

MBASHE LOCAL MUNICIPALITY



CREDIT CONTROL AND DEBT COLLECTION POLICY

TABLE OF CONTENTS

DEFINITIONS	4
1. OBJECTIVES OF THE POLICY.....	7
2. APPLICATION OF THE POLICY.....	8
3. GUIDING PRINCIPLES	8
3.1 GENERAL	8
3.2 COUNCIL	9
3.3 CUSTOMERS.....	9
3.4 COUNCILLOR SERVICES ACCOUNTS	10
3.5 STAFF SERVICES ACCOUNTS	10
4. DUTIES AND FUNCTIONS OF COUNCIL.....	11
5. DUTIES AND FUNCTIONS OF COUNCILLORS.....	11
6. DUTIES AND FUNCTIONS OF THE MUNICIPAL MANAGER	12
7. DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS....	13
8. ACCOUNT ADMINISTRATION.....	13
8.1 ACCOUNTS	13
8.2 ACCOUNT QUERIES	14
8.3 DISPUTE AS TO AMOUNT OWING.....	15
8.4 INTEREST CHARGES	16
8.5 ACCOUNT DUE DATE	16
8.6 PAYMENT EXTENSION.....	17
8.7 ARREAR ACCOUNTS.....	17
8.8 TREATMENT OF DEBTS IN TERMS OF SECTION 118 OF THE MUNICIPAL SYSTEMS ACT	18
9. CHANGE OF OWNERSHIP	19
10. CREDIT CONTROL MECHANISMS	19
11. DEBT COLLECTION MECHANISMS	20
11.1 Recovery of arrear rates from landlord or owner.....	20

11.2	Handover of debt to debt collectors	21
11.3	Clearance Certificates	22
11.4	Tenders and Grants-in-aid	22
12.	DEBT REPAYMENT ARRANGEMENTS	23
12.1	GENERAL PRINCIPLES	23
12.2	DURATION AND CONDITIONS FOR PAYMENT OF ARREARS IN INSTALMENTS 23	
12.3	AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS	25
12.4	LEGAL ACTION	26
13.	DISHONoured PAYMENTS.....	26
14.	WRITING OFF OF BAD DEBTS	27
15.	CREDIT BUREAU LISTING OR SIMILAR	28
16.	INDIGENT DEBTORS	28
17.	SHORT TITLE.....	29

DEFINITIONS

In this policy, any word or expression to which a meaning has been assigned in the Local Government: Municipal Systems Act, 2000 [Act No. 32 of 2000] has that meaning, words used in the masculine gender include the feminine, singular includes the plural and vice versa and, unless the context otherwise, indicates –

“Act” means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

“Account” means an account rendered specifying charges for services provided by the municipality, or any authorized and contracted service provider, and which account may or may not include assessment rates levies;

“Account Holder” means any person who is due to receive a municipal account.

“Arrangement” means a written agreement entered into between the Council and the debtor where specific repayment parameters are agreed to.

“Arrears” means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.

“Authorized Representative” means a person or instance legally appointed by Council to act or to fulfil a duty on its behalf.

“Billing” means invoicing on a municipal account to an account holder of an amount or amounts payable for rates, refuse, other municipal charges, levies, fees, fines, taxes, or any other amount or amounts payable arising from any other liability or obligation to the municipality;

“Chief Financial Officer” means the person appointed as the Chief Financial Officer of the Municipality, or his or her nominee;

“Credit Control” means all the functions relating to the collection of monies owed by ratepayers and the users of municipal services;

“Council” means the Municipal Council of Mphashe Municipality or any duly authorized Committee, political office bearer or official of the said Council;

“Customer” means the owner of any premises to which the municipality has agreed to render municipal services, or is actually rendering municipal services, or any person who has entered into a service agreement with the municipality for the rendering of municipal services to such premises;

“day/days” means calendar days, inclusive of Saturdays, Sundays and public holidays;

“Debt Collection” means the activity to collect monies owed by a debtor.

"Defaulter" means any person owing the Council arrear monies in respect of taxes and/or service charges;

"Due date" means the date specified as such on a municipal account for any charges payable and which is the last day allowed for the payment of such charges;

"Indigent debtor" means:

- a) the head of an indigent household:
 - (i) who applied for and has been declared indigent in terms of Council's Indigent Policy for the provision of services from the municipality; and
 - (ii) who makes application for indigent support in terms of Council's Indigent Policy on behalf of all members of his or her household;
- b) Orphaned minor children duly represented by their legal and/or defector guardians.

"Indigent Policy" means the Indigent Policy adopted by the Council of the Municipality.

"Interest" means a charge levied on all arrear monies with the same legal priority as service fees and calculated at a rate determined by Council from time to time;

"Month" means one of twelve (12) months of a calendar year;

"Municipal account" means services which the municipality provides for the benefit of the local community in terms of its functions and powers and which are necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger health or safety or the environment and regardless of whether or not charges of tariffs are levied in respect thereof;

"Municipal Manager" means the person appointed as Municipal Manager in terms of section 82 of the Local Government: Municipal Structures Act, 1998, (Act 117 of 1998) or his or her nominee acting in terms of power delegated to him or her by the said Municipal Manager with the concurrence of the Council.

