

# **INDEX**

## **PAGE**

<b>1.</b>	<b>DEFINITIONS</b>	<b>1</b>
<b>2.</b>	<b>PREFACE : CONSTITUTIONAL OBLIGATIONS</b>	<b>1</b>
<b>3.</b>	<b>NOTICE OF DEFAULT AND INTENDED TERMINATION OR RESTRICTION OF SERVICES</b>	<b>1</b>
<b>4.</b>	<b>RECONNECTION OR REINSTATEMENT OF TERMINATE OR RESTRICTED SERVICES</b>	<b>2</b>
<b>5.</b>	<b>PERIODS FOR RECONNECTIONS OR REINSTATEMENTS</b>	<b>2</b>
<b>6.</b>	<b>ILLEGAL RECONNECTIONS</b>	<b>2</b>
<b>7.</b>	<b>RESTRICTION OF SERVICES</b>	<b>3</b>
<b>8.</b>	<b>SERVICES NOT RECONNECTED OR REINSTATED AFTER FOUR WEEKS</b>	<b>3</b>
<b>9.</b>	<b>ARRANGEMENTS FOR PAYMENT OF ARREAR ACCOUNTS</b>	<b>3</b>
<b>10.</b>	<b>SERVICE CONTRACT</b>	<b>4</b>
<b>11.</b>	<b>PAYMENT OF DEPOSITS</b>	<b>4</b>
<b>12.</b>	<b>ALLOCATION OF PART-PAYMENTS AND APPROPRIATION OF DEPOSITS</b>	<b>4</b>
<b>13.</b>	<b>QUERIES BY ACCOUNT HOLDERS</b>	<b>5</b>
<b>14.</b>	<b>INABILITY TO READ METERS</b>	<b>5</b>
<b>15.</b>	<b>DISHONOURED CHEQUES</b>	<b>6</b>
<b>16.</b>	<b>DELEGATION OF RESPONSIBILITIES BY MUNICIPAL MANAGER</b>	<b>6</b>

# **MTHONJANENI LOCAL MUNICIPALITY**

## **CREDIT CONTROL AND DEBT COLLECTION POLICY**

<b>Date Approved:</b>	
<b>Date Implemented:</b>	

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### **1. DEFINITIONS**

### **2. PREFACE : CONSTITUTIONAL OBLIGATIONS**

The Council of the municipality, in adopting this policy on credit control and debt collection, recognises its constitutional obligations to develop the local economy and to provide acceptable services to its residents. It simultaneously acknowledges that it cannot fulfill these constitutional obligations unless it exacts payment for the services which it provides and for the taxes which it legitimately levies – in full from those residents who can afford to pay, and in accordance with its indigency relief measures for those who have registered as indigents in terms of the Council's approved indigent management policy.

### **3. NOTICE OF DEFAULT AND INTENDED TERMINATION OR RESTRICTION OF SERVICES**

Within 3 (three) calendar days after each monthly due date for payment of municipal accounts for property rates and/or service charges, the municipal manager shall dispatch to every defaulting account holder, a notice stating that unless full payment is received or an acceptable arrangement made with the municipal manager for partial or late payment, the municipal electricity to the property to which the account in arrears relates, shall be terminated or restricted 14 (fourteen) calendar days after the date of the notice concerned.

#### **4. RECONNECTION OR REINSTATEMENT OF TERMINATED OR RESTRICTED SERVICES**

Terminated or restricted services of defaulting account holders in terms of paragraph 3 above shall be reconnected or reinstated by the municipal manager only when all the following conditions have been met:-

- the arrear account has been paid in full, including the interest raised on such account; or an acceptable arrangement has been made with the municipal manager for the payment of the arrear account, including the interest raised on such account;
- the charge(s) for the notice sent in terms of paragraph 3 and for the reconnection or reinstatement of the terminated or restricted service(s), as determined by the Council from time to time, have been paid in full;
- a service contract has been entered into with the municipality, as contemplated in paragraph 10 below; and
- a cash deposit has been lodged with the municipal manager in compliance with paragraph 11, such deposit to be newly determined on the basis of currently prevailing consumption of services in respect of the property concerned or, if insufficient data is available in regard to such consumption, of the currently prevailing consumption of services in respect of a comparable property.

#### **4.1 INTEREST AND PENALTIES**

- Interest will be raised as a charge on all accounts not paid in full by the due date.

#### **5. PERIODS FOR RECONNECTIONS OR REINSTATEMENTS**

The municipal manager shall reconnect or reinstate terminated or restricted services within 3 (three) working days after the date on which the conditions set out in paragraph 4 have been met, unless the municipal manager is unable to do so because of circumstances beyond the control of the municipality. In the latter event the municipal manager shall promptly inform the mayor of such circumstances and of any actions required to overcome the circumstances concerned.

#### **6. ILLEGAL RECONNECTIONS**

The municipal manager shall, as soon as it comes to the notice of the municipal manager that any terminated or restricted service has been irregularly reconnected or reinstated, report such action to the South African Police Service, disconnect or restrict

such service(s), and not reinstate such service(s) until the arrear account, including the interest raised on such account, the charges for the notice sent in terms of paragraph 3 and the charges for both the original and subsequent reconnection or reinstatement of the service(s) and the revised deposit have been paid in full, together with such penalty as may be determined by the Council from time to time.

## **7. RESTRICTION OF SERVICES**

If the municipal manager is of the opinion that the termination of services, in the case of a particular property in respect of which the account is in arrear, is not in the best interests of the community – specifically because of the potential endangerment of the life of any person, whether resident in or outside the property concerned – the municipal manager may appropriately restrict rather than terminate the services in question, provided that such restricted services shall not be less than 50 kWh in the case of electricity.

