



Payment holidays – what does this mean for consumers and their credit report?

by Experian South Africa

To help ease the financial pressures experienced during this time, most banks have introduced payment holidays for consumers and SME's experiencing challenges that meet the specific banks' applicable criteria.

Annelene Dippenaar, Chief Legal and Compliance Officer Experian Africa explains, "This allows for two types of payment holidays – one is to delay the payment date of the next instalment, the other is to extend the terms of the agreement and pay back the loan over a longer period."

How does this impact your credit profile?

If you meet your revised obligations under the payment holiday, it should not result in a build-up of missed payments on your credit report. Your credit score will not be affected negatively because your months in arrears will remain static until the time that the delayed amount becomes due and payable.

Remember, while the payment status of your accounts is important, other factors are taken into account to calculate credit scores. These include total unsecured debt (e.g. credit cards and personal loan) and what your total use of your credit is (i.e. how much of your credit you are using).

Could the payment holiday impact my ability to get credit in the future?

Unfortunately, there is no guarantee that it will not impact your ability to get credit in future. Lending policies differ between the various financial service providers, so this will depend on the lender with whom you apply for credit in the future. The intention of the payment holiday is, however, to allow the consumer's profile to remain static during the period of the payment holiday and that the payment holiday data submitted to and held by the credit bureau will not be a "negative event" on your credit profile (it is displayed as a normal status code on your profile and not as a negative status code).

"It is also important to recognise that just because your lender has announced a payment holiday, it does not automatically mean a payment holiday has been granted to you – you need to formally apply with your lender. You should try to continue to make regular payments as best as you can until you have discussed your situation with your lender(s). We strongly discourage pausing payments without first agreeing on this with your lenders and credit providers as it will be seen as a negative event on your credit profile", says Dippenaar.

Having a financial strategy to deal with challenging times, such as the one caused by COVID-19, is important to ensure your financial status is protected. Here are Experian's tips that consumers can follow to better protect their financial well-being during this time.

- 1. Check your credit report** – We actively encourage consumers to register for lifetime free access to their credit report at www.mycreditcheck.co.za . There is a Consumer Care team available to assist you.
- 2. Budgeting to know what to expect** – Having a budget is key, especially when an emergency occurs. An important step in managing your budget is identifying your income and expenses.



3. **Taking out credit in the current climate** – If you're considering taking out a credit to help you cope during the COVID-19 pandemic, you must consider all your financial options first. You should only borrow what you can afford to repay. Borrowing options may change as the situation evolves. If you're thinking about applying for credit, consider starting to review your options sooner rather than later.
4. **Credit commitments** – If you think you're going to struggle to make payments, due to the knock-on economic effects of the pandemic, please speak to your lender as soon as you can. If you are in financial difficulty, contact a debt counsellor who can help you.
5. **Protection from financial fraud** – It's important to protect yourself against financial fraud, even more so during these uncertain times. There are many fraudsters exploiting consumers' fears and misinformation relating to COVID-19. Be careful if you get phone calls, emails, or messages about COVID-19, especially if they are asking for personal details.
6. **Credit Insurance** – If you are unable to meet your current credit obligations due to loss of income, determine whether your current insurance policies include protection that can be used to settle your outstanding debts.

If you have questions about your credit profile or managing your debts during this uncertain time, please visit <https://blog.mycreditcheck.co.za/> for a full list of Frequently Asked Questions (FAQs) consumers had about their credit reports or email eza.consumer@experian.com.

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