"Municipal services" means services provided by the municipality, or by an external agent on behalf of the Municipality in terms of a service delivery agreement. **"Municipality"** means the institution that is responsible for the collection of funds and the provision of services to the customers of Mbhashe Municipality;

"Occupier" means the person who controls and resides on or controls and otherwise uses immovable property, provided that -

- (a) the husband or wife of the owner of immovable property which is at any time used by such owner and husband or wife as a dwelling, shall be deemed to be the occupier thereof;

- (b) where a husband and wife both reside on immovable property and one of them is an occupier thereof; the other shall also be deemed to be an occupier thereof.

"Officer" means an employee of the municipality or any other person who is specifically authorised thereto by the municipality to perform any act, function or duty in terms of, or exercise any power under this policy;

"Owner"

- (c) In relation to a property referred to in paragraph (a) of the definition of "property", means a person in whose ownership of the property is registered;
- (d) In relation to a right referred to in paragraph (b) of the definition of "property", means a person in whose name the right is registered;
- (e) In relation to land tenure right referred to in paragraph (c) of the definition of "property", means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (f) In relation to public service infrastructure referred to in paragraph (d) of the definition of "property", means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "public controlled"

Provided that a person mentioned below may for the purposes of this Act be regarded by the municipality as the owner of a property in the following cases:

- (a) A trustee, in the case of a property in trust excluding state trust land;
- (b) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- (c) An executor or administrator, in the case of a property in deceased estate;
- (d) A judicial manager, in the case of a property in the estate of a person under judicial management;
- (e) A curator, in the case of a property in the estate of a person under curatorship in the case of a property that is subject to a usufruct or other personal servitude;
- (f) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
- (g) A buyer, in the case of a property that was sold by a municipality and which possession was given to the buyer pending registration of ownership in the name of the buyer;

"Person" means a natural and juristic person, including any department of state, statutory bodies or foreign embassies.

"Premises" includes any piece of land, the external surface boundaries of which are delineated on:

- a) A general plan or diagram registered in terms of the Land Survey Act, (9 of 1927) or in terms of the Deed Registry Act, 47 of 1937; or
- b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, which is situated within the area of jurisdiction of the Council; and
- c) includes any other land and any building or structure above or below surface of any land;

"Property" means any portion of land, of which the boundaries are determined, within the jurisdiction of the Mbhashe Municipality;

"Rates" means any tax, duty or levy imposed on property by the municipality.

"Revenue" means all monies due to the municipality and to which the municipality has the right to exact and to enforce payment of, irrespective of the reason for or the origin of its factuality;

"Service charges" means the fees levied by the Municipality in terms of its tariff policy for any municipal services rendered in respect of an immovable property and includes any penalties, interest or surcharges levied or imposed in terms of this policy.

"Tariff" means any rate, tax, duty and levy or fee which may be imposed by the municipality for services provided either by itself or in terms of a service delivery agreement

1. OBJECTIVES OF THE POLICY

The objectives of this policy are to:-

- (a) provide for customer management, credit control procedures and mechanisms and debt collection procedures and mechanisms;
- (b) provide for indigents in a way that is consistent with rates and tariff policies and any national and / or local policy on indigents;
- (c) set realistic targets consistent with –
 - (i) generally recognised accounting practices and collection ratios; and
 - (ii) the estimates of income set in the budget less an acceptable provision for bad debts;
- (d) provide for charging of interest on arrears, where appropriate;
- (e) provide for extensions of time for payment of accounts;
- (f) provide for termination of services or the restriction of the provision of services when payments are in the arrears;

- (g) provide for matters relating to unauthorised consumption of services, theft and damages.
- (h) provide for actions that may be taken by the municipality to secure payment of accounts that are in arrear including –
 - (i) The termination of municipal services or the restriction of the provision of services
 - (ii) The attachment of property
 - (iii) The attachment of rent payable on a property
 - (iv) The extension of liability to a director, trustee or a member if the debtor is a company, a trust or a close corporation.
- (i) provide for alternative debt repayment arrangements in accordance with the terms and conditions of this policy.
- (j) create an environment which enables a customer to repay the outstanding debt and establish a culture of payment for services rendered by the municipality.
- (k) effectively and efficiently deal with defaulters in accordance with the terms and conditions of this policy.
- (l) provide for procedures and mechanisms to ensure that all monies due and payable to the municipality are collected.

