa's household debt crisis is fundamentally an income, employment, and limited access to basic services problem. Second, we argue that aggregate household debt ratios are inadequate indicators of financial vulnerability and the distribution of debt is more significant when assessing household debt stability. Third, restrictive monetary policy can redistribute the costs of economic crises towards indebted households, especially low-income households and those headed by women, and financially vulnerable enterprises. This redistribution is particularly acute when inflation is driven by external supply shocks rather than excessive domestic demand. Fourth, financial institutions derive substantial earnings from the provision of credit, while borrowers bear the immediate risks of unemployment, inflation, interest rate increases, and default. The distribution of financial sector income deserves greater public scrutiny. Finally, resolving household indebtedness requires measures beyond debt counselling or improved financial literacy. South Africa needs an integrated framework combining debt relief, stronger consumer protection, pro-employment and redistributive macroeconomic policy, affordable and inclusive public services, and financial sector reform so that the sector is responsive to South Africa's developmental needs.

1. How serious is South Africa's household debt problem?

Conventional household debt measures conceal fundamental information about households' need for debt, their affordability, and the long-term effects of indebtedness. The conventional measure of household indebtedness is the ratio of household debt to disposable income. This indicator captures the stock of household liabilities relative to annual income after taxes and transfers. It is useful for assessing broad financial trends, but it does not reveal who owes the debt, whether borrowers have sufficient income to repay it, or what they forfeited to obtain the loan and the sacrifice required to service it.

Various household debt indicators convey the seriousness of household indebtedness in South Africa and the inequalities that exist within the household debt architecture. The National Credit Regulator's (NCR) consumer credit statistics, as reproduced in the NCR-based credit market tracker, indicate that the gross consumer debtors' book reached approximately R2.6 trillion in June 2026, increasing by 5.1% from 2025. Nearly R197.3 billion was at least 120 days (about

four months) in arrears. This is equivalent to about 7.7% of the gross debtors' book, although the measure is not directly comparable to TransUnion's account-level delinquency rates.

TransUnion's[4] quarter two of 2026 results demonstrate that household credit distress is worsening as the number of new credit card accounts opened declined by 16.8%, the volume of new home loan originations declined by 10.5%, and the number of new retail instalment credit accounts opened declined by 10.3% year-on-year. In addition, the proportion of outstanding debt increased by 12% among retail instalment borrowers. The rise in outstanding debt amongst credit account holders is despite the number of consumers carrying (outstanding) balances falling by 13.9%. This suggests a growing concentration of debt among fewer borrowers. In addition, this combination of declining credit participation, rising outstanding debt, and deteriorating repayment performance indicates intensifying financial distress within the retail instalment market. Meanwhile, non-bank personal loan originations surged by 21.3%, even as average new loan amounts declined by 5.9%, with 71.3% of these borrowers classified as subprime[5] and 54.6% of outstanding balances considered seriously delinquent. These multifaceted developments point to a deeply unequal credit market in which financially vulnerable consumers continue seeking smaller loans while repayment distress intensifies. This pattern should raise concerns that credit is increasingly being used to manage income insecurity, while the costs and risks of borrowing become concentrated among those least able to absorb them.

2. Why are South African households so dependent on debt?

2.1. Unemployment and inadequate incomes create structural dependence on credit

South Africa's unemployment crisis is particularly devastating for young people and women, entrenching financial dependence across generations. In the second quarter of 2026, 47.4% of economically active youth aged 15-34 were unemployed, while 36.4% of those aged 15-24 were neither in employment, education nor training (NEET). Young women faced even greater exclusion, with a NEET rate of 38.2%, compared with 34.6% for young men, while women's broad unemployment rate reached 48.6%, against 40.2% for men. These inequalities delay young people's and women's full, equal, and meaningful economic participation, restrict opportunities for redistribution, and deepen households' dependence on already stretched incomes and borrowing.

