

# RAYMOND MHLABA LOCAL MUNICIPALITY CREDIT CONTROL POLICY

## INDEX

1. DEFINITIONS
2. CREDIT CONTROL PROCEDURE
  - 2.1 Repayment electricity system
  - 2.2 Arrangements - Credit Control
    - 2.2.1 Arrangements
    - 2.2.2 Responsibilities of residents in regard to arrangements
    - 2.2.3 Broken agreement
    - 2.2.4 Customer will be categorized into the following income categories
    - 2.2.5 Arrangement by indigent customers
    - 2.2.6 Arrangement by non-indigent customers
    - 2.2.7 Arrangement by Businesses
    - 2.2.8 Debt Arrangement – Prepayment system
3. FINAL ACCOUNTS
  - 3.1 Electricity accounts
  - 3.2 Absconded Debtors
  - 3.3 Rates Clearance Certificates
4. LEGAL ACTION PROCEDURES
  - 4.1 Procedure
5. COMMITTEE FOR DEBTORS SUPPORT
  - 5.1 Purposed of the Committee
  - 5.2 Principles involved
6. ANNUAL RATES, REFUSE AND SEWERAGE CHARGES
7. MONTHLY RATES, REFUSE AND SEWERAGE ACCOUNTS
8. MONTHLY ELECTRICITY CHARGES (NON PREPAYMENT)
9. SUNDRY DEBTOR ACCOUNT
10. DISHONOURED DEBTOR CHEQUES (RID CHEQUES)
11. UPFRONT CREDIT CONTROL
12. ALLOCATION OF PAYMENT RECEIVED

1. **DEFINITIONS:**

**For the purpose of this policy, the wording or any expression used has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:**

**"Act"** The Local Government Municipal Systems Act, 2000 (Act No 32 of 2000) as amended

**"Agreement"** and arrangement to pay off an arrear amount with interest over an agreed period of time.

**"Business"** any trade, manufacturing, service delivery or commercial activity as the primary objective

**"Consumption"** the usage of electricity through Council's metered or prepaid Systems

**"Collection cost"** all cost associated with credit control and debt collection, including interest, penalties service disconnection cost and legal cost.

**"Council"** the municipal council of the Raymond Mhlaba Municipality.

**"customer/consumer"** any occupier and/or owner of any property to which the municipality has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property.

**"Defaulter"** a person who owes money to the municipality after the due date has expired.

**"Deposit"** a sum of money or bank guarantee paid in lieu of a service to be rendered.

**"Dishonored cheque"** refusal by a bank to pay an amount ordered by cheque to Raymond Mhlaba Municipality for whatever reason

**"Household income"** the income accruing to all members of the household permanently residing at that address.

**"Indigent household/customer"** means a household that are registered at the municipality as such and meet the criteria into the credit control and debt collection policy and occupying a property within the jurisdiction of the municipality.

**"Interest"** a charge levied and calculated at the prime interest rate plus 1% on all arrear amounts owed to Council

**"Municipal account"** an account rendered specifying charges for services provided by the municipality

**"Municipal services"** those services provided by the municipality, such as the supply of water, electricity, refuse removal, sewerage treatment, and for which service charges are levied.

**"Prepayment service/system"** means a system whereby the consumers of electricity and water makes a payment in advance for the use of the service.

**"Property"** any portion of land of which the boundaries are determined within the jurisdiction of the municipality.

## **2. CREDIT CONTROL PROCEDURES**

**The credit control policy requires that all municipal accounts be paid on the due date as indicated on the account and that non-payment of accounts will result in credit control action being taken to ensure full compliance.**

### **2.1 PRE-PAYMENT ELECTRICITY SYSTEM**

2.1.1 Councils preferred metering system for domestic and certain business consumers is the prepayment metering system.

2.1.2 Arrear debt of consumers with pre-payment meters will be dealt with in terms of credit control facilities available on the prepayment system.

## **2.2. ARRANGEMENTS - CREDIT CONTROL**

### 2.2.1 Arrangements

A resident who encounters problems in paying the municipal account may enter into an arrangement to pay the outstanding account including interest, over an extended period of time.

### 2.2.2 Responsibilities of residents with regard to arrangements

The resident must:

2.2.2.1 Enter into an agreement with the Municipality and

2.2.2.2 Sign an acknowledgement of debt.

2.2.2.3 If arrangements are defaulted on, then the restriction on, and or the disconnection of electricity on the prepayment system will follow immediately, to be followed if necessary by legal proceedings

2.2.2.4 Acknowledge liability for all legal costs which may be incurred.

### **2.2.5 Arrangements by indigent customers**

2.2.5.1 Indigent customers will have their electricity meters converted to a 20 amp prepaid electricity meter at Council expense.

