



# **CREDIT CONTROL AND DEBT COLLECTION POLICY**

Revised and approved by the Mthonjaneni Municipal Council  
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## **CREDIT CONTROL AND DEBT COLLECTION**

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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.

When electricity service is not paid for by the due date, municipal manager/CFO shall dispatch to every defaulting account holder, a notice stating that electricity is disconnected immediately as no payment arrangement for electricity service.

## **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

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

- Interest will be raised at prime plus one 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**

- The council is obliged to issue any final request notices or other reminders to customers whose accounts are in arrears, prior to disconnection in terms of the Promotion of Administrative Justice Act, 2000 (Act no. 3 of 2000) in so far as possible.

The consolidated account, if in arrears for 30 days or more, shall reflect a warning message.

In the event that a full payment of the consolidated account, including any accumulated arrears, is not received on or before due date, the electricity supply and thereafter water supply shall be disconnected/ restricted, unless a formal acknowledgement of a debt has been signed by the customer and the necessary arrangement for an extension of a payment has been approved by the Municipal council.

Even though a customer may have concluded satisfactory credit arrangements, the council is not obliged to effect a reconnection of service on the day that a payment is received or the agreement has been signed but shall do so as soon as possible after the arrangement have been approved by the Municipal Council.

Where a customer's services are disconnected/reconnected, the customer shall be charged a visitation fee, as determined by the council from time to time, which shall be paid prior to services being reconnected.

Where a customer or owners account is in arrears and no credit arrangement for the settlement of any outstanding debt has been entered into, and, whether a service to the property have been disconnected/ restricted or not, the Council may, regardless of whether the service agreement is terminated or not, implement the procedures for debt collection.

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.

Where an account holder in arrears, is a business or commercial concern, a minimum of 50% of total overdue amount and the current amount due, as an initial payment, shall be paid and the balance of the account shall be paid in equal instalments over a maximum period of six months. Upon written application by the account holder the maximum repayment period may be extended and a minimum amount due reviewed at a discretion of the Municipal Council.

Where a customer in arrears is a domestic consumer, 40% of the total overdue balance and the current amount due, as an initial payment, and the balance of the account shall be paid in equal instalments over a maximum period of twelve months. Upon written application by the account holder the repayment period may be extended to a maximum repayment period of 36 months at the discretion of Municipal Council

## **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:-

- to any unpaid property rates,
- 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;
- to any unpaid interest raised on the account;
- to any unpaid refuse collection charges;
- 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. TEMPERING WITH AND / OR THEFT OF SERVICES**

With regard to electricity service, if tempering of any nature or theft of such services are identified, the electricity supply to the property may be discontinued by the removal of the meter and the cable and the water supply may be restricted and / or discontinued.

Electricity metering and connection equipment remain the property of the municipality and anyone involved in instances of tempering, damaging or theft thereof will be liable for criminal prosecution.

All required outstanding amounts shall be paid in full, or a payment arrangement is entered into, before any reconnection.

#### **17. PROCEDURE FOR DEBT COLLECTION**

Where a customer's accounts are in arrears, the Municipal Council is authorized to institute any action available in law for purposes of recovering such debt, including making application to a competent court of law for issuing of a garnishee/ emoluments orders.

The Municipal council may issue a final demand for all amounts in arrears.

The Municipal council may withhold a payment to suppliers whose accounts are in arrears in terms of the Supply chain management policy.

The accounting Officer may Direct Building inspector to withhold / reject the approval of the building plans relating to improvements on properties if there are arrears on that property.



Arrear rates, service charges and other charges may be recovered from tenants/ occupiers and or agents by attaching the rentals as set out in Section 28 and 29 of the Municipal Property rates Act no 6 of 2004 and in terms of section 104 (f)(iii) of the Municipal Systems Act 32 of 2000.

Where consumers using prepaid meters have arrear amounts in respect of rates and / or services rendered by the municipality the council may remove prepaid metered supply and a new application for a prepaid supply will be required. Council reserves the right to refuse a prepaid supply in instances of arrears.

The Municipal Council may publish the names of account holders, persons or entities with outstanding debts.

#### **17. 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).

#### **17. ENFORCEMENT OF OTHER LEGISLATION**

In addition to Credit Control and debt collection provisions contained in this policy and the published by-laws relating hereto, the Council may enforce any other rights or exercise any power conferred upon it by the Municipality Systems Act, 2000(No . 32 of 2000), The property rates Act, 2004 (Act no.6 of 2004) and the Municipal Finance Management Act, 2003 (Act no. 56 of 2003) and any other applicable legislation.