2. APPLICATION OF THE POLICY

- (a) The Council reserves the right to differentiate between different categories of customers, debtors, services or service standards when applying this Policy. The Council will on application of the credit control policy avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution. No debtor may be exempted from credit control action as a sign of goodwill for any period of time as this is in contravention of the actions applied in this policy and the Credit Control principles contained in the Municipal Systems Act No. 32 of 2000

3. GUIDING PRINCIPLES

The credit control and debt collection policy is based on the following principles -

3.1 GENERAL

- (i) The policy and its application provides for the specific circumstances of the community to which it relates.
- (ii) The Credit control and debt collection procedures must be understandable, uniform, fair and consistently applied.
- (iii) Credit control must be effective, efficient and economical.
- (iv) The measures taken must be sustainable in the long term.
- (v) Anything related to credit control not covered in this policy will be dealt with in terms of applicable legislation.

3.2 COUNCIL

- (i) To enable the Council to differentiate between those customers that cannot pay from those that simply do not want to pay, the "Indigent Policy" will be applied.
- (ii) The Credit Control and Debt Collection Policy will be supported by procedure manual(s) as drafted by the Director Income or his/her nominee.
- (iii) The Credit Control and Debt Collection Policy shall supersede all other policies aimed at achieving the same purpose to which the current credit control policy seeks to achieve.

3.3 CUSTOMERS

- (i) Customers found to have misrepresented themselves in order to benefit from any of the Councils relief and / or benefit in terms of this policy, will be deemed to have committed an offence and remedial measures will be taken in a manner as determined by the Council from time to time, and all relief and or benefits that have been received, will be reversed to the account of the customer from the date of offence.
- (ii) Notwithstanding anything contained in this policy, the Council will recover any debt relevant to registered property in terms of the provisions of section 118 of the Municipal Systems Act, 32 of 2000.
- (iii) In the case of company, close corporation, trust in terms of the Trust Property Control Act No. 57 of 1988, home owners association or a body corporate in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986), the liability may

be extended to the directors, members or trustees thereof jointly and severally, and – the directors, members or trustees thereof shall be considered to have provided the Council with a guarantee that any debt shall be recoverable from themselves in their personal capacity with each being jointly and severally liable for such debt, the one paying the other to be absolved;

- (iv) Where any subsidiary company of a holding company is indebted to the Council, the liability for such arrears may be extended to the holding company.
- (v) Where any holding company is indebted to the Council, the liability for such arrears may be extended to the subsidiary company.
- (vi) The Council shall not refund any credit to any customer or customer's nominee who is in arrears with the Council.

3.4 COUNCILLOR SERVICES ACCOUNTS

In accordance with the provisions of Schedule 1, of the Municipal Systems Act, 32 of 2000, an elected councillor residing within demarcated area of the Council and is individually or jointly responsible for account, may not be in arrears for municipal service fees, surcharges on fees rates or any other municipal taxes, levies and duties levied by the Council for more than 3 (three) months. Notwithstanding any relevant procedure, method or action that may be taken in terms of this policy, the Municipal Manager may deduct amounts due for more than 3 (three) months from such councillor's remuneration.

3.5 STAFF SERVICES ACCOUNTS

In accordance with the provisions of Schedule 2, of the Municipal Systems Act, 32 of 2000, an official of council, residing within demarcated area of the Council and is individually or jointly responsible for account, may not be in arrears for municipal service fees, surcharges on fees rates or any other municipal taxes, levies and duties levied by the Council for more than 3 (three) months. Notwithstanding any relevant procedure, method or action that may be taken in terms of this policy, the Municipal Manager may deduct amounts due for more than 3 (three) months from such officials remuneration.

4. DUTIES AND FUNCTIONS OF COUNCIL

- (a) To approve a budget consistent with Council's Integrated Development Plan;
- (b) To impose rates and service charges to finance the budget;
- (c) To facilitate sufficient funds to give access to basic services for the poor;
- (d) To provide for a bad debt provision, in line with the payment record of customers as reflected in the financial statements of the municipality;
- (e) To set an improvement target for debt collection, in line with acceptable accounting ratios and resources available to the Municipal Manager;
- (f) To approve a reporting framework for customer care, credit control and debt collection.
- (g) To consider and approve by-laws to give effect to the Council's policy;
- (h) To revise the budget should Council's targets for customer care, credit control and debt collection not be met;
- (i) To take disciplinary and/or legal action against councillors, officials and agents who do not execute council policies and by-laws, or act improperly in terms of such policies and by-laws;
- (j) To delegate the required authorities to monitor and execute the credit control and debt collection policy and by-law to the Mayor and Municipal Manager; and
- (k) To assist the Municipal Manager in the execution of his duties, if and when required.

5. DUTIES AND FUNCTIONS OF COUNCILLORS

- (a) To hold regular ward meetings;
- (b) To adhere to and convey council policies to customers and ratepayers;
- (c) To adhere to the Code of Conduct for Councillors; and
- (d) To give inputs regarding indigent applications.

