

## DIRECTED RISK RESEARCH PROBLEM STATEMENT

<b>Risk Theme</b>	Credit Risk / Collections	<b>Problem Nr.</b>	PS16001
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**PROJECT TITLE:** Solutions for financially distressed borrowers in South Africa

**PROJECT GOAL:**

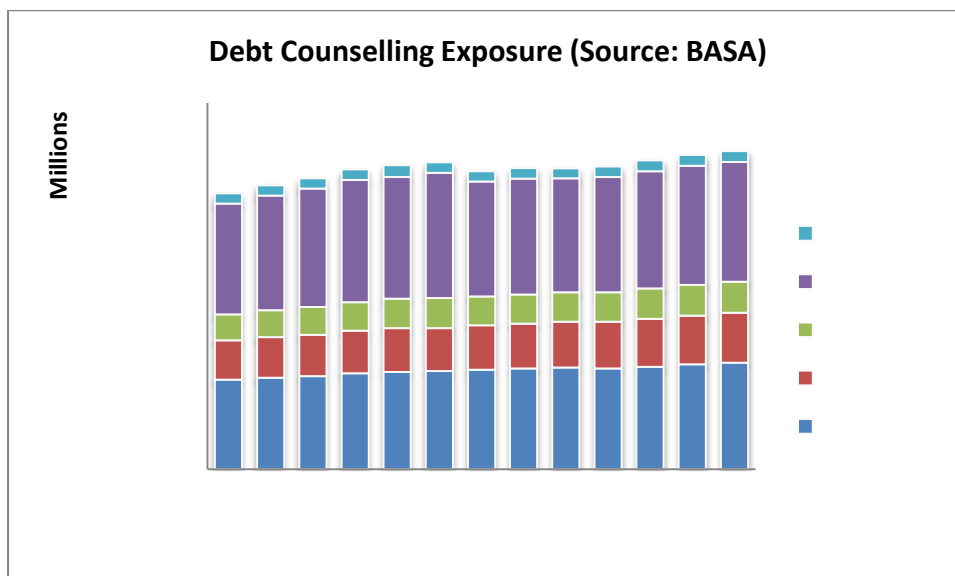
Provide a view of solutions which exist in the South African Retail lending landscape, define relevant metrics by which effectiveness of these can be measured (from a Bank perspective) and provide some form of benchmarking between these solutions. Investigation to include but not be limited to:

- The Debt Counselling process in South Africa
- Distressed customer solutions offered by South African Retail banks
- Distressed customer solutions offered by non-banking institutions
- Any relevant approaches by international banks / non-banking institutions

**HIGH LEVEL DESCRIPTION OF PROBLEM:**

Consumer retail credit balance exposure under debt counselling (see <http://www.debtcounselling.co.za/dcsa.php>) has grown steadily over the past few years, with growth coming from across lending product types.

Growth in debt counselling exposure is indicative of a deficiency in the banking sector's ability to deliver effective in house solutions to address the problem of financially distressed customers.



**PROJECT OBJECTIVES:**

The objectives of this project are:

- To understand what solutions are being offered to
- Define metrics for measuring effectiveness of these programmes
- Understand which of the approaches is most successful with some level of insight into drivers of effectiveness

**OUTPUTS REQUIRED:**

- A paper in the academic financial literature
- Practical Guidance to the industry on local / international best practice

**STRATEGIC VALUE TO DIRECTED RISK RESEARCH:**

This research will contribute to the approach of key role-players' approach to assisting financial distressed customers in South Africa. It should highlight potential economic benefits for Banks while providing some form social benefit from an enhanced set of options available to financially distressed borrowers.