

# SA consumers borrowing much more than they can afford - new report

According to the latest quarterly debt report from DebtBusters, South African consumers' debt, compared to what they earn, has increased greatly over the past four years.



Image source: Gallo/Getty

The report found that at 117%, the ratio of debt to net income amongst DebtBusters' clients in Q3 2019 is the highest it has been during the last four years. For some income levels, the debt-to-income ratio is as high as 135%. Just last year, the same ratio was 109%.

"The debt-to-income ratio has gone up massively over the last few years and this is particularly concerning ahead of the festive season, when we know people are under the pressure to spend more," says Benay Sager, DebtBusters' chief operating officer.

## Consumers becoming over-indebted faster

More evidence that consumers' appetite for borrowing has intensified, despite the straitened economy, is that they are becoming over-indebted faster. This is borne out by the fact that they have significantly fewer credit arrangements than in previous years when they apply for debt counselling – 8.4 in Q3 2015 versus just 6.4 in Q3 2019. This is not as a result of declining demand, but because they sooner reach the point where another loan is not the answer.

Debt exposure to net income ratio<sup>1</sup> - Comparison over the last five years indicates overall debt levels have been increasing for all income levels

Original overall debt to annual net income ratio<sup>1</sup>  
Debt exposure to net income ratio, when clients sign up with DebtBusters



- Overall, the percentage of debt exposure increased in all income groups in the last 5 years
- South Africans in the highest income brackets still maintain the highest exposure to debt

<sup>1</sup> Debt exposure to income ratio is calculated by looking at the median in each quarter  
Source: DebtBusters

But Sager says the silver lining is that South Africa's debt counselling system is working. The number of debt clearance certificates issued to DebtBusters' clients increased by 69% per year between 2015 and 2019 - almost a tenfold increase in a four-year span. This year alone it has granted close to 5,000 clearance certificates.

"This means that more people are seeking help and then making the effort to settle their debts and become debt free. Debt counselling is helping thousands of South Africans get a fresh start in life."

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