6. DUTIES AND FUNCTIONS OF THE MUNICIPAL MANAGER

- (a) To establish effective communication channels between Council and account holders with the aim of keeping such account holders abreast of all decisions by the Council that may affect them;
- (b) To implement council's customer care, credit control and debt collection policy;
- (c) To install and maintain appropriate accounting and credit control systems;
- (d) To bill customers;
- (e) To demand payment on due dates;
- (f) To raise interest and collection fees for payment defaults;
- (g) To appropriate payments received;
- (h) To collect outstanding debt;
- (i) To provide different payment methods;
- (j) To determine customer care, credit control and debt collection measures;
- (k) To determine all relevant work procedures for, inter alia, public relations, arrangements, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes;
- (l) To instruct attorneys to proceed with legal processes;
- (m) To set performance targets for staff;
- (n) To appoint staff to execute council's policy and by-laws in accordance with council's appointment policy;
- (o) To delegate certain functions to heads of departments;
- (p) To determine control procedures;
- (q) To monitor contracts with Service Providers in connection with credit control and debt collection;
- (r) To approve a list of attorneys that will act for Council in all legal matters relating to debt collection;
- (s) To provide sufficient capacity in the Municipality's Financial Department for credit control and debt collection. Alternatively to appoint a Service Provider, or debt collection agent;
- (t) To provide funds for the training of staff; and
- (u) To report to the Mayor regarding the implementation and enforcement of credit control policy and debt control policy.

7. DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS

- (a) To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services;
- (b) To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality on or before due date;
- (c) To obtain a duplicate account at the municipal help desk if an account is not delivered during the normal billing cycle;
- (d) To notify the municipality when services are not longer required at a particular service delivery point and of address changes;
- (e) To obtain an acknowledgement by the owner concerned that accounts will become due and payable by the due date notwithstanding the fact that such owner concerned did not receive an account/billing statement and onus is with the owner concerned to ensure that he is possession of an account before due date for payment thereof;
- (f) To observe the mechanisms and processes of the municipality in exercising their rights;
- (g) To allow municipal officials reasonable access to their property to execute municipal functions; and
- (h) To comply with the by-laws and other legislation of the municipality.

8. ACCOUNT ADMINISTRATION

8.1 ACCOUNTS

- (a) Accounts must be rendered and administered in accordance with the requirements of this Policy.
- (b) Failure by the Council to render an account or non-receipt of an account by a customer does not relieve a customer of the obligation to pay any amount that is due and payable.
- (c) The Council may, in accordance with the provisions of section 102 of the Act–
 - (i) Consolidate any separate accounts of customers liable for payments to the council;

- (ii) Credit any payment by such customer against any account of that customer;
 - (iii) Implement any of the debt collection and credit control measures provided for in the Council's policies and By-Laws, in relation to any arrears on any of the accounts of such a customer.
- (d) The amount due and payable by a customer constitutes a consolidated debt, and any payment made by a consumer of an amount less than the total amount due will be allocated in reduction of the consolidated debt in the order determined by the Council.
- (e) Accounts will only be opened in the name of the property owner and no tenant accounts will be opened. Any exceptions must be approved by the Chief Financial Officer.
- (f) Accounts will be rendered using either one of the following;
 - Conventional postal services;
 - Hand delivery at the premises;
 - By means of an email if so requested by the customer or;
 - By means of Multimedia system (MMS), if registered for

8.2 ACCOUNT QUERIES

- (a) Account query refers to the instance when a customer queries any specific amount or any content contained in any account as rendered by the Council;
- (b) Queries can be raised verbally or in writing at Council's Head Office;
- (c) Customer to furnish in writing full personal particulars including acceptable means of identification, contact details and account number in respect of which amount owing is queried;
- (d) Customer may be represented by a duly appointed nominee or agent, and such nominee or agent shall upon request produce sufficient proof of such appointment;
- (e) Pending the outcome of the query, customer may apply for temporary payment extension in terms of provisions of this policy;
- (f) The customer shall, pending the resolution and outcome of the query continue to make regular payments as per account statement (part payment based on average monthly consumption of previous twelve months)

- (g) Should a customer not be satisfied with the outcome of the query, a customer may lodge an appeal in terms of section 62, as read with section 95 (f), of the Systems Act.

8.3 DISPUTE AS TO AMOUNT OWING

- (a) A customer may lodge an appeal in terms of section 62, as read with section 95 (f), of the Local Government: Municipal Systems Act 32 of 2000.
- (b) Customer to furnish in writing full personal particulars including acceptable means of identification, contact details and account number in respect of which amount owing is disputed.
- (c) The dispute must be recorded in a dispute register.
- (d) Only disputes lodged by registered account holder will be considered.
- (e) Customer may be represented by a duly appointed nominee or agent, and such nominee or agent shall upon request produce sufficient proof of such appointment.
- (f) Should any written dispute arise as to the amount owing on the account in respect of all services by a customer, the customer shall, pending the resolution and outcome of that dispute, continue to make regular minimum payments based on the average charges for the preceding three months prior to the arising of the dispute, plus interest, until the resolution of that dispute.
- (g) Should any written dispute arise as to the amount owing on part of the account or service by a customer, the customer shall, pending the resolution and outcome of that dispute, continue to make regular payments on services that are NOT in dispute PLUS the average charges for the preceding twelve months prior to the arising of the dispute in respect of remaining part of account or disputed service until the resolution of that dispute.
- (h) The dispute must be resolved within a period of three months of lodging of dispute.
- (i) All disputes must be concluded by the Municipal Manager or delegated official
- (j) The Municipal Manager's or the delegated official's decision is final and will result in the immediate implementation of any debt collection and credit control measures provided for in this Policy after the debtor is provided with the outcome of the appeal.

