# Debt Index | Q1 2025



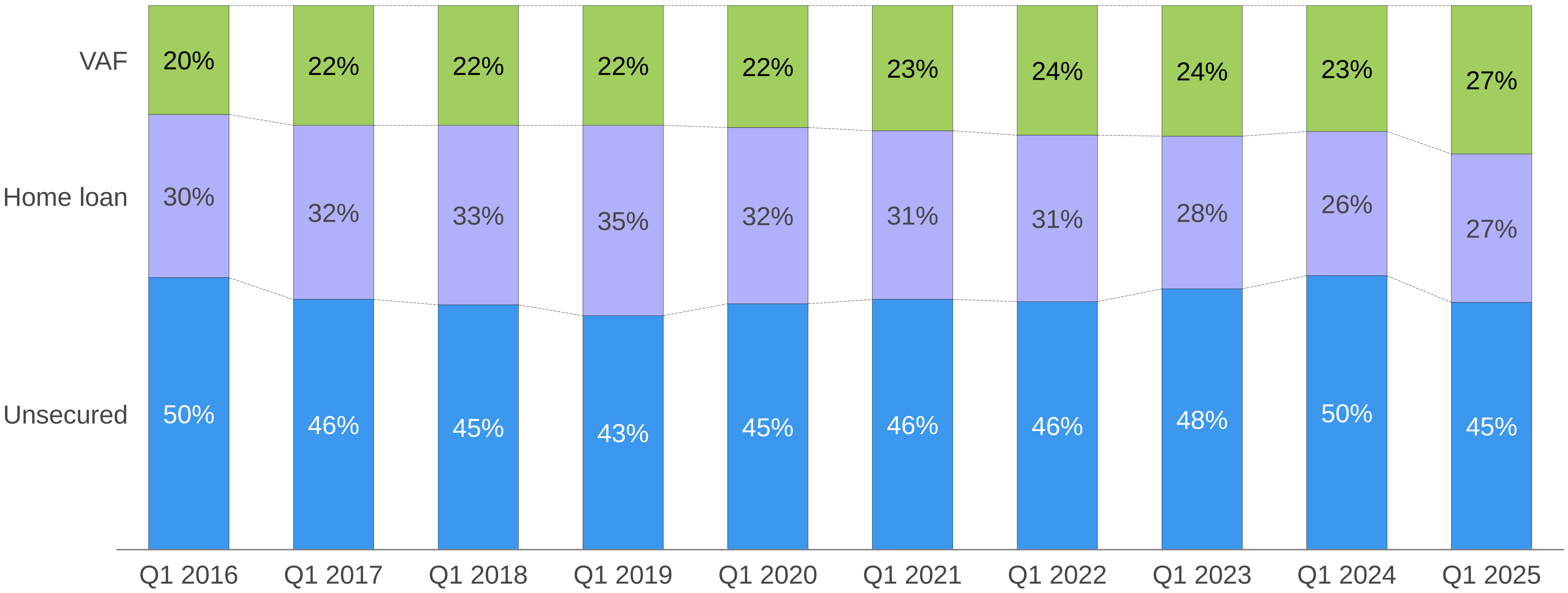
# Overview - Benay Sager, Executive Head of DebtBusters

- In Q1 2025, consumers continued to be proactive in managing their credit, albeit interest in debt counselling was a bit muted compared to previous years. We believe the uncertainty of the macroeconomic environment, financial relief provided to consumers by the rollout of the so-called "two-pot" retirement system, and some negative marketing against debt counselling has impacted debt counselling volumes. Regardless, t**here was increased demand from consumers for debt management, with new online debt management subscriptions up by 6%**. We anticipate stronger demand for rest of 2025 as consumers' desire to become financially sustainable continues to grow.
- **While consumers' financial confidence may have improved in 2024, some trends have not. Income growth is still behind expense growth: since 2016 electricity tariffs increased by 135%, the petrol price increased by 88%, and inflation's (CPI) compounded impact is 52%. As a result, it is perhaps not surprising that consumers who applied for debt counselling in Q1 2025 needed 69% of their take-home pay to service their debt expenses. 91% of these consumers had a personal loan – a new record. A further 37% of consumers had a one-month (payday) loan** – indicating that consumers continue to supplement their income with short-term unsecured credit, and personal loans, especially one-month loans, have become a lifeline for many. Compared to 2016 cohorts, **those consumers who applied for debt counselling in Q1 2025 had**:
  - **53% less purchasing power**: Nominal incomes were 1% lower than 2016 levels, however when cumulative inflation (CPI) growth of 52% is factored in for the same nine-year period, incoming consumers' purchasing power was 53% than 2016 cohorts. Those taking home R35k or more p.m. had better news: the nominal incomes for this band increased by 11% since 2016 – the first such significant increase for a long time. While the inflation impact has subsided, on average consumers are feeling like they are taking home 53% less today in real terms than they did in 2016.
  - **High debt service burden with 69% of net incomes going towards paying debt**: Consumers need to spend around 69% of their take-home pay to service their debt before coming to debt counselling, which is up sharply compared to the last several quarters and **is the highest recorded level since 2017**. Those taking home R35k or more p.m. need to use 77% of their income towards debt repayments and their total debt to annual net income ratio is 177%. Those taking home R5k or less p.m., who are our most vulnerable, need to use 76% of their income towards debt repayments. **These ratios are at their highest-ever levels**.
  - **To spend ~25% of their disposable income on utilities and transport**: Most income bands have had to use ~25% of their disposable income (after debt repayments) to pay for electricity, water, rates, and transport. In addition, because of food inflation, many income groups have had to spend more on food, which crowds out any room for insurance and assurance expenditure.
  - **Unsustainably high levels of unsecured debt for top earners:** Unsecured debt levels were on average 34% higher than that of 2016 levels. While this is lower than inflation (CPI) growth, it needs to be looked at in context of disposable income. **For those taking home R35k or more, the unsecured debt levels were 90% higher – highest ever.** In the absence of meaningful salary increases, it signals that consumers still need to supplement their incomes with unsecured credit.
- In some good news**, the average interest rate for unsecured debt has come down from its eight-year high and is now 25.3% p.a. To deal with it, debt counselling is the best tool to help consumers restructure their debt, so that**:
  - Unsecured debt interest rates can be reduced from an **average of 25.3% p.a. to ~2.5% p.a., allowing consumers to pay back expensive debt quicker**.
  - **Vehicle debt and balloon payments can be paid over a meaningful period** by getting the average financed vehicle interest rate of 14.9 p.a. negotiated down to a more manageable level.
  - Consumers can get back on their feet and creditors can get back their money: **The number of consumers who successfully completed debt counselling has increased 11-fold since 2016. Moreover, the consumers who successfully completed debt counselling in Q1 2025 paid back over R700m worth of debt to their creditors as part of the debt counselling process**.
- We continue to observe increasing levels of interest from consumers for free **online debt management on** www.debtbusters.co.za. New (free) subscriber base has now reached over 1 million! Consumers manage their debt using proprietary tools such as the **Debt Radar and Debt Sustainability Indicator (DSI)** and recognise that if addressed early in their professional career, management of debt can become part of daily life. In the next few months, we also plan to **launch MoneySaver** and additional tools to help consumers not only protect their money, but also to stretch and grow it!