The implications extend beyond unemployed individuals. In a context of widespread joblessness, employed household members frequently support unemployed relatives and

[4] TransUnion is a major registered credit bureau and global information insights company, while the NCR is the South African government body that licenses, regulates, and serviceoversees TransUnion and the wider credit industry. TransUnion collects and supplies credit data to help businesses make lending decisions, the NCR enforces the National Credit Act (NCA) to ensure those practices remain fair, transparent, and legal.

[5] These are consumers classified as having relatively high credit risk based on their credit histories and repayment profiles. Under TransUnion's South African CreditVision methodology, this refers to consumers with credit scores of 625 or below. Such classifications can reflect previous repayment difficulties or high indebtedness, but should not be interpreted as evidence of financial irresponsibility, since income insecurity and structural economic vulnerability can also undermine repayment capacity.

dependants (often referred to as 'black tax'), reducing the income available for savings, essential expenditure, and debt repayments. This burden is especially acute for women, who disproportionately undertake unpaid childcare, eldercare, and domestic work. Unpaid labour often limits their participation in paid employment, job searching, and entrepreneurship, while increasing time poverty. Inadequate public childcare, healthcare, and other care-related services consequently reinforce both income insecurity and the need to borrow, particularly among women-headed households. Increasing household indebtedness must be understood, in part, as a reflection of the unequal distribution of paid employment and unpaid care responsibilities.

Widespread poverty and inadequate social protection compound the unemployment crisis, the burden of unpaid care, failing public services provision, and indebtedness pressures. Statistics South Africa (StatsSA) estimated that 23.2 million people lived below the lower-bound poverty line in 2023, while 10.8 million could not afford minimum food requirements. Despite increasing poverty and the unfolding cost of living crisis, the government's 2026 Budget increased the Child Support Grant by only R20 to R580, while freezing the Social Relief for Distress (SRD) grant at R370 for another year.[6] Although other grants received nominal increases, their values remain insufficient to meet basic needs, reflecting what the IEJ has criticised as the cumulative erosion of social assistance through inadequate adjustments. These grants are significantly below what is required to afford a monthly basket of food or nutritious diets for many low-income households, contributing to child stunting. The SRD grant, in particular, has suffered a further reduction because its nominal value has only been adjusted once (from R350 to R370 in 2024) which does not fully account for the 22.5% loss in purchasing power due to inflation since its introduction in May 2020. When social protection fails to close the gap between falling household real incomes and essential expenditure, borrowing becomes a substitute for adequate public income support, transferring the costs of poverty onto already vulnerable households.

2.2. The cost of basic services exceeds the incomes available to many households

The cost-of-living crisis extends far beyond food and forces more and more people to finance basic household needs via credit. According to the Competition Commission's March 2026 Cost of Living Report, households in the poorest income decile allocate 40.7% of their expenditure to food and 26.1% to housing and utilities, meaning these two necessities alone absorb about 67% of their total expenditure. Electricity accounts for another particularly severe pressure within the housing and utilities category, representing 5.5% of total expenditure, compared with 4.3% for taxi fares and 0.9% for water. These are expenditure shares and do not reveal what households need to spend to secure adequate services. In a sense, low expenditure may reflect deprivation rather than affordability. The StatsSA Income and Expenditure Survey 2022/23 further highlighted that median household income was only R95,770 annually (approximately R7,981 monthly), compared with R158,481 in average annual income for female-headed households

[6] By comparison, StatsSA's 2025 food poverty line was R855 per person per month, while the lower-bound poverty line was R1,415. Although these are different measures with different reference periods, neither the SRD nor the Child Support Grant individually reaches the monetary threshold for minimum food requirements.

and R239,590 for male-headed households, displaying substantial inequalities in purchasing power.

The financial pressures become even more apparent when examining workers earning the national minimum wage. The Pietermaritzburg Economic Justice & Dignity Group (PMBEJD) October 2026 Household Affordability Index estimated that a worker earning R30.23 per hour over 22, eight-hour working days, receives R5,320.48 per month. Transport alone costs up to R2,112 for the month, while 350 kWh of prepaid electricity costs another R1,263.45, together consuming 63.4% of that worker's wage. This leaves only R1,945 for food, rent, water, schooling, childcare, healthcare, and debt repayments. On the other hand, PMBEJD estimated that the average household food basket costs R5,512.53, while a basic nutritious diet for a family of four costs R3,828.72. Even before paying rent or other necessities, the worker who supports a family of four faces a shortfall of approximately R1,884 against the smaller nutritious food basket after transport and electricity. Housing further compounds this squeeze if we take the National Treasury's Cities Support Programme rental estimates[7] that place some small-scale rental units at the R1,700 to R3,600 monthly range, depending on quality and compliance.

