

**NATIONAL COUNCIL OF PROVINCES  
QUESTION FOR WRITTEN REPLY  
QUESTION NUMBER: 223 [CW312E]  
DATE OF PUBLICATION: 24 MAY 2013**

**223. Mr K A Sinclair (COPE-NC) to ask the Minister of Finance:**

Whether the spectre of unsecured loans that are being extended by various financial institutions is a threat to economic stability of the country; if not, why not; if so, what are the relevant details?

CW312E

**REPLY:**

No, the current level of unsecured loans extended by various financial institutions does not pose a threat to the economic or financial stability of the country. The Honourable member is asking a question very similar to his question 263 [CW361eE] of 2012, a copy of which is attached. I will therefore not repeat that answer, but only update my answer with the latest information available.

As reported in the 2012 Annual Report of the Banking Supervision Department (BSD) of the South African Reserve Bank published on 27 May 2013, and tabled in Parliament on 20 June 2013, our banks remain financially sound:

“The South African banking sector continued to post healthy profitability numbers, supported by generally improved quality of assets. The banking sector remained adequately capitalized in terms of the current minimum regulatory requirements. Although the banking sector’s total unsecured gross credit exposure increased further during the reporting period, it remained a relatively small portion of total gross credit exposure.” (BSD 2012 Annual Report, p.7)

With specific reference to unsecured lending, the Report states as follows under the heading “Flavour-of-the-year topics for 2012”:

“The Department monitors the banking sector’s activities regarding unsecured lending from a prudential and a financial stability perspective. During 2012 the Department engaged with selected banks on the high growth rate in the retail category of credit exposures. The Department also noted the public comments made by various banks related to the moderating growth rates in the second half of 2012. During 2013 the Department will continue to monitor the trend in retail unsecured lending reported by the banking sector and engage with the banking sector on any potential risks arising from retail unsecured lending.” (BSD 2012 Annual Report, p.5)

At the same time more must be done to ensure that South African are not severely indebted and unable to cope with their obligations. In particular, more focus and action is required on the abusive practices of micro-lenders.