2.2.5.2 Any arrangement for the payment of debt will be as determined for the payment of arrears on the prepayment system.

2.2.5.3 Any application for further assistance must be made in terms of Council Policy and decided on merit and production of supporting documentation.

**2.2.6 Arrangements by non- indigent customers**

- 2.2.6.1 Any arrangement by non – indigent debtor
- Payment of the current monthly account.
  - Payment of arrears for the current financial year over a maximum period of 12 months within the current financial year.
  - Payment of arrears, being the amount outstanding for the previous financial years, as follows:
    - Income group less than R3 000 - over a maximum period of 36 months
    - Income group R3 000 and more - over a maximum period of 24 months
  - With regards to Municipal Officials the provisions of section 10 of schedule 2 of the Municipal Systems Act will apply with regards to arrears for a period longer than 3 months, whereby the Municipality may deduct the arrears from a staff member's salary.
- 2.2.6.2 Domestic customers with arrangements will *upon a 3 times default* have their credit electricity meter converted to prepayment electricity meters on a 50/50 share basis of conversion cost.
- 2.2.6.3 Reduced interest charges may be considered for the full and final settlement of arrears above R 10 , 000.00
- 2.2.6.4 No further interest will be levied for entering into a fixed term agreement and for all law suit accounts and attorney handovers. Interest will however be added for non-- compliance to the terms and conditions of the fixed term agreement.

2.2.6.5 Council employees who are in arrears for longer than three (3) months may have their thirteenth cheque offset against the outstanding arrear amount in the first instance *at Council's discretion*.

## 2.2.7 **Arrangements by Businesses**

2.2.7.1 The arrangement for businesses are:

- Current account to be fully maintained
- Arrears to be paid over maximum of twelve (12) months or at discretion of Council on production of documentary proof.
- Customers with arrangements will have their credit electricity meters converted to prepayments meters on a 50/50 conversion costs

## 2.2.8 **Prepayment system**

2.2.8.1 The prepayment electricity system implemented by council has a debt management facility. There are various blocking types, which can be utilized to collect arrear debt as follows:

### 2.2.8.1.1. **Total Block**

The consumer is blocked from buying electricity due to arrear debt and will be unblocked only when: -

- The arrear debt is paid in full, or
- An agreed arrangement has been made to pay off the arrear debt.

### **2.2.8.1.2. Percentage Blocking**

Each time the customer makes a purchase, a percentage of the amount tendered is allocated to arrear debt.

### **2.2.8.2 Indigent Customers**

(a) All indigent customers with arrears will be placed on the percentage block type and 20% of each payment made to purchase electricity will be allocated to arrears.

(b) Indigent consumers will be required to pay their current monthly account before electricity can be purchased. The monthly account is the amount after the indigent subsidy has been deducted.

### **2.2.8.3 Non-Indigent Customers**

(a) An arrangement must be made with the customer to pay a minimum monthly installment, which will include monthly charges plus the repayment of arrears within a maximum period of twelve (12) months.

(b) Customers who pay their arrear debt in full will have the total block removed and can proceed with buying electricity.

## **3. FINAL ACCOUNTS**

### **3.1 Electricity accounts – disconnection of service**

3.1.1 When electricity consumers move from one premise to another an application for disconnection of services must be completed by the consumer, which must indicate the forwarding address of the consumer and the date of the cancellation of the service.

- 3.1.2 On the indicated date of cancellation a final reading will be taken of the electricity consumption and the consumer will be billed for the consumption until the final reading.
- 3.1.3 The consumer's deposit, which is held by Council, will be appropriated against the account.
- 3.1.4 If after the appropriation of the account, a credit balance remains on the account, the credit balance will be refunded to the consumer.
- 3.1.5 If after the appropriation of the account, a debit balance remains on the account, the balance on the account must be paid by the consumer.
- 3.1.6 If a debit balance remains unpaid by a consumer that has left town, the case will be handed over within 60 days for legal proceedings to be instituted.
- 3.1.7 If a debit balance remains unpaid of a consumer that moved from one premises to another, it will be transferred to the new current account of that consumer.

## **3.2 Absconded Debtors**

- 3.2.1 On becoming aware that the person who applied for the service has absconded a final reading of services will be taken, a final account produced and the consumer deposit appropriated.
- 3.2.2 Any credit balance on an account will be credited against any arrear balance on an account after which it will be handed over for legal proceedings to be instituted.
- 3.2.3 The service to the premises will be disconnected in such a way as to prevent service consumption without the required prior application for connection of services.

3.2.4 Any connection of services without prior application for these services will lead to immediate disconnection and a R2000 fine imposed.

3.2.5 In terms of Section 118 of the Municipal Systems Act the owner of a property is ultimately responsible for municipal debt on a property.