## **8. SERVICES NOT RECONNECTED OR REINSTATED AFTER FOUR WEEKS**

If services have been terminated or restricted in the case of a property in respect of which the account is in arrear, and the account holder has not paid such arrears, including the interest raised on such account, or made an acceptable arrangement with the municipal manager for the payment of the arrear account, including the interest raised on such account, within a period of 28 (twenty eight) calendar days after the date of termination or restriction of the service(s) concerned, the municipal manager shall forthwith hand such account over for collection and such further action as is deemed necessary by them to the municipality's attorneys or any debt collecting agency appointed by the Council. All legal expenses incurred by the municipality shall be for the account of the defaulting account holder.

## **9. ARRANGEMENTS FOR PAYMENT OF ARREAR ACCOUNTS**

Allowing defaulting account holders to make arrangements for the payment of arrear accounts shall be at the discretion of the municipal manager. Each defaulting account holder shall be allowed a maximum period of 3 (three) months within which to pay an arrear account, together with the interest raised on such account, and it shall be a condition for the conclusion of any arrangement that the account holder is bound to pay every current municipal account in full and on time during the period over which such arrangement extends. If an account holder breaches any material term of an arrangement, the balance of the arrear account, together with the balance of interest raised on such account, shall immediately become due and payable to the municipality, and if the account holder defaults on such payment, the municipal manager shall terminate or restrict services to the property in question and shall forthwith hand such account over for collection as envisaged in paragraph 8. An account holder who has

breached an arrangement as set out above shall not be allowed to make any further arrangements for the payment of arrear accounts, but shall be proceeded against, after the dispatch of the initial notice of default as envisaged in paragraph 3 and failure by the account holder to pay the arrear account, together with interest raised on such arrears as required in terms of such notice, as though such account holder had breached a material term of an arrangement.

## **10. SERVICE CONTRACT**

A service contract shall be entered into with the municipality for each property to which the municipality is expected to provide all or any of the following services:

- electricity
- refuse collection

Such contract shall set out the conditions on which services are provided and shall require the signatory to note the contents of the municipality's credit control and debt collection policy, a copy of which shall be provided to such signatory, as well as the provision of the Local Government : Municipal Systems Act in regard to the municipality's right of access to property.

## **11. PAYMENT OF DEPOSITS**

Whenever a service contract is entered into in terms of paragraph 10, the signatory shall lodge a deposit with the municipality, such deposit to be determined as follows:-

- in the case of the signatory's not being the registered owner or spouse of the registered owner of the property concerned, an amount equal 2 months consumption of the aggregate monetary value of the relevant service(s) as determined above.

## **12. ALLOCATION OF PART-PAYMENTS AND APPROPRIATION OF DEPOSITS**

If an account holder pays only part of any municipal account due, the municipal manager shall allocate such payment as follows:-

- firstly, to any unpaid charges levied by the municipality in respect of notices, legal expenses and reconnections or reinstatements of services in respect of the account or property concerned;
- secondly, to any unpaid interest raised on the account;
- thirdly, to any unpaid refuse collection charges;
- fourthly, to any unpaid property rates;
- lastly, to any unpaid electricity charges.

This sequence of allocation shall be followed notwithstanding any instructions to the contrary given by the account holder.

In the event of an account holder's defaulting on the payment of an arrear account, as contemplated in paragraphs 6, 8 and 9, the municipal manager shall forthwith appropriate as much of such deposit as is necessary to defray any costs incurred by the municipality and the arrear amount owing to the municipality in the same sequence that is applicable to the allocation of part payments, as contemplated above.

### **13. QUERIES BY ACCOUNT HOLDERS**

In the event of an account holder reasonably querying any item or items on the monthly municipal account, no action shall be taken against the account holder as contemplated in paragraph 3 provided the account holder has paid by due date an amount equal to the monthly average monetary value of the three most recent unqueried accounts, and provided further such query is made in writing by the account holder or is recorded in writing by the municipal manager on behalf of the account holder on or before the due date for the payment of the relevant account. Any query raised by an account holder in the circumstances contemplated in paragraph 14 below shall not constitute a reasonable query for the purposes of the present paragraph.

### **14. INABILITY TO READ METERS**

If the municipality is unable to read any meter on any property because the meter has been rendered inaccessible through any act or omission of the account holder or owner of the property concerned, the municipal manager shall estimate the consumption of the service concerned by determining the monthly average of the metered consumption recorded on the three most recent accounts in respect of which meter readings were obtained, and thereafter bill the account holder for the monetary value of such estimated consumption plus a provisional surcharge of 10% of such value for the first month in which the metered reading could not be obtained, escalating to 20% in the second month, 30% in the third month, and so on by 10 percentage points for each subsequent month, until the meter is again rendered accessible. The account holder shall be liable for the initial payment of such surcharge(s) as though the surcharge were part of the service charge concerned, but the municipal manager shall reverse such surcharge(s) against the first account for which a meter reading is again obtained.

## **15. DISHONoured CHEQUES**

If an account holder tenders a cheque which is subsequently dishonoured by the account holder's bankers, the municipal manager shall – in addition to taking the steps contemplated in this policy against defaulting account holders – charge such account holder the penalty charge for dishonoured cheques, as determined by the Council from time to time, and such charge shall rank equally with the costs and expenses incurred by the municipality for purposes of determining the sequence of allocations and appropriations contemplated in paragraph 12.

## **16. DELEGATION OF RESPONSIBILITIES BY MUNICIPAL MANAGER**

The municipal manager, including any person acting in such capacity, shall be responsible to the Council for the implementation of this policy and its attendant by-laws but – without in so doing being divested of such responsibility – may delegate in writing all or any of the duties and responsibilities referred to in these by-laws to any other official or officials of the municipality, and may from time to time in writing amend or withdraw such delegation(s).