- (k) The same debt will not again be defined as a dispute in terms of this paragraph and will not be reconsidered as the subject of a dispute.
- (l) Should the debtor not be satisfied with the outcome of the dispute, a debtor may lodge an appeal in terms of section 62 of the Systems Act and the appeal will be dealt with by the municipality in terms of said legislation.

8.4 INTEREST CHARGES

- (a) Accounts are due and payable on account due date (7th of each month).
- (b) Interest will be levied on all arrears longer than 30 days at a rate prescribed by the Council from time to time.
- (c) Accounts which remain unpaid after the due date, shall attract interest of 1% per month on arrears balance.
- (c) Specific categories of customers, services and debtor groups as determined by the Council from time to time, may be excluded from interest on arrear charges.
- (d) If a customer enters into an arrangement to settle his/her debt, all interest will be waived as a payment incentive. All interest will be written off on entering into a debt repayment arrangement, but if the arrangement is not honoured, all interest written off will be re-instated on the customer's account.
- (e) Interest will be reversed where the debt giving rise to the interest was levied in error by the municipality.

8.5 ACCOUNT DUE DATE

- (a) Monthly account due date represents the date on which the customer's account becomes due and payable, the due date shall be as determined by the Council from time to time. At present the due date is the 7th of each month.
- (b) Where the owner has entered into an agreement with the Council to pay property rates annually, the due date shall be as determined by the Council from time to time.
- (c) Account due date will be reflected on customer account statement.
- (d) Only payments receipted through the Councils financial system on or before account due date will be deemed to have been duly received.

- (e) Payments by customers through 3rd party vendors, will only be deemed to have been received when receipted through the Councils financial system.

8.6 PAYMENT EXTENSION

5.8.1 Temporary Payment Extension

- (a) On verbal request of a customer, requests for payment extension in respect of outstanding debt will be considered in the following circumstances:
 - (i) Customer account under inquiry.
 - (ii) Customer account under dispute.
 - (iii) Pending outcome or conclusion of court cases.
 - (iv) Merit cases as approved by CFO or delegated official.
- (b) Customer may be represented by a duly appointed nominee or agent, and such nominee or agent shall upon request produce sufficient proof of such appointment.
- (c) Payment extension will be granted for maximum period of ninety days from date of application and may be extended on month-to-month basis.
- (d) Payment extension will not result in the suspension of legal actions and / or court actions unless authorised by Accounting Officer
- (e) Approved payment extension will result in the temporary suspension of credit control actions.
- (f) Approved payment extension will NOT result in the termination, extension or suspension of interest on arrears.
- (g) Extra-ordinary payment extensions as per paragraph 5.8 of this policy will only be allowed for a maximum period of twelve months.

8.7 ARREAR ACCOUNTS

- (a) If a consumer fails to pay the full amount due and payable on or before the account due date, the unpaid amount is in arrears and a final demand notice shall be sent and may be hand delivered or delivered, per mail or any

electronic means available, to the most recent recorded address or electronic contact address and / or number of the consumer.

- (b) Failure to deliver or send a final demand notice does not relieve a consumer from paying such arrears.
- (c) The final demand notice must contain the following:
 - (i) the minimum amount payable, and the date by which such amount must be paid;
 - (ii) that the consumer may conclude an debt repayment agreement with the Council for payment of the arrears amount in instalments;
 - (iii) that if full minimum amount payable is not paid and / or debt repayment agreement is not entered into within the stated period, that the electricity and / or water services will be discontinued or restricted and that legal action be instituted against consumer for the recovery of any amounts in arrear, without further notice;
- (d) The customer together with the account(s) that is / are in default may be handed over to a duly appointed collection agent or attorney for collection;
- (e) The consumer's name may be made public, and may be listed with a credit bureau or any other equivalent body as a defaulter;

8.8 TREATMENT OF DEBTS IN TERMS OF SECTION 118 OF THE MUNICIPAL SYSTEMS ACT

If the seller insists on paying outstanding debt only for the last 2 years for the purposes of obtaining a clearance certificate in terms of section 118 (1) of the Municipal Systems Act the following shall apply:

- (a) After receipt of the payment the clearance certificate will be issued to the seller
- (b) The historical debt will be immediately handed over for legal collection
- (c) The total debt outstanding on the property shall remain on the property and the municipality hypothec will remain intact as provided for in Section 118(3) of the MSA
- (d) The purchaser shall be advised of the hypothec against the property and that he or she might be cited as an interested party when the municipality exercises its right to have the property declared executable as part of the debt collection process.