# Nature of debt is mostly stable, but unsecured debt share is higher compared to pre-pandemic levels

Share of vehicle debt also higher compared to pre-pandemic levels, but has come down in the past year

TOTAL DEBT BOOK




**Breakdown of DebtBusters debt under management**

Percent by type, by value at end of Quarter

**VAF** refers to vehicle finance agreements.
**Unsecured** debt refers to all debt other than vehicle finance and home loans. Therefore, it includes credit card debt, overdraft facilities, personal loans, retail cards, store cards and the like.

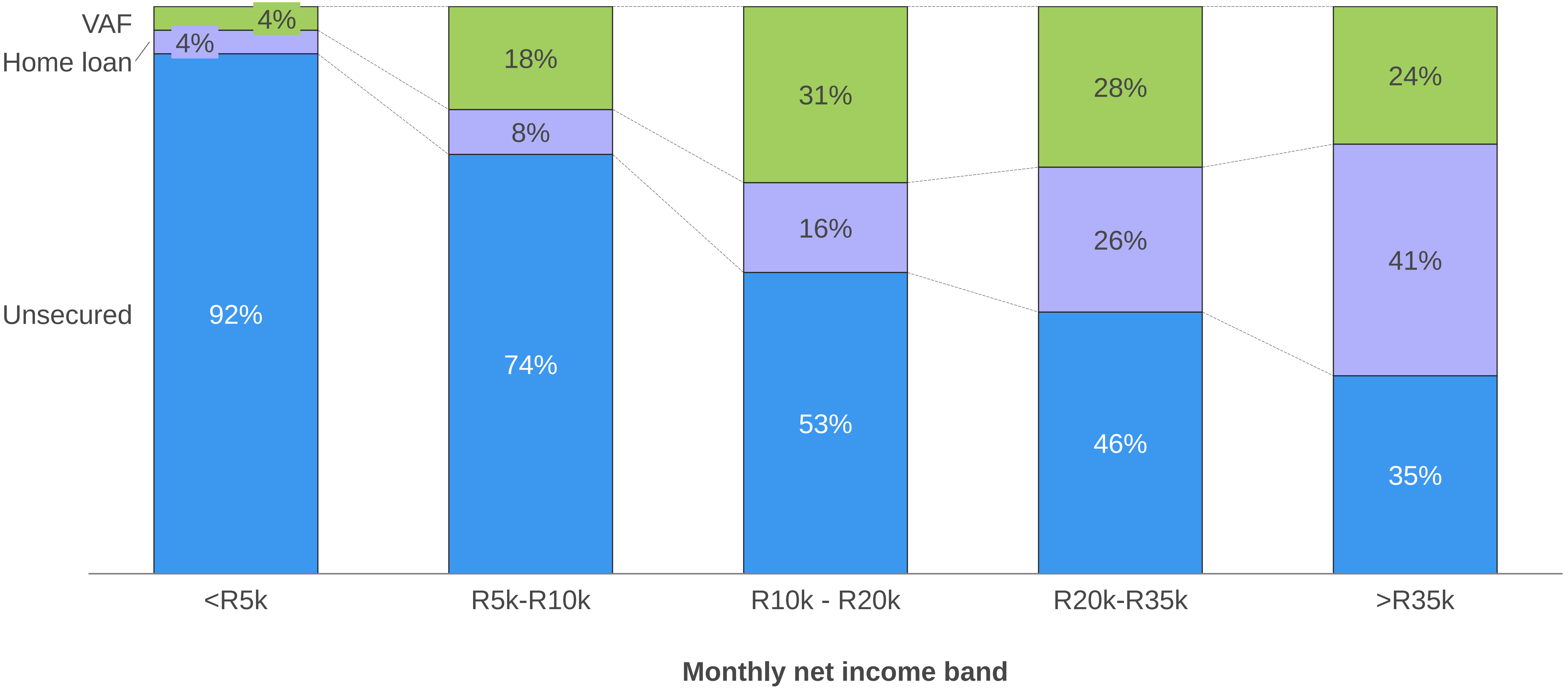
Source: DebtBusters

# Nature of debt varies for each income group. Predictably, higher income earners have a larger proportion of secured debt but middle income earners feel the pressure of vehicle loans the most

TOTAL DEBT BOOK

**Breakdown of DebtBusters debt under management**

Percent by type, by value at end of Quarter




**Share of debt that is asset-based increases to 54% for those taking home R20k-R35k; for those taking home R35k or more, the share of debt that is asset-based goes up to 65%**

**VAF** refers to vehicle finance agreements.

**Unsecured** debt refers to all debt other than vehicle finance and home loans. Therefore, it includes credit card debt, overdraft facilities, personal loans, retail cards, store cards and the like.

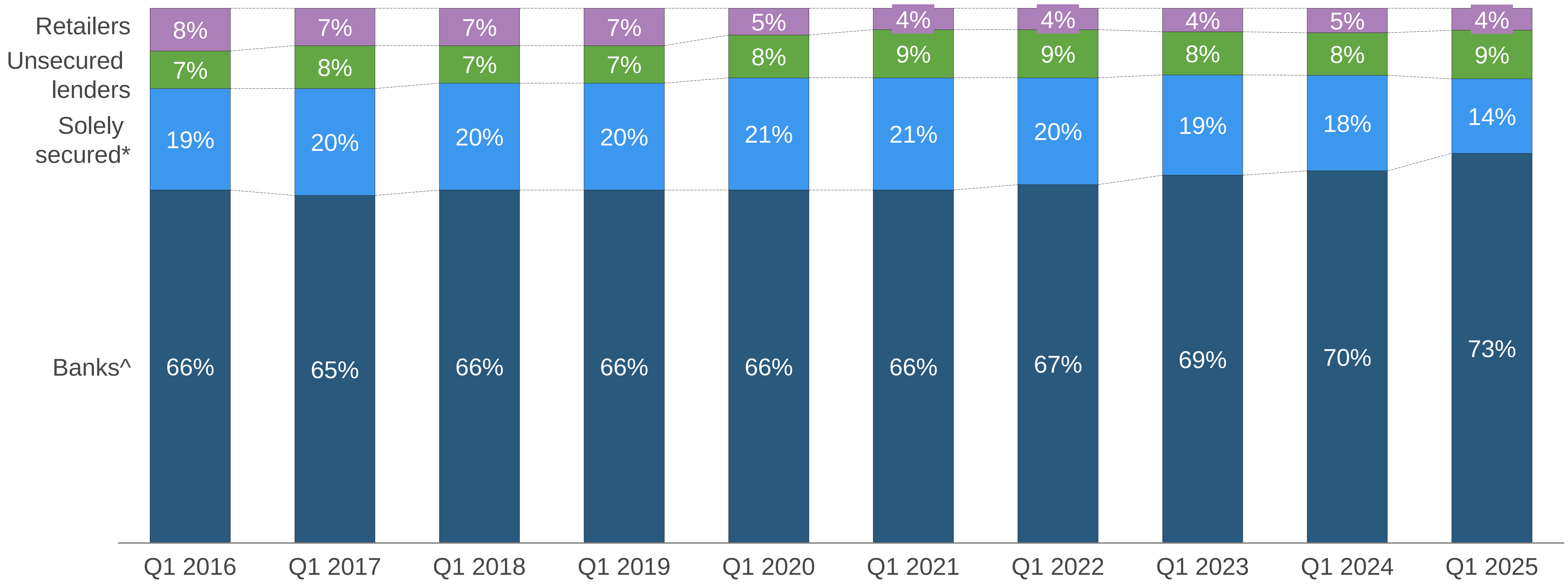
Source: DebtBusters

# Share of lending institutions is largely stable

DEBT BUSTERS

TOTAL DEBT BOOK

Banks make up ~70% of credit (more so with affiliates); there is a slight increase in unsecured lending compared to a few years ago