### **3.3 Rates Clearance Certificates**

3.3.1 When an owner of a property sells the property a rates clearance must to be obtained from Council by the conveyance attorney in terms of section 118 of the Municipal Systems Act, No. 32 of 2000.

3.3.2 Council must certify that all municipal charges have been fully paid.

## **4. LEGAL ACTION PROCEDURES**

### **4.1 Procedure**

4.1.1 Legal action will commence by way of letter of demand sent by ordinary mail or hand delivery to the address of the debtor.

4.1.2 All cost associated with credit control and debt collection including interest, penalties, service discontinuation costs, phone call charges, letter charges, search charges and legal costs are for the account of the debtor and should reflect at least the cost of the particular action.

4.1.3 If there is no response to the letter of demand a summons must be delivered to the Clerk of the Court within 10 (ten) days of expiry of the demand period.

4.1.4 If there is no response to the summons then an application must be made for default judgment immediately the time allowed for entering an appearance to defend has expired.

4.1.4.1 If any matters are defended then these must be

reported to Council's attorneys.

4.1.5 Once default judgment has been granted:

4.1.5.1 Should the capital be less than R3 (Three Thousand Rand), action shall proceed by means of a writ against movable property.

4.1.5.2 In the event that the capital is R3000 or more, then a Writ may also be served against immovable property.

4.1.6 Council shall endeavor wherever possible to persuade the debtor to sign a consent to judgment and a consent to an emoluments attachment order which will satisfy the judgment debt within 12 (twelve) months.

4.1.7 Before drafting the notice of sale in execution for the sale of immovable property, the file summary must be submitted to the Mayoral Committee to obtain authority.

4.1.8 Before each step in the process is made, Council shall continuously verify the municipal financial system, to confirm details of the debtor/consumer's status, namely indigence, arrangements made etc.

4.1.9 Files will only to be closed upon the written instruction of the Municipality or as provided in 5.2.10 Hereunder.

4.1.10 If the debtor is not traceable, Tracing Agents will be appointed, alternatively Council will be advised to write off the debt and the file closed.

4.1.11 Council shall be informed at all times of Irrecoverable debt and the reason thereof.

## **5. ADHOC COMMITTEE FOR DEBTORS SUPPORT**

### **5.1 Purpose of the Committee**

- 5.1.1 The purpose of the Committee is to allow for an input by Councilor's in legal matters that have reached the sale-in- execution stage, due to non-payment of rates and services charges
- 5.1.2 All cases that reached the sale-in-execution stage in the legal process will be referred to the Committee.
- 5.1.3 The reason for this is to encourage debtors to pay their accounts through the assistance of Ward Councilor visits, which may result in debtors not losing their houses in a sale-in-execution.

### **5.2 Principles involved**

- 5.2.1 The Credit Control Policy is the basis of the operation of this Committee and in terms of the existing legislation must be enforced.
- 5.2.2 The Committee will comprise of the Municipal Manager (Chairperson), Finance Manager, or his designated official, and member/s of Council.
- 5.2.3 The Committee will have no authority to prevent Credit Control Action If after 2 (two) months, no progress has been made then normal credit control action will resume.
- 5.2.4 The Committee will have no decision making authority and may only make recommendations to Council.
- 5.2.5 The Committee will meet on an as and when basis to discuss issues.
- 5.2.6 In terms of legal action, the Credit Control Section will proceed with the attachment and sale of movables, failing which the immovable property will be attached and sold in terms of relevant legislation.

**6. ANNUAL RATES AND REFUSE CHARGES**

- 6.1 Annual rates and refuse charges are reviewed become due at start of new financial year and are debited monthly.
- 6.2 If the rates and refuse charges remain unpaid by due date a reminder will be delivered and served on the debtor liable to pay the amounts due. The debtor will be given 14 business days after receipt of the reminder to pay the amount payable. A final demand is sent to debtors who do not respond to the reminder and are given 7 days to pay amount due.
- 6.3 Debtors who fail to respond to the final demand will be handed over for legal action to collect the arrears.
- 6.4 Interest on arrears will be charged until account is settled in full unless a settlement arrangement is entered into
- 6.5 Arrear rates if owed by the owner may in terms of Section 28 and 29 of the Municipal Property Rates Act be recovered in whole or in part from a tenant, occupier, or agent of the owner of the property.
  - 6.5.1 Upon servicing of a written notice on the tenant or occupier or agent of the property.
  - 6.5.2 The recoverable amount is limited to the amount of the rent or other money due and payable by the tenant or occupier or agent to the owner.

