

LEPELLE – NKUMPI MUNICIPALITY



DEBT COLLECTION PROCEDURES

2011 - 2012



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DEBT COLLECTION PROCEDURES

1. INTRODUCTION

1.1 The Credit control and Debt collection policy determines that municipal accounts be paid on the due date as indicated on the account and that non – payment of accounts will result in debt collection action.

2. ARRANGEMENTS – DEBT COLLECTION

A customer who cannot pay the municipal account may enter into an agreement with the municipality to pay the account over an extended period of time.

2.1 The customer must -:

2.1.1 Sign an acknowledgement of debt.

2.2.2 Acknowledge that -:

- Levying of interest on arrear accounts will be immediately suspended upon completion of a debt agreement.
- As long as the agreement is honoured no further interest will be added. However, in case of defaulting the suspended amount will be reversed and interest will again be levied from date of default.
- Where arrangements are made to pay off the arrear amount in instalments, such instalments should be determined on the outstanding amount excluding arrear interest. Such an arrangement should be honoured for at least a six-month consecutive period where after interest on arrear amounts will be written off on a monthly basis. This arrangement will imply that upon payment of the final instalment all interest on arrear amounts will have been written off.
- Where arrangements are not honoured without prior consultation , interest will be reinstated and added to the original debt amount.



2.3. Categorisation of Customers

In order to determine monthly installments, customers have been categorised as follows:

- Indigent customers (Gross household income of less than R 3, 500 per month as prescribed in the Municipal Indigent Policy).
- Not Indigent but gross household income less than R 5, 000 per month.
- Gross household income exceeds R 5, 000 per month.
- Non domestic (excludes Government Departments)
- Government Departments.

2.3.1 The arrangement by Indigent Customers

Interest on arrears will not be charged on Indigents accounts. Indigents must ensure that their current monthly accounts are paid on a monthly basis.

Payment of arrears, will be payable as follows :

Threshold	Installments	Interest
Less than R 500 -00	3 Months plus Current Account	Interest Free
R501 – R3 000	6-9 Months plus Current Account	Interest Free
R 3 001 and more	12-18 Months plus current account	Interest Free

- In the case of defaulting from the arrangements, interest will be reinstated and added to the original debt amount.



- Where the Indigent fails to honour the arrangement for more than three months , the account may be handed over to the debt collectors that are attorneys at long and their appointment is subject to council approval.

2.3.2 The arrangement by Not Indigent but gross household income less than R 5, 000 per month.

The arrangement by non – indigent customers with a gross household income of less than R 5,000 must note that an arrangement does not nullify the payment of a monthly current account.

The Payment of arrears, will be payable as follows :

Threshold	Installments	Interest
Less than R 500 -00	Once off plus Current Account	No arrangement
R501 – R5 000	6-12 Months plus Current Account	Interest Free after entering into an arrangement provided that payments are made monthly by due date
R 5 001 and more	A maximum period of 12-24 Months pus current account	Interest Free after entering into an arrangement provided that payments are made monthly by due date.

- In the case of defaulting once from the arrangements, interest will be reinstated and added to the original debt amount.
- Where the customer fails to honour the arrangement for more than two months, the account will be handed over to the debt collectors.

2.3.3 The arrangement by Gross household income which exceeds R 5, 000 per month



All customers who fall in this category must note that an arrangement does not nullify the payment of a monthly current account.

The Payment of arrears, will be payable as follows :

Threshold	Installments	Interest
Less than R 500 -00	Once off plus Current Account	No arrangement
R501 – R3 000	3-9 Months plus Current Account	Interest Free after entering into an arrangement provided that payments are made monthly by due date
R 3 001-R10 000	9-12 Months plus current account	Interest Free after entering into an arrangement provided that payments are made monthly by due date .
R10 001 and more	12-24 months plus current account	Interest Free after entering into an arrangement provided that payments are made monthly by due date .

- In the case of defaulting once from the arrangements, interest will be reinstated and added to the original debt amount.

Where the customer fails to honour the arrangement for more than a month, the account will be handed over to the debt collectors .

2.3.4 The arrangement by Businesses



All customers who fall in this category must note that an arrangement does not nullify the payment of a monthly current account.

The Payment of arrears, will be payable as follows:

Threshold	Installments	Interest
Less than R 50 000	10 % of the arrears must be paid prior to any arrangement. The balance must in a two month installment plus Current Account	Interest Free after entering into an arrangement provided that payments are made monthly by due date
R50 001 to R100 000	10 % of the arrears must be paid prior to any arrangement. The balance must be paid in 12 Months plus Current Account	Interest Free after entering into an arrangement provided that payments are made monthly by due date
R 100 001 and more	10 % of the arrears must be paid prior to any arrangement. The balance must be paid in 24 Months plus Current Account.	Interest Free after entering into an arrangement provided that payments are made monthly by due date.