**Breakdown of DebtBusters debt under management**

Percent by type of lender, by value at end of Quarter

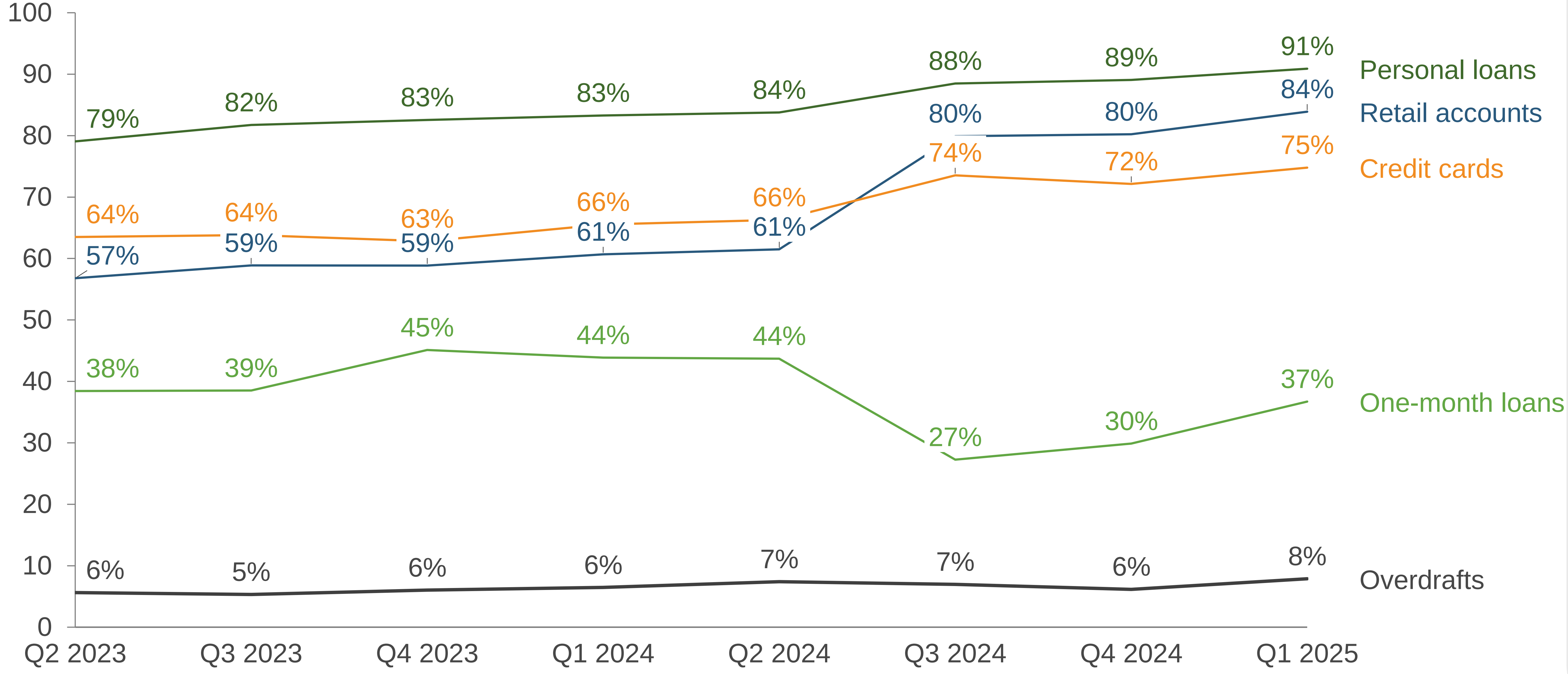
* Includes Marquis Finance, MFC, SA Homeloans, Wesbank, Mercedes and BMW Finance who grant secured credit only (some of these institutions are linked to the banks)

^ Includes ABSA, African Bank, Capitec, FNB, Investec, Nedbank, Standard Bank

Source: DebtBusters

# Looking more closely at unsecured debt… 91% of new applicants have a personal loan (at the time they apply for debt counselling); 37% come with a one-month (payday) loan

## Share of new applicants with…



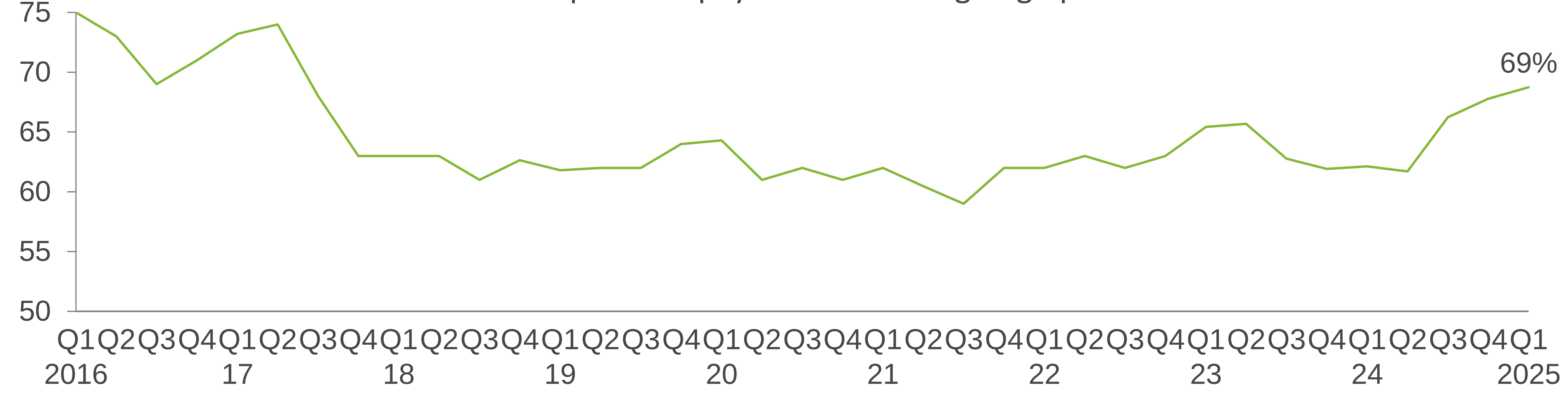

- 91% of new applicants have a personal loan at time of application for debt counselling
- 37% have a one-month (payday) loan
- 75% of new applicants rely regularly on their credit cards
- The prevalence of personal loans, one-month loans and credit cards all indicate SA consumers continue to be under severe cash flow pressure

**One-month loans** refers to personal loans that have a repayment period of one month.
**Personal loans** refers to all other personal loans that have a repayment term of more than one month. As a result of enhanced data granularity, as of Q2 2024 personal loans and one-month loans were reclassified.
**Retail** refers to clothing accounts, store cards, furniture accounts and similar.
**Credit cards** refers to revolving credit facilities excluding those linked to stores or retail.
Some historical figures were re-stated in Q1 2025 due to new classification at the credit bureaus
Source: DebtBusters

# Compared to previous quarters, debt service ratio is higher where consumers need 69% of their take-home pay to service debt, which is a significant increase from previous quarters and is at the highest level since 2017…