9. CHANGE OF OWNERSHIP

- (a) Notice of change of ownership must be given to the municipality by the foregoing owner not less than four working days prior the notice.
- (b) The owner of the property giving notice to the municipality in terms of sub-paragraph (a) shall also, in the notice of change of ownership, supply the municipality with the full names of and contact details of the person to whom he/she sold the property.
- (c) An owner who fails to comply with the provisions of sub-paragraph (a) and (b) shall remain primarily liable for all charges raised in respect of the property concerned until such time as he/she complies with these sub-paragraphs.
- (d) In an event the above sub-paragraphs are not complied with, the municipality will take it upon itself to request such ownership change information from the Deeds Office. The updated information will be updated in the billing system accordingly.

10. CREDIT CONTROL MECHANISMS

If payment for the amount due is not received by the municipality by the due date, then the following procedure shall be instituted:

- (a) Posting or delivering of a final notice to the debtor demanding payment within seven (7) days of the date of the notice
- (b) The final notice shall contain the following information;
 - (i) Final date for payment to be made;
 - (ii) Total amount due for payment
- (c) If no payment is received after the expiry of the seven (7) day period of grace, the procedure for collection of arrears shall be instituted against the debtor

11. DEBT COLLECTION MECHANISMS

- (a) The Chief Financial Officer is authorized to institute agreed upon debt collection mechanisms without exception and with the intention to proceed until the debt is collected.
- (b) All accounts rendered by Council shall be paid on the due date as indicated on the account.
- (c) Amounts on accounts, which remain unpaid after the due date, shall attract interest irrespective of the reason for non-payment.
- (d) Amounts on accounts, which remain unpaid after the due date, will be subject to debt collection action.
- (e) Debt collection action will be taken on the total amount outstanding on the account after the due date. The total amounts outstanding include property rates, refuse removal and sundry debtor charges, and includes handed over debt for which arrangements have not been entered into.
- (f) Withholding of rates clearance certificates under certain conditions. (Refer to section 118 of the Systems Act of 2000).
- (g) Legal process, including proceeding (s)/arrangements in terms of section 65(J) of the magistrates court act 1944 and all amendments in 1997, an emoluments attachment order on the debtors salary ,the attachment and sale of movable or immovable property and section 65(J) proceedings .

11.1 Recovery of arrear rates from landlord or owner

- (a) If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the due date, the municipality may, subject to sub-paragraph 13.1(b) and 13.1(c) recover such arrear amount in whole or in part from the tenant thereof, despite any contractual obligation to the contrary on the tenant or occupier concerned.
- (b) The municipality may recover an amount referred to in sub-paragraph 13.1(a) only after it has served a written notice of such recovery on the landlord or owner concerned.
- (c) The amount the municipality may recover from the landlord or owner of a property in terms of sub-paragraph 13.1(a) is limited to the amount of the rent or

other money due and payable, but not yet paid, by the said tenant of such property.

11.2 Handover of debt to debt collectors

- (a) Handover to debt collectors is a pre-legal action and if the debt collectors are unsuccessful in collecting the debt, the debt will be handed over to attorneys for legal collection.
- (b) Only Council will hand debt over to debt collectors for legal collection and the same debtor will not be handed over to more than one Debt Collector irrespective of the period that the debt relates to.
- (c) The following types of debt will be handed over to the debt collectors:
 - (i) Debt that is 60 days and older
 - (ii) The amount of the debt per debtor to be handed over is the amount that will be determined from time to time.
 - (iii) Debt that relates to non-indigent debtors living in RDP houses.
 - (iv) Debt for which no payment arrangements were made.
 - (v) Government debt that is in dispute
- (d) The following types of debt will not be handed over to the debt collectors.
 - (i) Debt of indigent debtors that are registered as indigent at the date of handover.
 - (ii) Government debt not in dispute
 - (iii) Debt that is been paid off as per arrangement with debtor.
 - (iv) Debt that is under query.
- (e) The process of collecting debt by debt collectors includes:
 - (i) The phoning of debtors
 - (ii) Sending out demand letters
 - (iii) Making arrangement with debtors to pay off debt in terms of Council's credit control and debt collection policy

- (iv) Making follow-ups with debtors on unpaid arrangements.

11.3 Clearance Certificates

- (a) In order to effect the transfer of any immovable property from one registered owner to another, the Registrar of Deeds requires a clearance certificate which will be issued by the municipal manager or his delegated official, being the Chief Financial Officer upon payment of the prescribed fee and subject to the conditions contained in Section 118 of the Municipal Systems Act, 2000 (Act 32 of 2000) and any applicable regulations issued under the Act being complied with.

