

Christmas caution for credit providers

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Credit retailers, battling to make as many sales as possible this festive season should ensure that they still continue with normal checks and balances when deciding who is worthy of credit or not.

Desperate credit retailers should not fall into the trap of lending recklessly, or not checking documents carefully, as credit hungry consumers go shopping.

Werksmans director Eric Levenstein said that as banks tighten access to credit, desperate consumers may be less than honest when declaring their other debt, assets and liabilities.

In addition, retailers hungry for sales could skimp on the procedures laid down by the National Credit Act and be lenient in lending, to the point of being reckless.

“The combination of slow growth, particularly in the weakening retail sector, and the lack of credit available to the market as a result of the introduction of the National Credit Act has certainly had the desired effect on reducing the amount of credit available to consumers who can't afford it. I believe, however, that over Christmas there will be a significant number of consumers who are not in a position to secure credit do so through fraudulent means.”

Levenstein cautions that desperate retailers could find themselves burdened with the debt early next year if the consumer goes under debt review and it can be proven that the lending was reckless. And there is the chance that the consumer could keep the purchase, if a magistrate ruled in the consumer's favour.

He said consumers “may produce documents that don't reflect their exact situation”.

Kroll, a background screening company, expects 10% of all documentation presented for things such as credit and job applications to be dubious. Chief information officer Leon Smith said “any document that a person brings in the form of paper is worth checking”.

Smith said while fraud in credit lending documentation was an untested area, identity fraud was on the increase. He said retailers needed to ensure that the “ID of the person you're dealing with is indeed that person”.

Levenstein said — as far as he was aware — a consumer database had not yet been implemented.

This nationwide database would capture consumers' levels of debt and be available to all credit grantors.

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