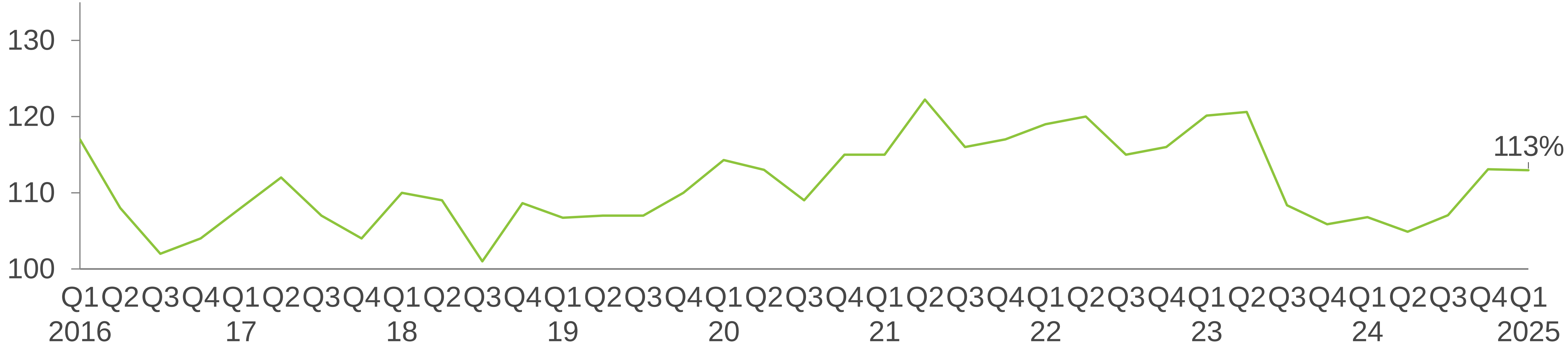
**Original (median) monthly debt repayment to net income ratio[1] has increased...**

Percent of net income that was required to pay debt before signing up with DebtBusters




**…so have overall debt levels compared to previous years**

Total debt exposure to annual net income ratio, when consumers sign up with DebtBusters




Comparable figures for other select countries (from OECD):

| | |
|---|---|
| Mexico 27% | USA 110% |
| Poland 49% | UK 137% |
| Italy 82% | Korea 187% |
| Germany 90% | Australia 217% |

In many countries, debt is mostly home loan debt at very low interest rates

1 Median debt to net income ratio for all new consumers signed up in that quarter

Source: DebtBusters

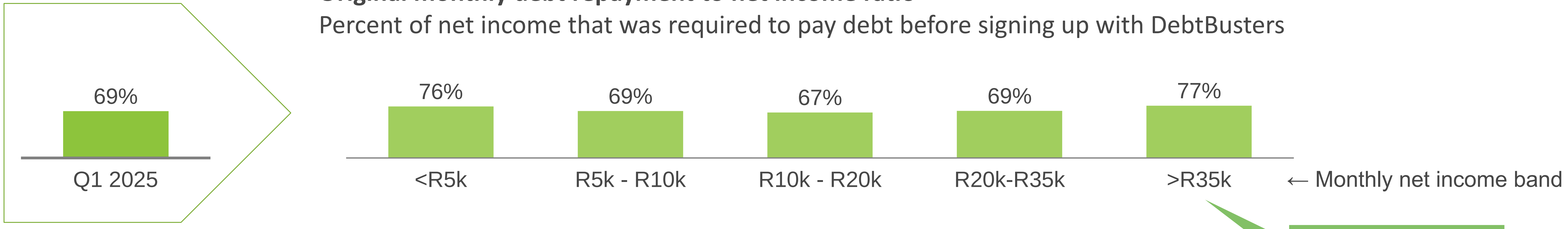


OECD (2024), "Household debt" (indicator), https://doi.org/10.1787/f03b6469-en (accessed on 5 May 2025). For USA, figures are for 2022 (most recent year of reporting). For other countries, the figures are for 2023.

# …for those taking home more than R35k per month the total debt to annual net income ratio is 177% and they need 77% of their take-home pay every month to service their debt repayments. Similarly, those taking home less than R5k per month need 76% of their take-home pay to service debt repayments…

**Original monthly debt repayment to net income ratio[1]**

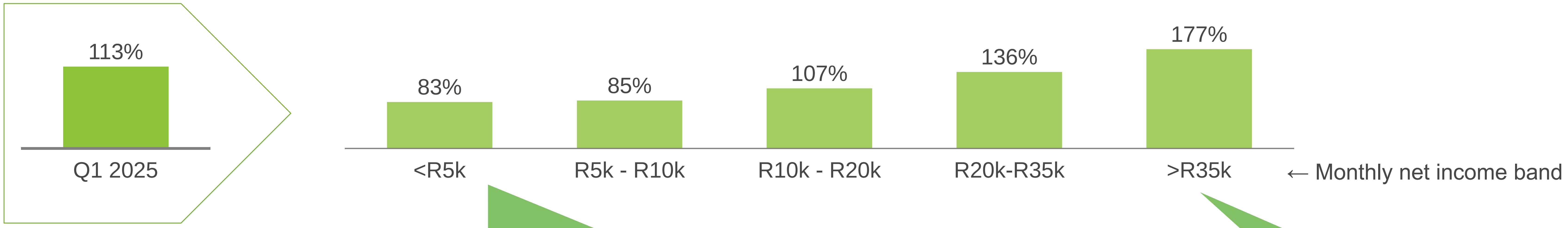
Percent of net income that was required to pay debt before signing up with DebtBusters




Highest monthly debt repayment ratio

**Original overall debt to annual net income ratio[1]**

Debt exposure to net income ratio, when consumers sign up with DebtBusters




Lowest overall debt ratio at 83% but require 76% of net income to pay debt each month (highest monthly debt repayment ratio), which means interest rates charged are highest

Highest debt to income ratio

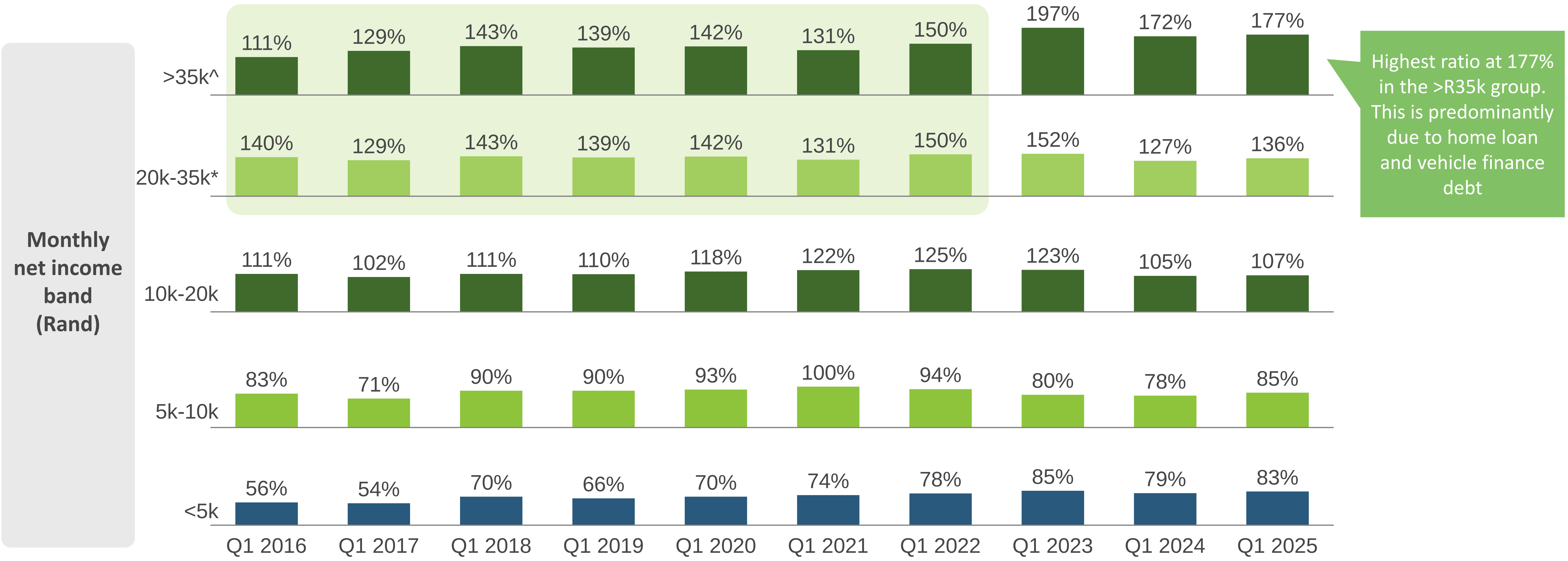
1 Debt to Income ratio is calculated by looking at the median in each quarter