**7. MONTHLY RATES, REFUSE AND SERVICES ACCOUNTS**

- 7.1 A consolidated account will be issued to consumers on a monthly basis on which all services applicable will be charged.
- 7.2 Monthly charges on accounts are liable on the due date as indicated on the account.
- 7.3 Interest on arrears will be charged on accounts unpaid after the due date.
- 7.4 Consumers with electricity meters may have their electricity supply disconnected after the due date for non-payment of any of the above monthly charges and may only be reconnected after the account has been settled in full or until an acknowledgement of debt has been signed.
- 7.5 Consumers who again fail on their arrangement to repay the debt will have their electricity supply again disconnected and will not be reconnected until all arrear arrangement installments and the current account is paid.
- 7.6 Consumers in arrears with prepayment electricity meters will be dealt with in terms of the debt collection facilities available on the prepayment system to a level of 20% of purchases.
- 7.7 If the above actions (7.1 to 7.4) fail to collect the arrears within 90 days the accounts will be handed over for legal action.

**8. MONTHLY ELECTRICITY CHARGES (NON PRE PAYMENT)**

- 8.1 The due date for the payment of accounts for electricity charges for any month will be the date as stated on the accounts.
- 8.2 A notice will appear on the monthly statement to the effect that *"The supply of services may be discontinued without further notice if any amount is unpaid after the due date"*.
- 8.3 If the account is not paid by the due date as stated on the account the electricity service to the consumer will be disconnected until the debt has been settled in full or until an acknowledgement of debt has been signed and a

payment arrangement as approved by Council agreed to.

- 8.4 Electricity supply to consumers may be disconnected for other municipal charges i.e. rates, refuse and sundry debtors. Section 102 of the Municipal Systems Act, Act 32 of 2000 determines that the accounts of the various rate and service charges may be consolidated and debt collection measures applied when a consumer defaults.
- 8.5 The disconnection of an electricity service will be undertaken in two phase's i.e. first line and second line disconnections and will apply as follows:
- 8.5.1 When a consumer defaults on the payment of the amounts due, first line disconnection will apply. First line disconnection means that the pole fuse or the circuit breaker and the bridge piece will be removed.
- 8.5.2 Any consumer who unlawfully reconnects the electricity supply after being disconnected for an overdue account will be disconnected as a second line. The second line disconnection means that the electricity service to the property will be removed.
- 8.5.3 On first line disconnection, a reconnection fee is payable and be paid prior to the reconnection of the electricity supply.
- 8.5.4 On second line disconnections, penalties and reconnection fees are payable and the reconnection of electricity will only be done when the penalty reconnection fee and total amount due is paid in full.

The reconnection will only be done once the *full outstanding amount has* been paid.

## **9. SUNDRY DEBTOR ACCOUNTS**

- 9.1 All debts that fall in this category are payable on presentation of an account (e.g. damage to municipal property, such as electricity poles, traffic lights, etc.).
- 9.2 The relevant department that initiates this type of transaction must forward all the relevant documentation to the Manager:  
Income

- 9.3 All debt that has not been settled within one month from the date of invoice must be referred for collection.
- 9.4 Depending on the circumstances of each case and the amount involved, arrangements can be made to redeem the debt over a period to a maximum of 6 months.
- 9.5 Debt of 60 days and over will be handed over for legal action

**10. DISHONOURED DEBTOR CHEQUES (R/D CHEQUES)**

- 10.1 On receipt of a dishonored cheque the payment will be reversed on the debtors account and an additional service levy as per the tariff structure
- 10.2 Services to the debtor's premises - will be disconnected after notification of the cheque being dishonored - and only reconnected when the debtor's account has been settled.
- 10.3 No arrangement to pay arrears will be entertained.
- 10.4 The debtor will be informed that only cash will be accepted in future.

**11. UPFRONT CREDIT CONTROL**

- 11.1 No Building plans will be approved if Council is owed money.
- 11.2 No electricity upgrades will be approved if Council is owed money.
- 11.3 The application for a service connection from a tenant will not be approved if debt is still outstanding from previously occupied properties
- 11.4 No refund of any deposit will be approved if Council is owed money.

**12. ALLOCATION OF PAYMENT RECEIVED**

- 12.1 Settlement of an account clears all charges, including interest on arrears and tamper fees where applicable.
- 12.2 Part payment of an account will be allocated at the discretion of Council.
- 12.3 The priority allocation of part payments are as follows:
  - Interest on arrears
  - Assessment rates
  - Refuse
  - Miscellaneous charges
  - Rental charges
  - Electricity
- 12.4 The selected payment of certain charges is not allowed.
- 12.5 Council may consolidate any separate accounts of persons liable for payments and credit a payment against any account of that person and implement debt collection and credit control measures to any arrears on any of the accounts

**NOTE:** The priority allocation of part payments shall be agreed by Council on an annual basis by means of approval of this policy.

**Approval**

This policy was adopted by the Municipal Council on ..... per

**Resolution Number:** .....

.....

DATE.....

MUNICIPAL MANAGER