- In the case of defaulting once from the arrangements, interest will be reinstated and added to the original debt amount.



Where the customer fails to honour the arrangement for more than a month, the account will be handed over to the debt collectors.

2.3.5 The arrangement by Government Departments

All customers who fall in this category must note that an arrangement does not nullify the payment of a monthly current account.

The Payment of arrears, will be payable as follows:

Threshold	Installments	Interest
Less than R 50 000	Once off payment	Interest free
R50 001 and more	50 % of the arrears must be paid prior to any arrangement. The balance must be paid in 12 Months plus Current Account	Interest Free after entering into an arrangement provided that payments are made monthly by due date

- In the case of defaulting once from the arrangements, interest will be reinstated and added to the original debt amount.

Where the customer fails to honour the arrangement for more than a month, the account will be handed over to the debt collectors. A list of all government departments must be reported to the Provincial and National Treasury on a monthly basis as in accordance to the MFMA section 64. The list will also be handed to the Office of the Mayor for intervention.

3. ISSUING OF PROOF OF RESIDENCE



Proof of Residence may be issued to residents of Lepelle – Nkumpi on the following conditions - :

- The resident must be the owner of the property
- An identity document must be produced on request of a proof of residence
- The details of the owner of the property must match the details of the owner in the financial system or in the main file or if the details are not updated in the financial system , the alternative to be used will be through the Deeds search.
- Where any member of the household is in need of the proof of residence, the owner must ensure that all members of his/her family are registered in the file opened in the name of the owner of the property.
- Where any member is not registered in the main file, the owner of the property must produce an affidavit that certifies that a member requesting the proof of residence resides in the household mentioned.
- All residents requesting proof of residence must ensure that municipal services accounts are paid. If a resident has not paid his/her municipal account, proof of residence can only be issued only after a debt agreement has been entered into.
- If a debt agreement is honoured as per arrangement, interest will be reinstated and be added to the original debt amount.
- Where the resident fails to honour the arrangement for more than a month, the account will be handed over to the debt collectors.

4. ISSUING OF CLEARANCE CERIFICATES

The Draft Policy on Writing Off of irrecoverable debt sates that -:

Section 118 of the Municipal Systems Act , No 32 of 2000 determines the following regarding **Restraint on transfer of Property :**

118 (1) A registrar of deeds or other registration officer of immovable property may not register the transfer of property except on production to that registration officer of a prescribed certificate –



- (a) Issued by the municipality in which that property is situated ; and
- (b) Which certifies that all amounts due in connection with that property for municipal service fees , surcharges on fees , property rates and other municipal taxes , levies and duties during the two years preceding the date of application for the date of application for the certificate have been fully paid .

(2) In the case of the transfer of immovable property by a trustee of an insolvent Estate, the provisions of this section are subject to section 89 of the Insolvency Act , 1936 (Act No. 24 of 1936.

(3) An amount due for municipal services fees, surcharges on fees , property rates and other municipal taxes , levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property. ”

- Council must certify that all municipal charges during the two years preceding the date of the application for the clearance certificate have been paid fully.
- The amount due for municipal charge enjoys preference over any mortgage bond registered against the property.
- The owner is required that before a rates clearance certificate is issued that Municipal charges during the two years preceding the date of application for the certificate have been fully paid.
- A judgment must be obtained for debt older than two years to instruct the conveyancing attorney to deduct the amount due to Council from the proceeds of the Sale of the property.
- Where property is sold in sale of execution the Sheriff must be informed of the amount due to Council and the Sheriff will have to deduct the amount due from the proceeds of the sale of the property due to the preference municipal charges enjoys over the mortgage bond registered against the property.
- The implementing authority must design a form for arrangements of guarantees with the attorneys handling the property transfer. The form must be attached to the policy as addendum.



5. PAYMENTS OF MUNICIPAL SERVICES BY COUNCILLORS

As stated in the Draft Credit Control, Debt Collection and Customer Care Policy , Councillors must set an example to the communities by prioritizing the payment of their own municipal services accounts. Schedule 1, Code of Conduct of the Municipal Systems Act No. 32 of 2000, section 12 A , states that -:

“ A councillor may not be in arrears to the municipality for rates and services charges for a period longer than three (3) months.”

The procedure for collection of rates and services charges from councillors area as follows - :

- No councillor must owe municipal services accounts for more than a period of three months.
- Every councillor must sign stop orders against their allowances to avoid being in debt with Council for more than a period of three months.
- Every councillor that resides in a property or house that uses municipal services , is obliged to pay municipal services as in accordance to section 5 , bullet one and two of this manual procedure.
- Every councillor is obliged to submit details of his /her place of residence (domicilium citande) to Council as in accordance to the standing orders.

