NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 2317

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Mr P J C Pretorius (DA) to ask the Minister of Finance:

(1) Whether the Land Bank has changed its model of calculating interest on outstanding loans since 1994; if so, (a) when was the model changed, (b) what are the details of the changes and (c) why was it regarded necessary for the change;

(2) whether the debtors concerned were informed of the full details and implications of such changes at the time when the decision was made; if not, why not; if so, how were they informed;

(3) whether the decision to change the model was taken by the board; if not, who took the decision; if so, on what date was the decision taken;

(4) whether existing loan agreements were amended upon the introduction of a new model; if not, why not; if so,

(5) whether (a) such amendments were communicated to all debtors concerned and (b) it is envisaged that the existing model will be amended further; if not, why not; if so, what are the relevant details in each case?

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REPLY

1. Yes.

(a) The model was changed in 1999 when the Bank changed its banking system.

(b) The change was in the methodology of calculating interest – from nominal annual compounded annually (NACA) (simple) to nominal annual compounded monthly NACM (compound).

(c) The new model calculates the interest according to the industry norm (all banks charge interest on the NACM basis).

2. Yes. The debtors were informed of the change by way of a letter. The interest rates were reduced at that time to eliminate the impact of the change.

3. No. The decision was taken by the Lank Bank's Interest Rate Committee and signed off by the Chief Executive Officer in 1999.

4. No. The existing loan agreements were not amended, nor were addendums prepared for the existing agreements. This was as a result of a lack in administrative controls at the time – once again a legacy issue.

5. (a) No. There were no amendments.

   (b) No. The model complies with the normal market practice and an interest recalculation model is being used to quantify possible differences where claims are submitted.