Source: DebtBusters

# …the overall debt to annual net income ratio appears to have worsened for many income bands; those taking home R35k or more have an overall debt to income ratio of 177%

Ratios are the same for this period because these two income groups were tracked together until 2022

**Original overall debt to annual net income ratio[1]**
Debt exposure to net income ratio, when consumers sign up with DebtBusters

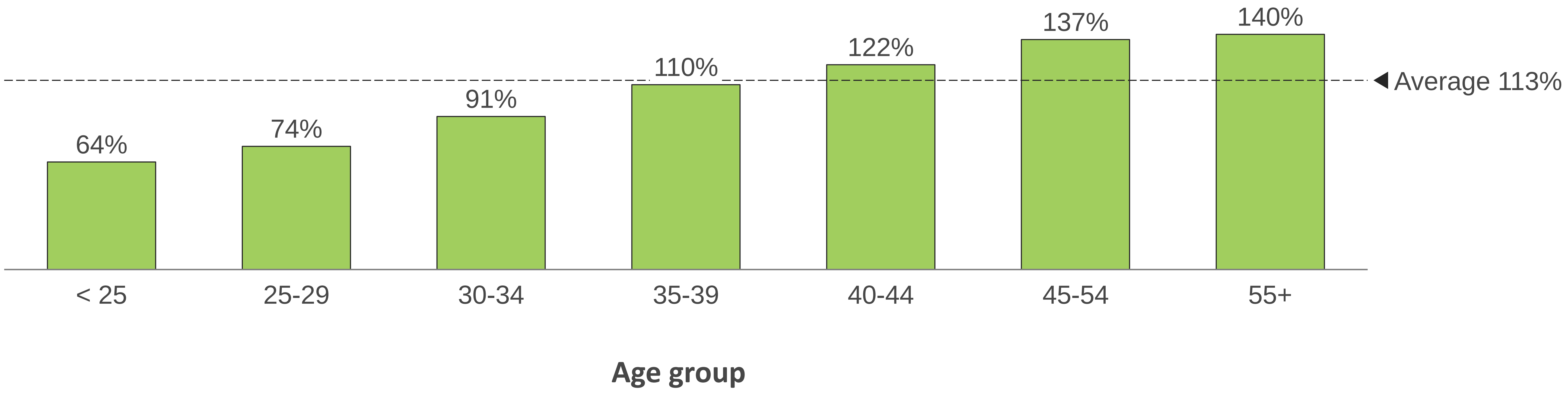



1 Debt to Income ratio is calculated by looking at the median in each quarter
^ New income band reported from Q1 2023 (Split from a broader group of >R20k); previously was part of the >20k income band. Previous quarters' ratios are attributed to this group as well as R20k-35k income band
* New income band reported from Q1 2023 (Split from a broader group of >R20k); previously was part of the >20k income band. Previous quarters' ratios are attributed to this group as well as >R35k income band

Source: DebtBusters

# Debt to income ratio varies with age group; indicating there is an opportunity for younger consumers to address their debt earlier in their professional lives

**Original overall debt to annual net income ratio for most recently completed quarter[1]**
Debt exposure to net income ratio, when consumers sign up with DebtBusters



