



**NELSON MANDELA BAY
METROPOLITAN MUNICIPALITY**

CREDIT CONTROL POLICY

adopted by Council on 31 March 2011

CREDIT CONTROL POLICY

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1. INTRODUCTION AND BACKGROUND

The NMBM is bound by the (MSA) legislation to ensure that effective credit control measures are applied to collect sufficient revenue in order to fund the annual budget.

Section 96(a) and (b) of the Local Government: Municipal Systems Act, No. 32 of 2000, stipulates, inter alia, that:

“A municipality –

- must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and
- for this purpose, must adopt, maintain and implement a credit control and debt collection policy that is consistent with its rates and tariff policies and complies with the provisions of this Act.”

Revenue collection plays an integral part in the financial sustainability of a local municipality, especially in areas such as fixing tariffs and budgeting.

The Municipality has taken cognisance of the socio-economic factors which are prevalent in the various areas of the City, and have developed various initiatives to assist those who are economically unable to pay for rates and services.

2. DEFINITIONS

The following definitions apply for the purposes of the application of the Policy:

‘account’ means any account rendered for municipal services provided;

‘Act’ the Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000) as amended from time to time;

‘arrears’ means any amount due, owing and payable in respect of municipal services not paid by due date;

‘Chief Financial Officer’ means the Chief Financial Officer (CFO) of the Budget and Treasury Directorate of the Municipality;

‘Core family’ means a couple, irrespective of gender (whether married or not), with or without children and/or the parents of either;

‘Council’ means the Council of the Nelson Mandela Bay Metropolitan Municipality;

‘due date’ means the date specified as such on a municipal account dispatched from the offices of the responsible officer for charges raised and payable and which is the last day allowed for the payment of such charges;

‘delegated person’ means a person in terms of a power of attorney or affidavit signed by the person being represented;

‘metropolitan municipality’ means a municipality that has exclusive executive and legislative authority in its area, and which is described in Section 155(1) of the Constitution as a Category A municipality;

‘Municipality’ means the Nelson Mandela Bay Metropolitan Municipality;

'owner' means:

- a) in relation to a property referred to in paragraph (a) of the definition of 'property', a person in whose name ownership of the property is registered;
- b) in relation to a right referred to in paragraph (b) of the definition of 'property', a person in whose name the right is registered;
- c) in relation to a land tenure right referred to in paragraph (c) of the definition of 'property', a person in whose name the right is registered or to whom it was granted in terms of legislation; and
- d) in relation to public service infrastructure referred to in paragraph (d) of the definition of 'property', the organ of state that owns or controls that public service infrastructure; provided that a person mentioned below may for the purpose of the Act be regarded by a municipality as the owner of a property in the mentioned circumstances:
 - (i) a trustee in the case of a property registered in the name of the trust, excluding state trust land;
 - (ii) an executor or administrator, in the case of a property in a deceased estate;
 - (iii) a trustee or liquidator, in the case of a property in an insolvent estate or an estate in liquidation;
 - (iv) a judicial manager, in the case of a property in the estate of a legal person under judicial management;
 - (v) a curator, in the case of a property in the estate of a person under curatorship;
 - (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
 - (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it to the lessee;
 - (viii) a buyer, in the case of a property that has been sold by the Municipality and of which possession has been given to the buyer pending registration of ownership in the name of the buyer; or an occupier of a property that is registered in the name of the Municipality.

'property' means:

- a) immovable property situated within the boundaries of the municipality registered in the name of a person including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- d) public service infrastructure;

'rate' means a municipal rate on property envisaged in Section 229(1)(a) of the Constitution;

'poor households (attp account holders)' means those account holders that qualify for assistance in terms of Council's Assistance to the Poor Scheme.

'non- attp domestic account holders' means this category of account holders is those private individuals occupying a residential property. A residential property shall mean a property with a house erected thereon, designed to accommodate a single core family, including normal outbuildings associated therewith and from which no business is conducted and which inter alia excludes Close Corporations, Trusts, Partnerships, Sporting Bodies, Churches, individuals trading as a business, ATTP account holders, etc.

'business account holders' means the following account holders will fall within this category: -

Sole Traders, Partnerships, Private and Public Companies, Close Corporations, Trusts, Sectional Title Bodies Corporate and vacant property owned by private individuals.

'non profitable organisation' means institutions/organisations that are approved in terms of Section 30 of the Income Tax Act, 1962, read with the Ninth Schedule to that Act.