11.4 Tenders and Grants-in-aid

- (a) Each tender submitted to the municipality must be accompanied by a certificate from the municipality stating that the proposed supplier/service provider is not indebted to the municipality for any arrear amount reflected on the municipal account. The provisions of municipality's Supply Chain Management policy on clearance certificates will also apply.
- (b) Should a proposed supplier/service provider be so indebted, the municipality may disallow the tender.
- (c) In exceptional circumstances, the municipal manager may only consider a tender once the proposed supplier/service provider has made satisfactory arrangements to pay the outstanding amount by means of instalments, or has settled all arrear amounts in full.
- (d) The municipal manager or a duly authorised officer of the municipality must, in the conditions of contract, provide for the deduction from moneys owed to the supplier/service provider in order to settle any outstanding debts.
- (e) Payments of any grants-in-aid approved by the municipality may be withheld pending payment of any outstanding municipal account or pending arrangement between the municipality and the receiver of the grant-in-aid in which satisfactory arrangements have been made regarding the settlement of the outstanding municipal account.

12. DEBT REPAYMENT ARRANGEMENTS

12.1 GENERAL PRINCIPLES

- (a) Only a property owner with positive proof of identity or a letter of appointment by Magistrate Court will be allowed to enter into a debt repayment agreement for the payment of arrears in instalments.
- (b) If the applicant is a tenant on the property, written consent by owner to Debt Repayment Arrangement by tenant is required whereby owner acknowledges debt and approves entering into debt repayment arrangement. A copy of the owner's identify document will also be required, The Municipality reserves the right to terminate the services agreement with the tenant once the tenant is arrears for more than 60 days or default on arrangements. This will result in the services to the property being disconnected until the owner has signed a new services agreement with the Municipality.
- (c) If applicant is a company, close corporation, trust in terms of the Trust Property Control Act No. 57 of 1988, home owners association or a body corporate in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986), debt repayment arrangement to be signed by duly authorised representatives
- (d) The amount due and payable by a customer constitutes a consolidated debt, and any payment made by a consumer will be allocated in reduction of the consolidated debt in the order determined by the Council.
- (e) A consumer may be required to complete a debit order for the payment of arrears.

12.2 DURATION AND CONDITIONS FOR PAYMENT OF ARREARS IN INSTALMENTS

- (a) No agreement for the payment of arrears concluded by the nominated officers may not be longer than 60 months (depending on amount of debt), unless the circumstances referred to in section 9.2(b) prevail.
 - (b) The Council may, on an individual basis, allow a longer period than 60 months for the payment of arrears, if –
 - (i) special circumstances prevail, which in the opinion of the Council warrants such an extension, and which the consumer could not reasonably prevent or avoid; and
 - (ii) documentary proof of any such special circumstances has been furnished by the consumer on request by the Council.
 - (c) This extension of the repayment period in 9.2(b) may not be longer than an additional 60 months.
 - (d) The customer may be required to prove levels of income and must agree to a monthly instalment;
-
- (e) The Council must, in exercising its discretion under paragraph (a) and (b) have regard to a consumer's –
 - (i) internal credit record;
 - (ii) previous and frequency of dishonoured payments
 - (iii) consumption and level of service;
 - (iv) previous breaches of agreements for the payment of arrears in instalments; and
 - (vi) provisions of National Credit Act
 - (vii) any other relevant factors.
 - (f) The customer shall be required to make a down payment based on consolidated arrear debt on date of entering into an agreement to pay in instalments on the following basis;
 - (i) 1st Debt Repayment arrangement: as per individual affordability
 - (ii) 2nd Debt Repayment arrangement: 30%
 - (iii) 3rd Debt Repayment Arrangement: 40%
 - (iv) Additional Debt Repayment Arrangement 50%

- (g) Once an agreement referred to in 9.1 has been concluded, the amount in arrears shall be reflected as a current amount, and no further interest shall be added to arrangement debt. Interest already levied will be written off on entering into an arrangement but will be re-instated if the customer does not honour the arrangement.
- (h) The customer will be required to effect payment of current plus arrangement instalment on or before account due date, failure which will result in the immediate cancellation of debt repayment arrangement.
- (i) Customers who default on three occasions in respect of debt repayment arrangements made, may be denied facility to enter into further debt repayment arrangements and full amount becomes due and payable.
- (j) If the customer defaults on the third debt repayment arrangement, a further arrangement may be granted to the customer by the Director or his/her nominee on submission of full motivation.
- (k) In the case of multiple default the following steps may be undertaken:
- (l) A copy of the agreement must be made available to the consumer.

12.3 AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS

- (a) The names of all external agents acting on behalf of the Council, together with their address and contact information may be published in a manner that will ensure that it will come to the attention of the customers of the municipality.
- (b) Under no circumstances may agents negotiate terms, extend payment periods or accept cash on behalf of the Council, unless specifically instructed in writing to do so, and such instruction must be produced on request of a customer.
- (c) An agent must record the cost to the Council and a customer for each stage of the credit control measures taken by him or her and for all possible actions which could be necessary in the credit control process.
- (d) All legal and debt collection costs, including attorney and own client costs incurred by the Council and / or appointed agents in the recovery of arrear

amounts, may be levied against the arrears account of the customer, and may be recovered by a duly appointed agent.