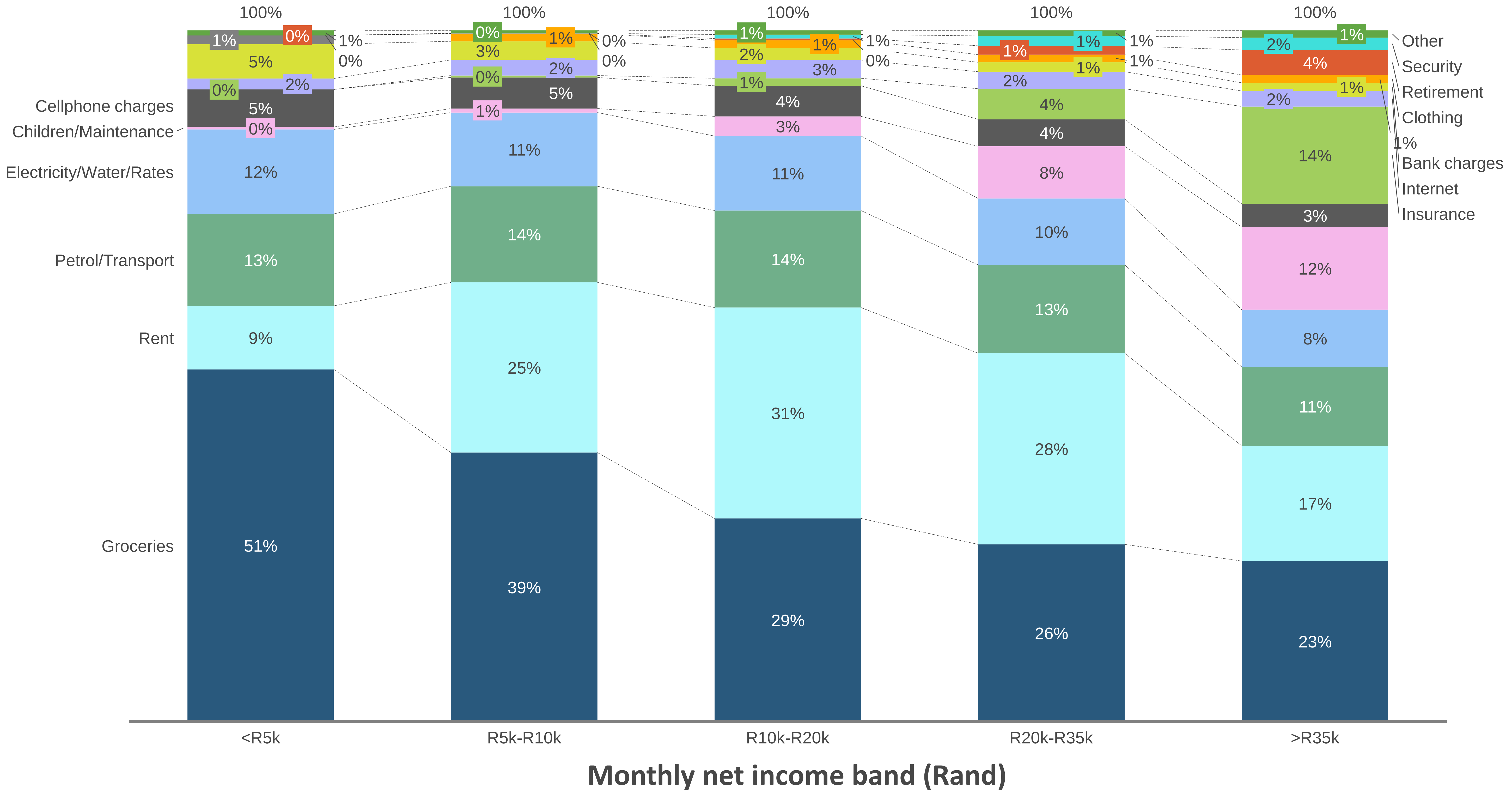

1 Debt to Income ratio is calculated by looking at the median for each age group; for most recently completed quarter

Source: DebtBusters

# Debt repayments make up a sizeable portion of take-home pay. But what do the rest of consumers' budgets look like? Predictably, there are differences between income groups, particularly in food and housing expenditure. However, surprisingly, almost all consumers spend ~13% of their disposable income on transport, ~10% on utilities, and ~4% on cellphone charges…

**Share of disposable income (excluding debt repayments) spent on…**

Clients who applied for debt counselling in most recently completed quarter




Source: DebtBusters

# Those taking home less than R5k p.m. are having to cut back on housing costs to accommodate higher electricity prices and high food inflation…

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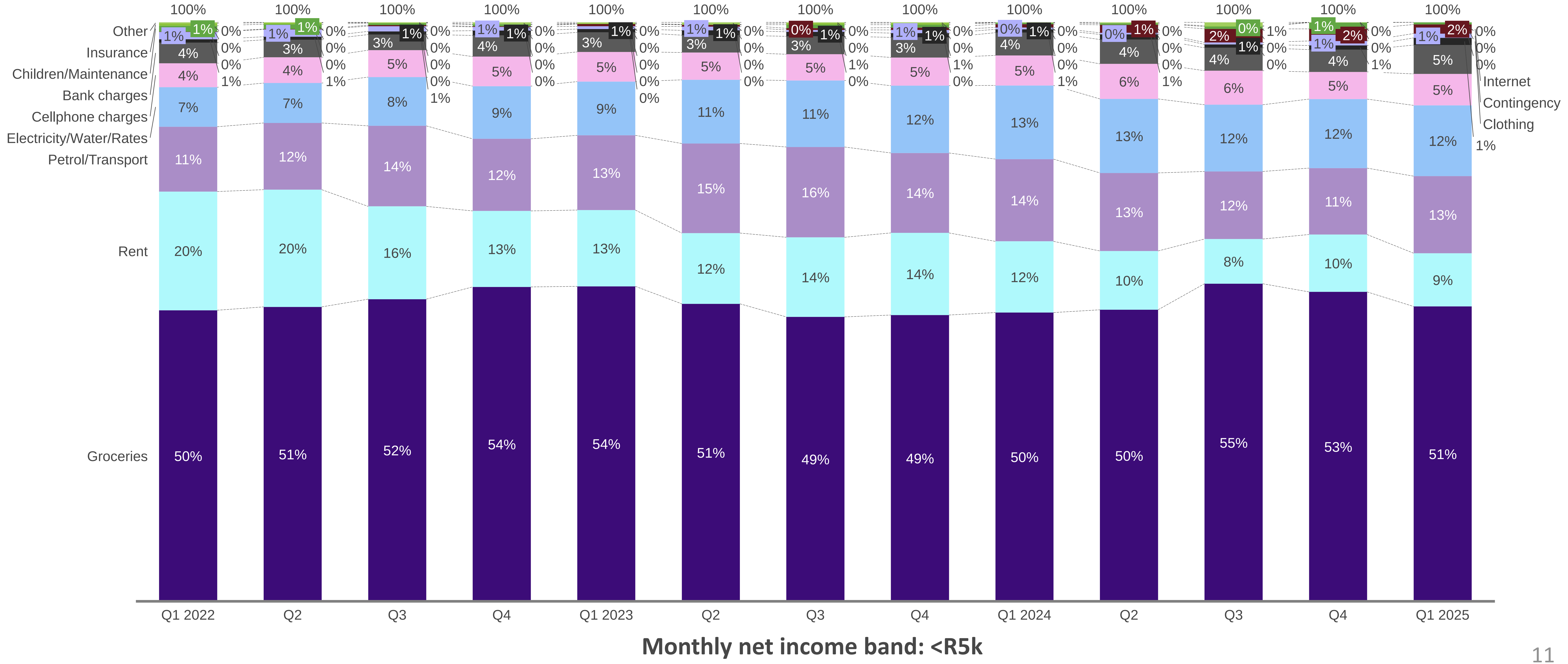
**Share of disposable income (excluding debt repayments) spent on…**
Clients who applied for debt counselling in most recently completed quarter





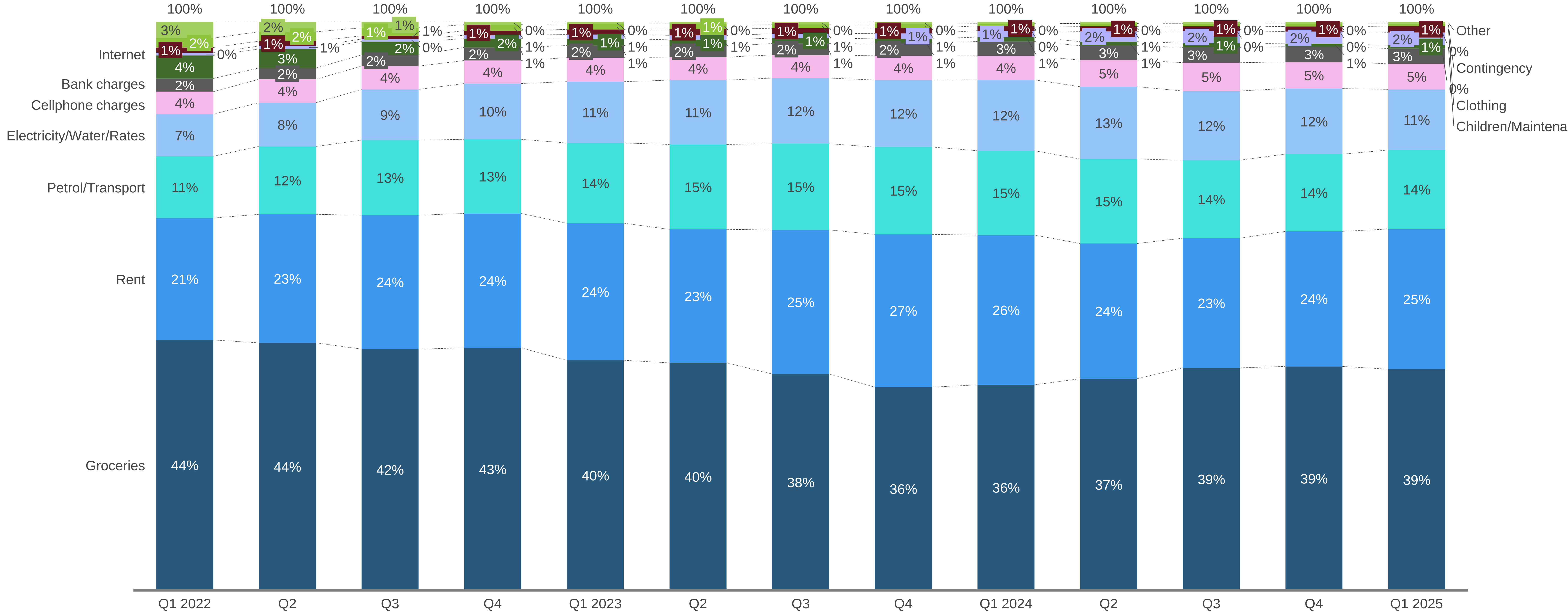

Source: DebtBusters

# …while those taking home between R5k-R10k p.m. are having to cut back on food to accommodate for higher rent in addition to higher electricity and transport prices …