In addition, a 2026 study of early childhood development (ECD) provision reports average ECD centre fees of approximately R500 per child monthly, equivalent to 9.4% of the maximum monthly minimum wage in the example above. Research by Ilifa Labantwana further indicates that parental fees remain a primary source of income for 97% of early learning programmes, reflecting inadequate public financing for ECDs. Although most public schools are tuition-free, spending on transport, uniforms, stationery, and other associated costs continues to compete for limited household income.

These figures reveal a structural affordability crisis and that essential expenditure can exceed earnings before debt servicing even begins. Inadequate public transport, housing, childcare, and education provision consequently force households to privately absorb costs that could be reduced through universal, affordable public services. Universal access to these public services could mitigate the increasing reliance on credit that is reinforcing poverty, vulnerability, and inequality. Investments in these public services would function as an indirect increase in real disposable income, thereby reducing the cost of basic services.

2.3. Credit markets can reinforce rather than resolve income insecurity

South Africa seems to possess a credit market that easily finances precarious consumption over productive investment. When credit providers finance recurring expenditure without generating additional income, a household that takes a short-term loan to buy food may face the same income shortfall the following month, now compounded by principal repayments, interest, and fees. This creates the possibility of a debt-dependency cycle where inadequate income leads to borrowing; debt servicing reduces disposable income; and the next income shortfall requires additional borrowing.

[7] These are illustrative market estimates, they do not broadly reflect a national average for low-income renters.

Evidence from distressed borrowers is consistent with this mechanism. StatsSA's February 2026 Mbalo Brief, citing DebtBusters' 2025 Debt Index for quarter four, reported that applicants for debt counselling required 71% of their take-home income to service debt. And among that group, 96% had personal loans and 59% had one-month loans. This illustrates how unsecured and short-term borrowing can become central to the finances of households already experiencing distress, and is contrary to the applause for SARB's deleveraging narrative and instead signals debt overhang. Effectively, an economy that relies on household borrowing to maintain basic consumption, without generating sufficient and decent employment and income growth, is transferring the costs of structural economic failure onto household balance sheets.

The high cost of unsecured credit further entrenches household financial vulnerability. For instance, Capitec's 2026 lending schedule quotes annual personal loan interest rates of 12.5% - 28%, with a representative R50,000 loan at 22% requiring R84,811 in total repayments over four years, including fees and insurance. At the same time, Standard Bank reported R108.3 billion in such advances in 2025, while Nedbank had approximately R28 billion, illustrating how interest-bearing household debt constitutes an established source of banking sector income while committing borrowers' future earnings to repayments. Major banks' financial disclosures reveal the scale and high pricing of household unsecured credit: Capitec's gross personal banking advances grew by approximately 40%, from R64.0 billion in 2021 to R89.5 billion in 2025, while FirstRand declared a 13.7 percentage points margin above prime on FNB personal loans in 2025, compared with just 1.39 percentage points on mortgages. These measures illustrate how unsecured household borrowing represents a substantial, relatively high-priced segment of bank lending, deepening financial vulnerability among income-constrained borrowers.

3. How does monetary policy worsen household debt vulnerability?

3.1. High interest rates transmit directly into debt repayments

The SARB's repo rate influences the cost of borrowing across the financial system. Commercial banks generally adjust their prime lending rates[8] following changes in the repo rate, affecting variable rate mortgages, vehicle finance, and other prime-linked lending products. The September 2026 increase in the repo rate from 7% to 7.25% raised the cost of variable rate credit. The precise impact on individual borrowers depends on the loan balance, interest rate structure, remaining repayment period, and lender pricing.