'Sporting bodies' refers to organisations whose sole purpose is to use the property owned by them for sporting purposes, whether for gain or not;

3. WATER FLOW RESTRICTIONS

Where the water usage is not paid for by the due date, for ATTP and non-ATTP domestic customers, water flow restrictor washer or electronic water flow device may be installed.

The normal flow will only be reinstated, once all the arrears on the account has been paid or a suitable arrangement concluded.

4. ALLOCATION OF PRE-PAID PURCHASES TOWARDS OTHER DEBTS

4.1 Where an account holder is in arrears, the Chief Financial Officer can allocate the payment received for the purchases of pre-paid electricity by the household, at his discretion, in one of the following manners, towards the household arrear debts:

4.1.1 10 % to 60% of each pre-paid purchases where no arrangement is in place.

4.1.2 100% of each pre-paid purchases where a customer has defaulted on their arrangement.

Note: The printout from the pre-paid vending machine will print the amount of money that has been set-off against the arrears account and is an official receipt for payment of the account.

4.2 Council can allocate any portion of pre-paid purchases towards any debts in arrears of any account holder to secure full payment of any amounts owing. [Refer to sub-section 15(4) (c) of the By-Laws]

5. INTEREST

Interest will be charged at the prescribed rate on all overdue amounts, irrespective of whether an arrangement has been concluded or not.

6. CONVERSION TO PRE-PAID METERING SYSTEMS

- 6.1 Account holders concluding a long term arrangements must convert to a pre-payment electricity metering system where not already installed. The cost for such conversion will be for the account of the property owner.

The cost for the conversion of ATTP households will be for NMBM's account, (i.e. from the Assistance to the Poor Subsidy).

- 6.2 Where credit electricity consumer is in arrears for excess of 55 days, NMBM reserves the rights to replace the credit meter with a pre-paid meter. The cost for such conversion will be for the account of the property owner.

7. DEBTS INCLUDED IN ARRANGEMENTS

All debts will form part of an arrangement.

8. REVIEW OF A SECURITY DEPOSIT

The security deposit held will be reviewed, in terms of the Deposit Policy in force and where additional deposit is required it will be raised against the debtor's account as follows:

- 8.1 Where a supply of metered service is blocked, disconnected or restricted a minimum additional deposit of R100 or four times the monthly charge raised on the debtor's account;
- 8.2 Where tampering with metering equipment is detected an additional deposit of four times the monthly charge raised on the debtor's account.

9. CALL/ADMINISTRATION FEES

A call/administration fee shall become payable for each visit and/or action taken necessary for the purpose of blocking or disconnection or restriction, irrespective of whether successful or not, subject to a maximum of two call fees during a 30-day period.

10. RESTORATION OF SUPPLIES

Blocking, disconnection and/or restriction of supplies will only be restored once all arrears have been paid or a suitable arrangement has been concluded.

11. DEFAULTER TENANTS

Where a tenant (excluding tenants of municipal and government owned properties) has defaulted, the relevant service account will automatically revert into the property owner's name.

B. ARRANGEMENTS TO SETTLE ARREARS

1. SHORT TERM ARRANGEMENTS

In terms of Section 13 of the Customer Care and Revenue Management By-Laws, an account holder may approach Council to conclude short term arrangements before due date.

Only three (3) arrangements of this nature may be allowed during any period of 12 months, on condition that the arrangement period does not exceed the due date of the next account to be processed.

2. LONG TERM ARRANGEMENTS

2.1 Arrangement Agreements

Before any arrangement agreement can be concluded the debtor must update their personal details.

Arrangement agreements will only be entered into if the debtor is prepared to sign a Consent to Judgement and enter into a contractual arrangement to fulfil all obligations in terms of Council's Customer Care and Revenue Management By-Laws and Debt Collection rules and procedures, which includes but is not limited to the allocation of payments to specific debts in the sole discretion of the Chief Financial Officer.

Other than domestic customers security documentation may be required at the discretion of the Chief Financial Officer, before an arrangement can be concluded.

2.2 Repayment Periods for Arrangements

Where re-payment periods are indicated hereunder in respect of the different legal persona, the minimum repayment period and down payment will always be applied.

Where it is clear however that the minimum repayment period in respect of the arrears cannot be afforded by the account holder, the *Chief Financial Officer* or duly authorised officer may at his/her sole discretion, personalise arrangements to reflect a balance between the metro's best financial interest and the proposal made by the account holder to settle arrears and pay the current monthly account.