DEBT BUSTERS

**Share of disposable income (excluding debt repayments) spent on…**

Clients who applied for debt counselling in most recently completed quarter



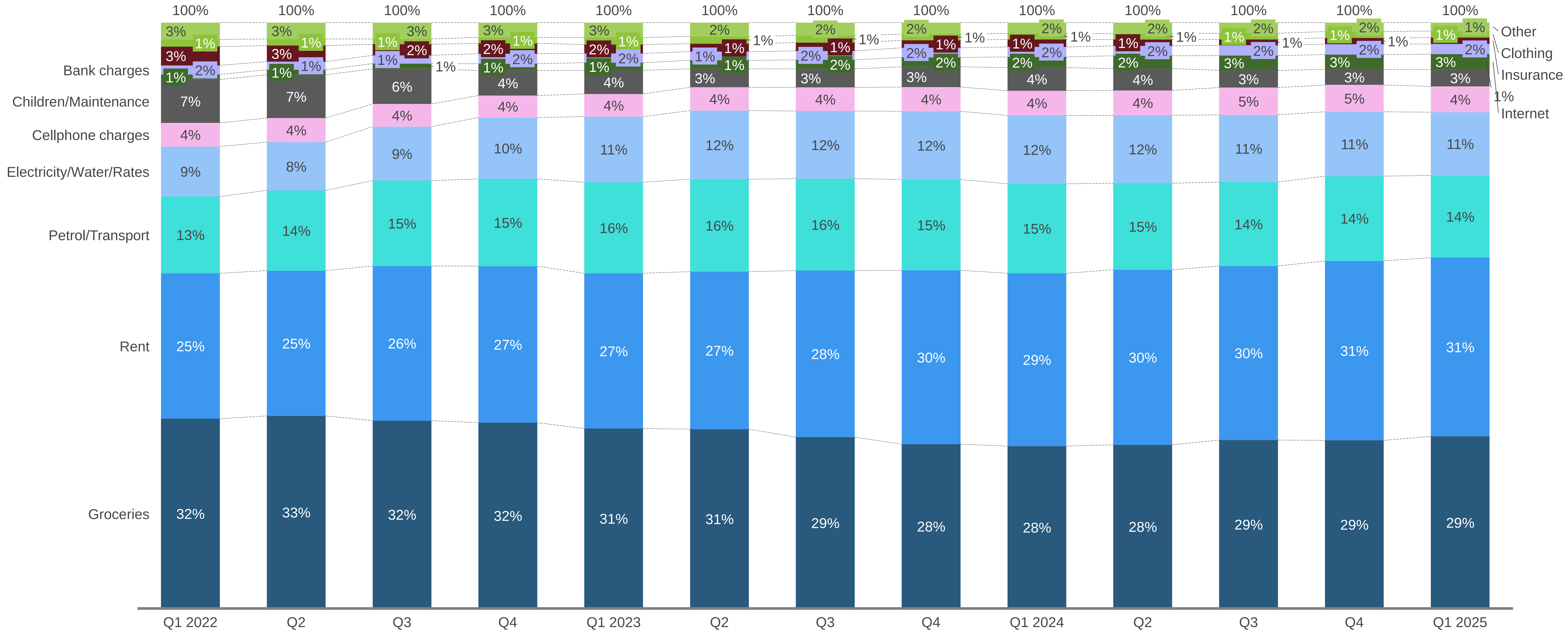

**Monthly net income band: R5k-R10k**

Source: DebtBusters

# …Whereas those taking home between R10k and R20k p.m., the backbone of South Africa's working population, are under severe housing pressure, and have had to cut back on food expenditure as well as spending on their children…

**Share of disposable income (excluding debt repayments) spent on…**

Clients who applied for debt counselling in most recently completed quarter



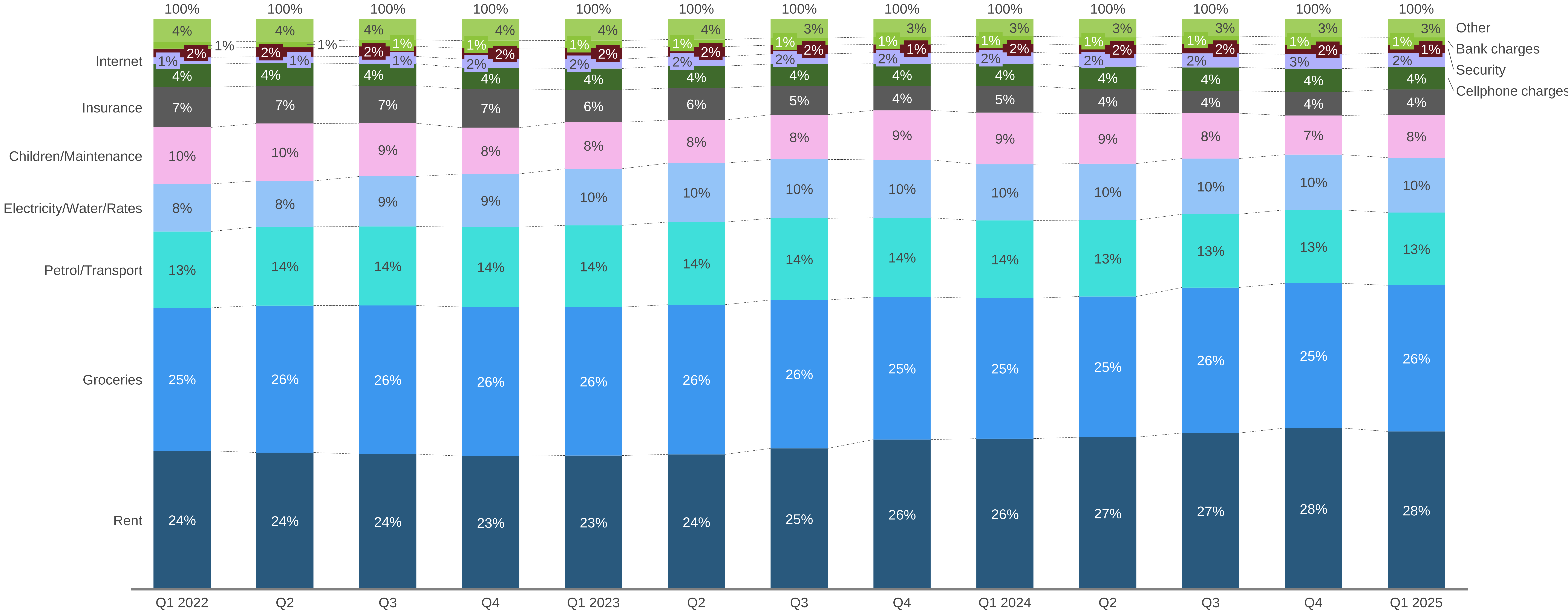

Source: DebtBusters

# Those taking home between R20k and R35k p.m. appear to have been able to balance their expenses, with the percentage allocated to expenses holding steady. This does imply that they would have had change what they spend money on to keep the budget balancing.