Table 1 below depicts the effect on a single loan of a 25 basis point increase in the repo rate at different levels of outstanding loan amounts. Such an increase may result in higher borrowing costs, decreased share of income dedicated to transport and electricity expenses, assuming stagnant wages, and reduced opportunities for additional employment for many households. The cumulative impact can be substantial, particularly where little disposable income remains

[8] The prime lending rate is the benchmark, default interest rate that commercial banks (such as Standard Bank, ABSA, Nedbank, FNB, Capitec, and Investec) use to price loans and credit products for their customers. It is tied to the SARB repo rate and traditionally sits 3.5 percentage points above the repo rate.

after essential expenditure. Furthermore, the effects of interest rate changes extend beyond existing debt. Higher rates increase the cost of new borrowing, discourage investment by businesses, and may reduce demand for labour. For workers whose employment depends on interest-sensitive industries such as construction and real estate, wholesale and retail trade, automotive and banking sectors, monetary tightening can therefore affect both their expenditure and their income.

Table 1. The cost of a 25 basis point interest rate increase

Outstanding loan	Approximate additional annual interest	Approximate monthly equivalent increase
R50,000	R125	R10
R250,000	R625	R52
R500,000	R1,250	R104
R1 million	R2,500	R208

Source: Author's compilation: outstanding principal multiplied by 0.0025, assuming the balance remains unchanged. This is not a forecast of the change in monthly instalments, which depends on amortisation, loan term and repricing arrangements.

3.2. The effects of monetary tightening are not distributionally neutral

The SARB responds to a national inflation rate that masks substantial differences in households' experiences of rising prices. In August 2026, headline inflation was 4.4%, but reached 5.4% in the Western Cape, compared with 3.5% in the Northern Cape, for instance. Inflation also differed across expenditure groups, with a 2.9% rate for the poorest expenditure decile against 4.6% for the wealthiest. However, lower measures of inflation in the case of low-income households rarely indicate affordability. For example, administered price inflation reached 10.6%, compared with 3.3% for prices excluding administered items in August 2026, illustrating how essential costs can rise considerably faster than the aggregate inflation rate.

Higher interest rates also redistribute income unevenly between asset owners and indebted households. South Africa's richest 10% own approximately 85.7% of national wealth, while the bottom 50% collectively have negative net wealth. Wealthier households with substantial, interest-bearing deposits can benefit from higher returns, while borrowers with variable-rate debt face increased repayments. Moreover, a 2026 study of wealth ownership within South African couples found that 58% of men owned financial assets compared with 44% of women, while retirement-asset ownership was 16% for men against 8% for women. Women are consequently less likely to benefit from interest-bearing wealth, at the same time as their greater likelihood of unemployment and unpaid care responsibilities reduces their ability to absorb higher borrowing costs.

The financial sector's position contrasts sharply with that of financially distressed borrowers, while financial exclusion and high household indebtedness can push low-income borrowers and informal traders out of the formal banking sector and towards *mashonisas*. South Africa's six major banking groups reported R82.3 billion in combined headline earnings in the first half of 2026. This is a 9.3% increase as compared to their 2025 earnings, with a reported net interest margin[9] of 4.7% for the relevant bank sample. Simultaneously, Blacksash research documents informal lending rates of 30-50% per month, equivalent to R300 - R500 in monthly interest on a R1,000 loan. South Africa's monetary tightening thus operates through a deeply unequal financial system where a handful of households with assets can earn interest, while the majority of South Africans without sufficient income or collateral may face increasingly costly debt.

3.3. Monetary tightening can reinforce a demand-constrained economy

The relationship between household indebtedness and economic growth is mutually reinforcing. When indebted households devote more income to debt servicing, they have less available for consumption. Lower consumption can weaken business sales, discourage investment, and constrain employment creation. Reduced employment and income growth, in turn, make it more difficult for households to repay existing debt. This mechanism is particularly important in South Africa, where consumption constitutes over 60% of aggregate demand, and the employment crisis already limits household purchasing power.