2.3 Poor Households (ATTP Account holders)

2.3.1 10% to 40% of each pre-paid electricity purchase will be set-off against all debt at the discretion of the Chief Financial Officer.

2.3.2 Short term arrangement may be concluded with a minimum down-payment of R50.00 and a maximum instalment period of 36 months.

2.4 Non-ATTP Domestic Account holders

This category of account holders can conclude an arrangement under the following conditions:

2.4.1 An application for an arrangement must be completed by the account holder or a delegated person, which must be accompanied by the following:

- 2.4.1.1 Salary slip/s of all employed occupants of the household and/or an affidavit of income and/or 3 months' bank statements, if self-employed.
- 2.4.1.2. An affidavit by the account holder indicating which of the occupants over the age of 16, are not employed.
- 2.4.1.3. Copies of the identity documents of the account holder and all occupants over the age of 16.

THE FOLLOWING ARRANGEMENTS MAY BE CONCLUDED:

TOTAL GROSS HOUSEHOLD INCOME (MONTHLY)	DOWNPAYMENT (NO STOP OR DEBIT ORDER)	TOTAL DEBT OWING	MAXIMUM REPAYMENT PERIOD IN MONTHS
R 0,00 – R5 000	Minimum of R150 or 3 months current amount of charges raised against the debtor's account – whatever is the greater	R 0 - R 5 000	12 to 24
		R 5 001 - R10 000	24 to 48
		R10 000 and above	48 to 60
R5 001 – R10 000	Minimum of R250 or 3 months current amount of charges raised against the debtor's account – whatever is the greater	R 0 - R 5 000	9 to 18
		R 5 001- R10 000	18 to 36
		R10 000 and above	36 to 48
R10 001 and above	Minimum of R500 or 3 months current amount of charges raised against the debtor's account – whatever is the greater	R 0 - R 5 000	6 to 12
		R 5 001- R10 000	12 to 24
		R10 000 and above	24 to 36

Note: The down-payment indicated above cannot be waived.

2.5 Business Account holders

Where allowed, must convert to a pre-paid metering system (where possible) and the following arrangement may be concluded:

- 2.5.1. Arrears up to R50 000.00: A down payment of 50%, or such variation approved by the Chief Financial Officer: Budget and Treasury, of the amount in arrears (current account excluded).
- 2.5.2. A maximum monthly repayment period of 12 months, with a minimum monthly instalment of R1 000.00 per month or three (3) months current account whatever is the greater, plus payment of the current account.
- 2.5.3. Arrears exceeding R50 000.00: must be referred to the delegated officer (Assistant Director: Debtor Management) for affordable repayment instalments.

Note: The down-payment indicated above cannot be waived.

2.6. Churches, Crèches and Non-Governmental Organisations

Where allowed must convert to a pre-paid metering system (where possible) and the following arrangement may be concluded:

- 2.6.1 A 20% or such variation approved by the *Chief Financial Officer*, down-payment (excluding current account)
- 2.6.2 A maximum monthly repayment period of 36 months, with a minimum payment of R250 per month plus current account.
- 2.6.3 Arrears exceeding R50 000.00: must be referred to the delegated officer (Assistant Director: Debtor Management) for affordable repayment instalments.

Note: The down-payment indicated above cannot be waived.

2.7. Sport Clubs

Where allowed must convert to a pre-paid metering system and the following club categories and arrangements may be concluded:

Professional Sport Clubs

- 2.7.1. Arrears up to R50 000.00: A down payment of 50%, or such variation approved by the Chief Financial Officer: Budget and Treasury, of the amount in arrears (current account excluded).
- 2.7.2. A maximum monthly repayment period of 12 months, with a minimum monthly instalment of R1 000.00 per month or three (3) months current account whatever the lesser, plus payment of the current account.
- 2.7.3. Arrears exceeding R50 000.00: must be referred to the delegated officer (Assistant Director: Debtor Management) for affordable repayment instalments.

Amateur Sport Clubs

- 2.7.4 A 20% or such variation approved by the Chief Financial Officer: Budget and Treasury, down-payment (excluding current account)
- 2.7.5 A maximum monthly repayment period of 24 months, with a minimum payment of R250 per month plus current account.
- 2.7.6 Arrears exceeding R50 000.00: must be referred to the delegated officer (Assistant Director: Debtor Management) for affordable repayment instalments.

Note: The down-payment indicated above cannot be waived.