6. PAYMENTS OF MUNICIPAL SERVICES BY COUNCILLORS

As stated in the Draft Credit Control, Debt Collection and Customer Care Policy , staff members must set an example to the communities by prioritizing the payment of their own municipal services accounts. Schedule 2 ,Code of Conduct of the Municipal Systems Act No. 32 of 2000, section 10 , states that -:

“ An official may not be in arrears to the municipality for rates and services charges for a period longer than three (3) months, and a municipality may deduct any outstanding amounts from a staff member’s salaries and allowances after this period.”



The procedures for collection of rates and services charges from officials are as follows -:

- No official must owe municipal services accounts for more than a period of three months.
- Every official must sign stop orders against their allowances to avoid being in debt with Council for more than a period of three months.
- Every official that resides in a property or house that uses municipal services , is obliged to pay municipal services as in accordance to section 5, bullet one and two of this manual procedure.
- Every official who owns a property that uses municipal services, and does not resides in that property, is obliged to pay municipal services as in accordance to section 6, bullet one and two of this manual procedure.
- Every official is obliged to submit details of his /her place of residence (domicilium citande) to Council as in accordance to the standing orders.

7. PAYMENTS OF MUNICIPAL SERVICES BY SERVICE PROVIDERS

- No bid (of any amount) must be awarded to a service provider whose municipal services accounts are not in order and who resides within the boundaries of Lepelle – Nkumpi Municipality.
- A service provider who also uses an address of a property that uses municipal services will be treated as a business that operates within Lepelle – Nkumpi Municipality.
- Prior to award of any tender or an issue of any official order , service providers must be cleared off by the Revenue Section with regard to their municipal accounts.
- Any service provider that owes municipal services and needs to make arrangements, section 2.3.4 of this procedure manual must be followed.

8. CREDIT CONTROL AND DEBT COLLECTION REGULATIONS FOR ANY OUTSTANDING AMOUNTS



Where consumers fail to pay their municipal accounts by the due date stipulated on the account, the following actions will be taken.

- Final notices/ accounts may be delivered or posted after the final date of payment. The final notice/ account will contain that the client may arrange to pay the outstanding balance in terms of the Credit Control Policy. Information that the account constitutes as a final notice and failure to settle the account on the due date may lead to disconnection of services at any date thereafter , charging of interest on arrears or handing over to a debt collector .
- An Acknowledgement of Debt must be completed with all arrangements for paying off arrear accounts. Copies of this document must be handed to the client. An affidavit of financial affairs must also be submitted to determine an affordable monthly installment.
- Only account holders with positive proof of identity or an authorised agent with a Power of Attorney will be allowed to complete an Acknowledgement of Debt.
- Debit orders may be completed for the monthly payment of the agreed amount or at least the current amount, as far as possible. If the arrangement is dishonoured, the full balances will immediately become payable.
- Where cheques are returned, “Refer to Drawer” after an arrangement has been made the full balance will immediately become payable.
- No person will be allowed to enter into a second agreement if the first agreement was dishonoured, except in special merit cases. Such applications will be approved by the Chief Financial Officer only and must be submitted before the arranged due date.
- Where arrangements were not made and water and/or electricity supply is restricted due to non-payment, it will only be restored upon payment of the full outstanding balance or signing of an Acknowledgment of Debt on merits.
- Merit cases, where special circumstances prevail, must be treated individually and could amongst others include the following categories:-
 - Deceased estates;
 - Liquidated companies;
 - Private persons under administration;



- Outstanding enquiries on accounts, for example, misallocated payments, water leaks, journals, incorrect levies, etc;



- Certain categories of Pensioners; and
- Any other cases not mentioned which can be regarded as merit cases due to circumstances.
- Extension for payment of arrears in respect of merit cases should preferably not exceed 24 months (2 years) or any other period in the discretion of the Municipal Manager or his/ her delegate.
- Only the Municipal Manager or his delegate may agree to such extensions and these must be supported by documentary proof. Previous payment record will be taken into consideration.
- When restriction of water supply takes place due to non-payment, or an agreement is dishonored the consumer's deposit will be adjusted.
- New consumer deposits for business and industrial customers must be re-assessed three months after the initial deposit date.
- All other business and industrial deposits will be reviewed annually.
- Where the consumer has not entered into a service agreement with the Municipality, water may be restricted until such time as a service agreement has been signed and the applicable deposits paid.
- Where services are illegally restored criminal action will be taken if possible and penalties will be charged as in accordance to the approved annual Tariff Structure of the municipality.
- Where municipal accounts remain outstanding or unpaid for more than 2 months, without response, the account will be handed over to debt collectors for the collection and/ or legal action to the Attorneys and can be listed at the Information Trust Corporation. These clients will have to make further arrangements at the attorneys and/or the debt collectors for payment of the arrear amounts. The current monthly accounts must be paid to the Municipality directly.
- Once an account has been handed over for collection, the case will not be withdrawn unless there was a mistake or oversight on the part of the Municipality.