The current cycle of monetary tightening is occurring in an economy with limited demand and investment momentum. The SARB's September 2026 Quarterly Bulletin reported that real household consumption increased by only 0.4% in quarter two, while real gross fixed capital formation (investment) declined by 0.2%. The policy risk is a self-reinforcing cycle in which high interest rates constrain demand and productive investment; weak growth limits decent employment and real incomes; inadequate incomes increase reliance on credit; and rising debt-service burdens further weaken consumption. Breaking this cycle calls for a coordinated macroeconomic policy that places decent employment, productive investment in sustainable industrial policy, and household financial resilience alongside price stability.

4. Who bears the burden of household debt?

4.1. Borrowing to accumulate assets versus borrowing to survive

South Africa's household debt crisis is inseparable from the unequal distribution of the wealth generated by its economy. Remarkably, the wealthiest 0.01%, an estimate of 3 500 adults in the study combining tax records, household surveys, and national balance-sheet data, own more wealth than the bottom 90% combined. These estimates, covering 1993 - 2017, reveal that the democratic transition has not fundamentally altered the concentration of economic ownership. The working majority consequently participates in the economy predominantly through labour and consumption, as opposed to through ownership of appreciating financial and productive assets.

[9] The net interest margin is the difference between the interest income earned by financial institutions from provision of interest-bearing assets (i.e. loans and advances) and the interest paid for interest-bearing liabilities (i.e. customer deposits), as a share of interest-bearing assets.

This concentration is reinforced by the distribution of income between labour and capital. An econometric study covering 1971 - 2019 documents a long-term decline in South Africa's private-sector labour share, identifying financialisation and globalisation among the factors associated with labour receiving a smaller proportion of economic output. Although the wage share recovered somewhat after 2009, this did not reverse the longer-term structural imbalance. A declining labour share means that workers collectively capture less of the income generated by production relative to capital, constraining the capacity of wages to support consumption and asset accumulation. The consequences are particularly severe in an economy where millions are unemployed, often black women, and the incomes of employed workers support extended family members.

Household indebtedness compounds this unequal distribution. Whereas wealthier households can use credit to acquire property and other appreciating assets, low-income households and women with limited financial inclusion are more exposed to unsecured and predatory borrowing to meet recurring expenditure. Every rand diverted from wages towards interest and debt servicing is unavailable for food, education, care or savings, while interest payments generate revenue for financial intermediaries and returns to their capital providers. Workers' limited claims on national income restrict their ability to accumulate and redistribute wealth, while the need to borrow against future earnings further reduces their disposable income. Addressing household debt demands more than regulating credit; it demands stronger real incomes, a greater labour share of economic gains, and redistribution of the assets and public services that underpin economic security.

4.2. Women face a distinctive combination of income insecurity, care responsibilities, and financial exclusion

Gender inequality shapes not only women's access to credit but also their capacity to repay it. StatsSA's *Labour Market Dynamics 2024* found that women's median monthly earnings were R5,300 compared with R6,500 for men - an 18.5% shortfall. Among the lowest paid 10% of employees, women earned R1,500, which is 31.8% less than the R2,200 earned by men. This disadvantage is compounded by household structure: In StatsSA's 2026 gender and care analysis, it was found that 39.1% of female-headed households had no employed member in 2025, compared with 23.5% of male-headed households. Women, therefore, continue to face an inordinate risk of financing household necessities from inadequate and irregular incomes, while low earnings and financial exclusion restrict access to affordable and formal credit.

The unpaid care economy intensifies this vulnerability. South African time-use research found that women spend 256 minutes daily on household maintenance and care, compared with 102 minutes for men, limiting opportunities for paid employment and income generation. Care also imposes direct financial costs. StatsSA reports that the average annual pre-primary education expenditure in the Western Cape was R8,069 in 2023, and has risen to R14,677 in 2025. For low-income mothers, childcare, transport, food, and healthcare compete with debt repayments, while inadequate public services increase both unpaid labour and out-of-pocket expenditure.