C. DEFAULTERS ON ARRANGEMENTS

Where an account holder defaults on an arrangement, an arrangement may be re-instated subject to all unpaid instalments, as well as current amounts raised must be paid in full, and in cash, (no cheques accepted, unless payment is guaranteed by the bank.)

D. DISCONNECTION/RESTRICTION RULES AND PROCEDURES

The blocking, disconnection/restriction of a supply will take place where the account of an account holder reflects an arrear amount in respect of any service.

The following categories of account holders are dealt with hereunder:

- (1) Account holders with credit water and electricity meters;
- (2) Account holders with credit water meter and pre-paid electricity;
- (3) Account holders with credit water meter only;
- (4) Account holders with pre-paid electricity meters only;
- (5) Account holders supplied by an automatic meter reading system.

Rules and Procedures

The following rules and procedures will apply once an account become overdue:

A warning will appear on all overdue Municipal accounts, reminding the account holder that his/her account is in arrears and that supplies will be blocked and/or disconnected and/or restricted if the arrears are not settled within 14 days from the date of such account.

The actions to follow are one or more of the following:

- a) Blocking, disconnection of the electricity supply, a disconnection notice will be left on the premises where possible.
- b) Restrict the water supply where no credit electricity meter is installed or where access cannot be obtained to the electricity meter, a notice will be left on the premises where possible.
- c) Where not possible to disconnect the electricity supply or restrict the water supply, a notice will be left on the premises where possible.
- d) Should an occupant of the premises visited for disconnection or restriction purposes refuse access to the meter/s, the normal disconnection/restriction advice, together with a letter advising the account holder that he/she has 24 hours in which to pay the arrears or the electricity cable will be removed will be left at the premises where possible.

Such letter will also inform the account holder that the removal costs will be for his/her account in addition to the call fee.

- e) All notices must be left in the post box or under the front door or left in a place where the account holder normally receives his/her mail.

E. SEQUENCE OF EVENTS

1. **Suspension of Services:**
2. **Legal Process** (This process is "Underlined")

	Sequence Credit Meters	Sequence Pre-Paid Meters	Approximate Number of Days
1.	Render account	Render account	1
2. 2.1	Due date for payment of account in 1. Next month's account rendered and if not paid before or on due date in 2, a "warning message" informing the accountholder that supplies will be disconnected/ restricted if not paid within 14 days.	Due date for payment of account in 1. Next month's account rendered and if not paid before or on due date in 2, a "warning message" informing the accountholder that supplies will be disconnected/ restricted if not paid within 14 days. In addition, a message will appear printed on the coupon advising the consumer that a percentage of all future purchases of pre-paid electricity will have percentage taken off and paid to their municipal account.	30
3	If registered with I V R, consumer is telephoned and warned that supplies will be disconnected/ restricted if payment not made within 14 days. <u>A letter of demand will be posted or delivered by Intervention Agents advising the consumer that electricity will be disconnected if payment is not made within 14 days.</u>	If registered with I V R, consumer is telephoned and warned that supplies will be disconnected/ restricted if payment not made within 14 days. <u>A letter of demand will be posted or delivered by Intervention Agents advising the consumer that electricity will be disconnected if payment is not made within 14 days.</u>	37
4.	Disconnect the electricity supply and/or restrict the water supply. A "Disconnection/Restriction Notice is left at the premises.	That when purchases are made for pre-paid electricity, a percentage will be taken off and paid into their municipal account until the account has been paid or a suitable arrangement made. The amount taken off will be reflected on the pre-paid coupon.	55
5.	Supply will be reconnected if: - All arrears plus "Disconnection/ reconnection Call Fee" (R150) and Additional Deposit (R100) is paid. A suitable arrangement is made in terms of the Credit Control policy.	Supply will be reconnected if: - All arrears plus "Disconnection/ reconnection Call Fee" (R150) and Additional Deposit (R100) is paid. A suitable arrangement is made in terms of the Credit Control policy.	N/A
6.	<u>If the arrears are not settled a summons will be issued. The summons will be served by the Messenger of the Court.</u>	<u>If the arrears are not settled a summons will be issued. The summons will be served by the Messenger of the Court.</u>	69
7.	<u>Apply for default judgement is the debtor does not respond to the summons.</u>	<u>Apply for default judgement is the debtor does not respond to the summons.</u>	89
8.	<u>Once judgement is obtained, a letter is written to the debtor warning that the account will be handed over to attorneys if no response within 15 days. This letter is delivered by intervention agent who will encourage the debtor to conclude suitable arrangements.</u>	<u>Once judgement is obtained, a letter is written to the debtor warning that the account will be handed over to attorneys if no response within 15 days. This letter is delivered by intervention agent who will encourage the debtor to conclude suitable arrangements.</u>	96