12.4 LEGAL ACTION

- (a) Should any debtor fail to pay any debt, referred to in this policy or section 118 (3) of the Local Government: Municipal Systems Act 32 of 2000 by due date, the Accounting Officer may serve a notice in terms of section 115 of the Local Government: Municipal Systems Act 32 of 2000, –
 - (i) on the debtor, and
 - (ii) on the property, calling upon such debtor to pay such debt within twenty one days of such notice.

The notice shall state that should debt per notice not be settled within 21 (twenty one) days of such notice, legal proceedings will be instituted for the recovery of debt plus any additional costs incurred in the application of this policy and will further an order of Court for the sale of the customers moveable and immovable property for the outstanding debt.

- (b) If after giving notification in terms of section 11(1) such debt remains outstanding, legal proceedings will be instituted through court of competent jurisdiction, against customer. Once the debt has been handed over, no arrangements will be made by the municipality and the debtor will be required to make arrangements with the debt collectors.
- (c) Such court of competent jurisdiction shall be requested to summarily order any such moveable and immovable property against which the debt is owing to be sold by way of public auction in terms of provisions of section 104(1)(f)(ii) of the Local Government : Municipal Systems Act 32 of 2000 subject to the regulations made or guidelines issued by the Minister, if any, and provided that any intended seizure of property must be referred to the Accounting Officer or his / her nominee for approval or such directives which the Council deems necessary under the circumstances.

13. DISHONoured PAYMENTS

- (a) Where any payment is made to the municipality by a negotiable instrument, and such negotiable instrument is dishonoured by the bank, the Council may levy costs and administration fees against the account of the defaulting debtor at the rate determined by the Council from time to time.
- (b) Payment to the account will be reversed and credit control will immediately be affected on such accounts without any further notice.
- (c) The Council reserves the right to refuse to accept or cancel such further payment instruments from customer.
- (d) The Council may place the customer on the relevant adverse credit rating list and / or take any steps as contained in this policy which may include criminal charges if applicable.
- (e) Where a payment referred to in section 11(a) was tendered and any debt management action in terms of this policy was suspended as result of deemed payment, such debt management action shall continue without further notice to such customer.

14. WRITING OFF OF BAD DEBTS

The Council will consider writing off bad debts –

- (a) Only after all reasonable steps have been taken to recover the debt in accordance with this policy, and the Council has convinced itself that:
 - (i) recovery of the debt would be uneconomical; or
 - (ii) recovery would cause undue hardship to the customer or his/her dependants; or
 - (iii) it would be to the advantage of the Council to effect a settlement of its claim or to waive a claim.
- (b) The debt to be written off as determined in (a) above will only be effected:
 - (i) in terms of council policy; or

- (ii) in terms of legislation; or
- (iii) in terms of delegated powers; or
- (iv) in terms of regulations issued

15. CREDIT BUREAU LISTING OR SIMILAR

The names of debtors must, after Court judgement, be automatically listed with credit bureaus or similar mediums as prescribed and or deemed fit by Council.

16. INDIGENT DEBTORS

- (a) An account holder (customer) may apply, for Indigent support as prescribed in the municipality's Indigent Support Policy.
- (b) Debt of deceased indigent estates –
 - (i) Until the property is transferred from the deceased estate to the new owner all the services from the account of the deceased owner as at the date of death will be transferred to the account of the occupant, which must include the valuations of the property in order to charge the occupant for property rates.
 - (ii) The occupant of the property must sign an agreement in which the occupant agrees to pay all the rates and refuse removal charges that are to be raised on the property that is occupied.
 - (iii) The following circumstances must prevail to transfer the services to the account of the occupant: -
 - 1. The house must be a government funded RDP house.
 - 2. The occupant of the house must be a registered indigent customer with Council and be receiving an indigent subsidy from Council.
 - 3. Council will, on approval of the "Affidavit: Deceased Estate" agreement, proceed with the transfer of the property from the deceased indigent estate to the name of the appointed heir of the property at Council's cost.

4. Once transferred, the debt of the Deceased Indigent Estate will be submitted to Council for approval to write off.

(c) Debt of absconded owners –

- (i) The occupant of the property must sign an agreement in which the occupant agrees to pay all property rates and service charges that are to be raised on the property of the absconded registered owner's property.
- (ii) The rates and refuse removal charges only be transferred to the occupant of the property if the property is a RDP funded property

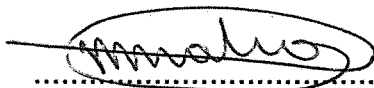
17. SHORT TITLE

This Policy shall be called the Credit Control and Debt Collection Policy of Mbhashe Local Municipality.

EFFECTIVE DATE:

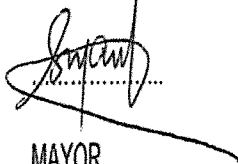
The reviewed Policy is effective from 1 July 2017.

Approved by Council and Signed by:

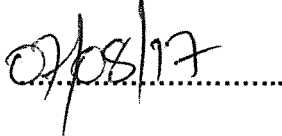

.....

Mr NAKO M
ACTING MUNICIPAL MANAGE

Cllr. Janda S.N


.....

MAYOR


.....

DATE