Higher debt-servicing costs following interest rate hikes may further constrain women's ability to afford paid care services, increasing their unpaid direct and indirect care responsibilities. Gender-responsive debt policy becomes necessary under such conditions and should combine affordable childcare and public services, stronger income support, and accessible debt restructuring, with credit assessments that recognise irregular earnings and essential care expenditure without penalising women for structural deficiencies in the economy.[10]

5. Who benefits from household indebtedness and high interest rates?

The financial sector is a major beneficiary of South Africa's extensive credit market. Banks and other lenders generate income through interest, account fees, credit-related charges, insurance products, and other financial services. The distributional consequences of these earnings deserve scrutiny in an economy where many households struggle to meet basic needs.

5.1. Commercial-bank earnings remain substantial

PwC's September 2026 analysis of six major banking groups (Absa, Capitec, FirstRand, Investec, Nedbank, and Standard Bank) reported substantial earnings as indicated under subsection 3.2. above. The analysis also reported a return on equity of 20.5% for the relevant bank sample and a net interest margin of 474 basis points or 4.7% for the applicable subset. Even though these figures include earnings from corporate lending, payments, trading, investment activities, and other operations, including activities outside South Africa, they, nonetheless demonstrate the scale and profitability of South Africa's banking sector.

5.2. The creditor-debtor relationship creates an unequal distribution of financial risk

The creditor-debtor relationship distributes financial risks and rewards unequally. Banks assume the risk of borrower default but are compensated through interest rates, fees and risk premiums, while managing potential losses through credit assessments, collateral, insurance, diversification, and impairment provisions. Under South Africa's NCRs, unsecured lending may attract interest of up to 21 percentage points above the repo rate, reflecting the substantial pricing latitude available to creditors. By contrast, households bear the risk of income loss, illness, unemployment, and rising costs of basic services without equivalent financial compensation or mechanisms to diversify these risks. Their repayment obligations generally persist even when their economic circumstances deteriorate, transferring a disproportionate burden of economic uncertainty onto borrowers. These risks for low-income households, women, and informal businesses are further entrenched by exclusion from formal financial services. For instance, the Organisation for Economic Cooperation and Development (OECD)'s 2026 small to medium enterprise (SME) financing assessment for South Africa estimated a R350 billion financing gap for micro, small, and medium enterprises (MSMEs), with only 8% holding business loans. Lenders' overreliance on formal income records, credit histories, and

[10] It is important to note that this does not argue for the relaxation of formal credit regulations in a way that could jeopardise overall financial sector stability and lead to the kind of crisis seen leading up to and during the global financial crisis but to account for and resolve economywide structural deficiencies.

collateral has consequently excluded viable informal and small enterprises, particularly those owned by disadvantaged and marginalised persons and groups.

This unequal allocation is reinforced by financial regulation. Empirical research using South African data for 2008 - 2023 asserted that macroprudential regulation disproportionately reduced lending to poorer households while favouring larger firms, demonstrating that financial-stability measures can have unequal developmental consequences. Meanwhile, banks benefit from an extensive institutional safety net, including SARB liquidity facilities, prudential supervision, resolution arrangements, and deposit insurance of up to R100,000 per qualifying depositor, funded through bank contributions. These mechanisms protect depositors and systemic stability, but equivalent institutional support for financially distressed households and excluded enterprises remains severely limited. The National Credit Act of 2005 is said to provide important safeguards against reckless lending and over-indebtedness. Nevertheless, affordability assessments still restrict access to formal credit in instances where incomes are irregular or undocumented as a result of limited access to technology and institutional knowledge. The resulting asymmetry is that financial institutions operate within a publicly established framework for managing systemic risk, while low-income borrowers and small enterprises frequently bear the consequences of exclusion, expensive alternative credit, and debt distress individually.

5.3. Credit-related charges deserve closer scrutiny

The full cost of borrowing extends beyond the nominal interest rate. Consumers may also pay initiation fees, monthly service fees, credit-life insurance premiums, and legally recoverable default-related charges. South Africa's 2017 credit-life insurance regulations established maximum monthly charges of R4.50 per R1,000 of the relevant amount for unsecured credit and several other credit categories, subject to the prescribed calculation method. For ordinary mortgage agreements, the maximum is R2 per R1,000. These are ceilings; however, evidence of what every lender charges remains minimal due to sophisticated and bundled banking products that conceal the costs of banking.