9.	<u>If Debtor does not respond to the letter, the judgement is handed over to the Council's attorneys with instruction to send an agent to verify the debtors' financial position and encourage the debtor to sign a garnishee order for salary deduction if employed. If unemployed, debtors are referred to the Subsidy (ATTP) office.</u>	<u>If Debtor does not respond to the letter, the judgement is handed over to the Council's attorneys with instruction to send an agent to verify the debtors' financial position and encourage the debtor to sign a garnishee order for salary deduction if employed. If unemployed, debtors are referred to the Subsidy (ATTP) office.</u>	111
10.	<u>If no response to the attorney's agents visit a Notice to Show Cause is requested from the Court and served by the Sheriff on the Debtor. If the debtor fails to attend Court in terms of the" Notice", an Warrant of arrest will be issued to escort the debtor to the Magistrates offices to declare his/her financial position.(debtor will not be jailed). If employed, a Garnishee order is granted to be issued by the Magistrate.</u>	<u>If no response to the attorney's agents visit a Notice to Show Cause is requested from the Court and served by the Sheriff on the Debtor. If the debtor fails to attend Court in terms of the" Notice", an Warrant of arrest will be issued to escort the debtor to the Magistrates offices to declare his/her financial position.(debtor will not be jailed). If employed, a Garnishee order is granted to be issued by the Magistrate.</u>	136
11.	<u>If subsequent Judgements are taken against the Debtor, the Sheriff visits the debtor's premises and lists (attach) household goods (not beds, chairs, stoves and essential cattery). Goods are listed but not removed but warrant of Execution is left with the debtor or at the premises. The debtor has 21 days to remedy the situation. The attorney then request permission from Budget and Treasury to remove goods listed.</u>	<u>If subsequent Judgements are taken against the Debtor, the Sheriff visits the debtor's premises and lists (attach) household goods (not beds, chairs, stoves and essential cattery). Goods are listed but not removed but warrant of Execution is left with the debtor or at the premises. The debtor has 21 days to remedy the situation. The attorney then request permission from Budget and Treasury to remove goods listed.</u>	136
12.	<u>The debtor's movable goods list above is removed by the Sheriff and is advised when the goods will be sold by the Sheriff. The debtor can still remedy the situation if he pays the arrears or suitable arrangements are made. If this is done he can collect his goods from the Sheriff, but must pay the Sheriff for the cost of removal and storage.</u>	<u>The debtor's movable goods list above is removed by the Sheriff and is advised when the goods will be sold by the Sheriff. The debtor can still remedy the situation if he pays the arrears or suitable arrangements are made. If this is done he can collect his goods from the Sheriff, but must pay the Sheriff for the cost of removal and storage.</u>	157
13	<u>If not response from the Debtor, goods are sold by the Sheriff at a public auction. The proceeds less Sheriff transport, storage and auction costs are paid over to the attorney.</u>	<u>If not response from the Debtor, goods are sold by the Sheriff at a public auction. The proceeds less Sheriff transport, storage and auction costs are paid over to the attorney.</u>	167
14.	<u>If the sale of movable goods is insufficient to cover the debtors arrears, the attorney will apply to the Court for a Warrant to attach the debtor's immovable property (i.e. house). The Sheriff serves the Warrant on the Debtor personal. The date place of sale is indicated on the Warrant. The debtor is given 21 days to remedy the situation. The attorney then request permission from Budget and Treasury to sell the property.</u>	<u>If the sale of movable goods is insufficient to cover the debtors arrears, the attorney will apply to the Court for a Warrant to attach the debtor's immovable property (i.e. house). The Sheriff serves the Warrant on the Debtor personal. The date place of sale is indicated on the Warrant. The debtor is given 21 days to remedy the situation. The attorney then request permission from Budget and Treasury to sell the property.</u>	190
15.	<u>The attorney then places an advertisement in the local newspapers indicating that the property will be sold.</u>	<u>The attorney then places an advertisement in the local newspapers indicating that the property will be sold.</u>	211
16.	<u>The Sheriff then sell the property at a public auction. The proceeds less Sheriff auction costs are paid over to the attorney.</u>	<u>The Sheriff then sell the property at a public auction. The proceeds less Sheriff auction costs are paid over to the attorney.</u>	225