For instance, at the maximum unsecured-credit insurance rate, a qualifying R20,000 insured balance would imply a monthly premium ceiling of R90, depending on the prescribed calculation basis. Over a year, that would amount to R1,080 if the relevant insured amount remained unchanged. Such charges can become material when combined with interest and other fees, particularly for borrowers using short-term credit repeatedly.

5.4. What further evidence is required to establish the distribution of creditor profits?

A comprehensive assessment of the financial gains associated with household debt requires lender-level disclosure of, among other things:

- Net interest income attributable specifically to household lending, disaggregated by mortgages, vehicle finance, personal loans, credit cards, and other products.
- Average effective interest rates, funding costs, credit losses, fees, and insurance income by credit product.

- Credit-life insurance premiums collected, claims paid, and claims rejected.
- Collections, recoveries, debt-sale proceeds, and write-offs.
- Borrower characteristics, including income, gender, age, race, and geography, subject to privacy safeguards.

These disclosures would allow researchers and regulators to distinguish legitimate intermediation costs from potentially excessive charges or exploitative lending practices.

6. Is South Africa's debt-relief and consumer-protection framework working?

Although South Africa has an established consumer-credit regulatory framework, the continued prevalence of financial distress raises questions about whether the existing framework is sufficiently accessible, adequately enforced, and appropriately designed for an economy characterised by structural unemployment, high inequality, and chronic poverty. The existing regulatory framework centres on the National Credit Act 34 of 2005 (NCA), which introduced protections against reckless lending, provided mechanisms for restructuring over-indebted consumers' obligations and established institutions responsible for regulating the credit market.

6.1. Debt counselling measures remain insufficient

The measures undertaken to resolve debt distress, such as debt counselling, are opaque and remain inaccessible and still prioritise creditors over borrowers without a sustainable path for households' financial stability. Debt counselling, introduced under the NCA, allows qualifying over-indebted consumers to seek restructuring assistance. The NCR's 2024/25 Annual Report recorded R19.5 billion in payments distributed to credit providers through payment distribution agents on behalf of consumers under debt counselling, compared with R15.9 billion in 2023/24. The report also recorded almost 61,000 clearance certificates issued to rehabilitated consumers, which is over 13,200 more than in the preceding year. While these amounts may provide evidence that debt counselling is an important component of the credit system, payments distributed to creditors are not equivalent to debt written off, and clearance certificates fail to establish that consumers have achieved long-term and sustainable financial security.[11]

In effect, evidence from debt counselling providers also illustrates the severity of financial distress among applicants. The National Debt Review Centre's quarter three of 2026 operational report found that its clients devoted an average of 45.6% of income to debt repayments, with 27.7% spending more than 60%. The report also found that restructuring reduced the average interest rate on unsecured accounts in its portfolio from 21.6% to 9.3%. This evidence suggests that debt restructuring can substantially reduce borrowing costs. Nevertheless, the effectiveness

[11] The National Credit Amendment Act 7 of 2019 introduced a debt-intervention mechanism intended to provide relief to financially distressed consumers earning no more than R7,500 per month and carrying qualifying unsecured debt of up to R50,000. Unlike conventional debt counselling, the reform envisages mechanisms for restructuring, suspending and, under prescribed conditions, extinguishing qualifying debt for consumers unable to afford existing debt-relief processes. However, the continued non-implementation of its substantive debt-intervention provisions represents a significant gap in South Africa's consumer protection framework, particularly for low-income households facing persistent over-indebtedness.

of restructuring depends on borrowers retaining sufficient income to meet revised repayment obligations. Where unemployment or inadequate income is the primary cause of distress, extending repayment periods or reducing interest rates may not be enough, and a plan to unlock meaningful labour market participation needs to be devised.

6.2. Consumer protection must address both reckless lending and unaffordable repayment

The NCA provides mechanisms to address reckless lending and over-indebtedness but, although these are important protections, they rely on effective enforcement, accessible remedies, and adequate regulatory capacity, all of which are often lacking. The NCR's 2024/25 Annual Report acknowledged budget constraints that limited on-site investigations, as well as difficulties arising from gaps between technological developments in the debt counselling industry and the regulator's automated systems. In this regard, a legal right is less effective when consumers cannot afford to enforce it, do not understand the available procedures, are constrained or excluded by technological requirements, or cannot obtain timely assistance. Consumer credit reform should prioritise supportive affordability assessments, effective protection against reckless and predatory lending, transparent pricing, fair and dignified collection practices, and accessible and timely dispute resolution. Restricting access without providing affordable alternatives often pushes financially vulnerable households towards less regulated lenders.

7. What should the government and the SARB do? Towards a developmental household debt framework

South Africa requires a coordinated household debt strategy that moves beyond managing over-indebtedness and towards reducing its structural causes. This demands at least five mutually reinforcing reforms. First, implement accessible debt relief for low-income households. The Presidency and Department of Trade, Industry and Competition (dtic) should prioritise the commencement and implementation of the National Credit Amendment Act 7 of 2019, with National Treasury providing dedicated funding for the National Credit Regulator (NCR) and National Consumer Tribunal. The scheme should offer free debt intervention, including restructuring, suspension, and concessional extinguishment of qualifying unsecured debt, while existing debt counselling procedures should be made more affordable, inclusive, and accessible. Implementation must include safeguards against exclusion from future supportive credit access.

Second, strengthen regulation of exploitative and predatory lending, and the cost of credit. The dtic, through the Competition Commission and NCR, needs to review maximum interest rates, initiation fees, service charges, and credit-life insurance costs under the NCA, while intensifying enforcement against reckless lending, unlawful debt collection, and unregistered lenders. Affordability assessments should protect a realistic and comprehensive minimum level of essential household expenditure, including food, transport, housing, and care, instead of assigning these necessities as discretionary spending. The Financial Sector Conduct Authority

(FSCA) should cooperate with the NCR on market conduct oversight where their respective mandates intersect.

Third, monetary policy needs to be explicitly responsive to household financial vulnerability. The SARB, working with the National Treasury and StatsSA, must publish distributional assessments alongside Monetary Policy Committee decisions, examining disaggregated inflation and interest rate effects across income groups, provinces, gender, and indebted households. Household debt-servicing burdens, arrears, and access to credit should also be incorporated more systematically into financial stability assessments. This would strengthen the evidence informing monetary policy decisions.

Fourth, government policy decisions need to reduce the necessity of borrowing to finance basic needs. The National Treasury, the Department of Social Development, the Department of Employment and Labour, and relevant service-delivery departments ought to coordinate policies that raise disposable incomes and lower the cost of living, including care. Priorities include: inflation-responsive social grants; stronger wage protection; affordable public transport, energy, and food; expanded publicly-supported childcare and elderly care; and reliable basic services. These interventions address household indebtedness at its source by reducing the gap between earnings and the cost of social reproduction, particularly for low-income and women-headed households.

Fifth, redirect financial intermediation towards inclusive productive and sustainable development. The National Treasury, dtic, Department of Small Business Development, and development finance institutions, in cooperation with the SARB's Prudential Authority, have to develop targeted credit guarantees and appropriately priced financing mechanisms for small enterprises, informal traders, and women-owned businesses. Such programmes should share risks transparently and establish measurable developmental outcomes. The objective must be to expand productive investment and decent employment creation, curbing deepening dependence on high-cost consumption credit.

South Africa's household debt crisis clearly points to a manifestation of an economic system in which inadequate incomes, persistent unemployment, rising living costs, and concentrated wealth increasingly compel working-class households to borrow for survival. Left unaddressed, indebtedness deepens poverty, reinforces racial, class, and gender inequalities, and transfers scarce household income towards financial creditors, further undermining economic security and inclusive growth. Confronting this crisis therefore requires more than debt relief: it demands a fundamental shift towards decent employment-centred macroeconomic policies; stronger social protection and care infrastructure; and a developmental financial system that serves households over speculative markets, and centres productive investment rather than perpetuating financial vulnerability.



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