DEBT BUSTERS

**Share of disposable income (excluding debt repayments) spent on…**

Clients who applied for debt counselling in most recently completed quarter

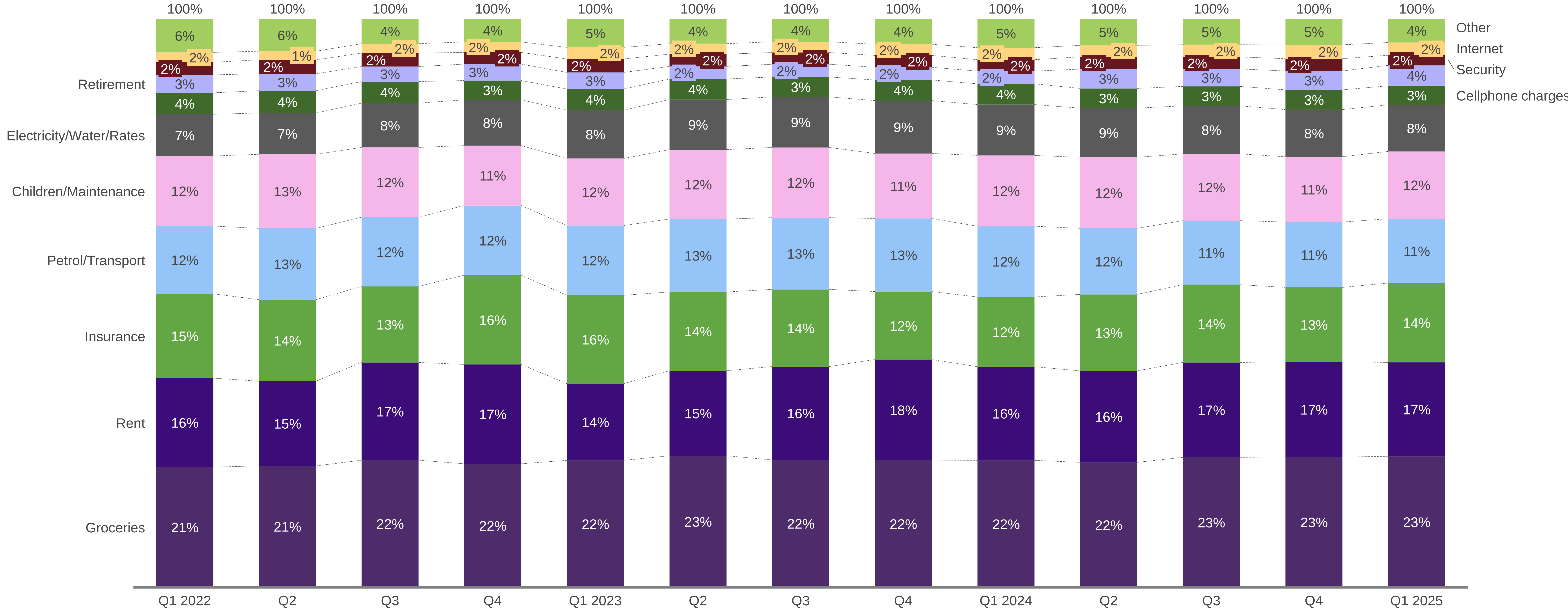



**Monthly net income band: R20k-R35k**

Source: DebtBusters

# …and similarly, those taking home more than R35k p.m., while under debt repayment pressure, have had more stable budgets

**Share of disposable income (excluding debt repayments) spent on…**
Clients who applied for debt counselling in most recently completed quarter




**Monthly net income band: >R35k**

Source: DebtBusters

# Since 2016, primary indicators of cost of living have moved substantially faster than income growth. Even though there has been improvement in these indicators in the last few quarters, since 2016 core inflation (CPI) increased by 52%, petrol price by 88%, and electricity tariffs by 135%…

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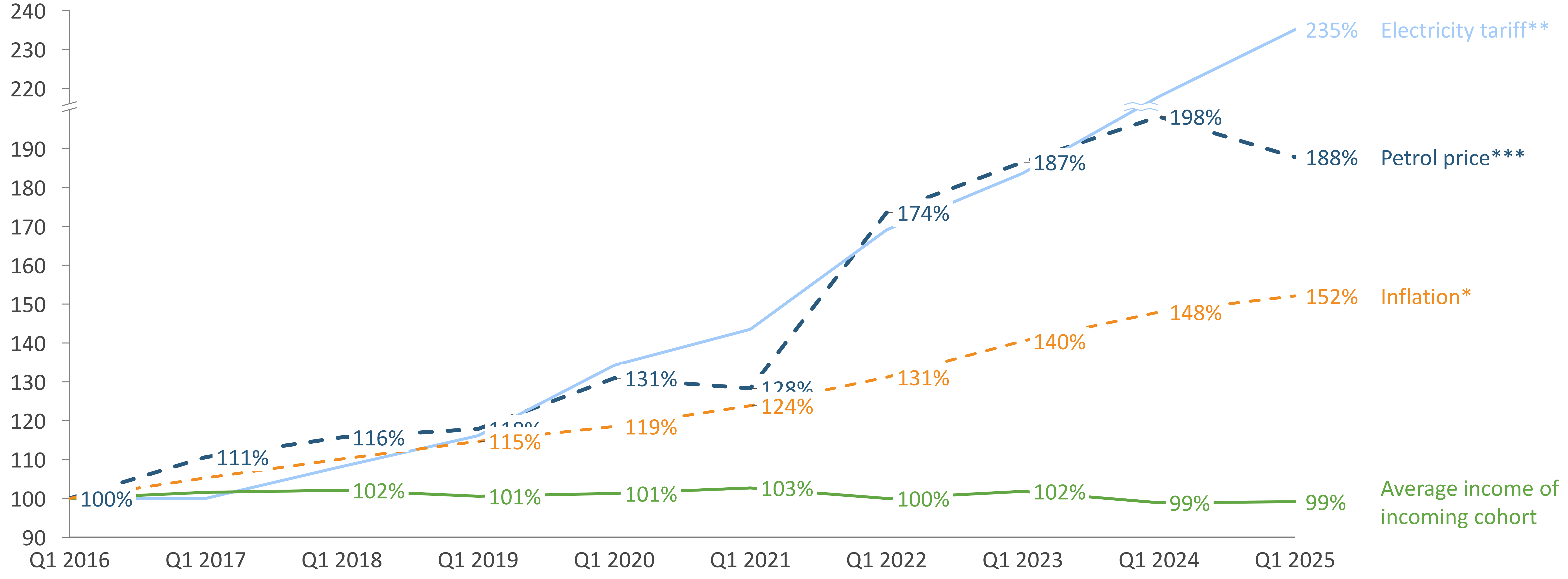
**Change in primary indicators at end of the quarter**
Indexed to 2016 levels
2016 = 100




Source: DebtBusters
- Source: Stats SA CPI history; Stats SA report P0141; https://www.statssa.gov.za/?page_id=1854&PPN=P0141; last accessed on 23 April 2025

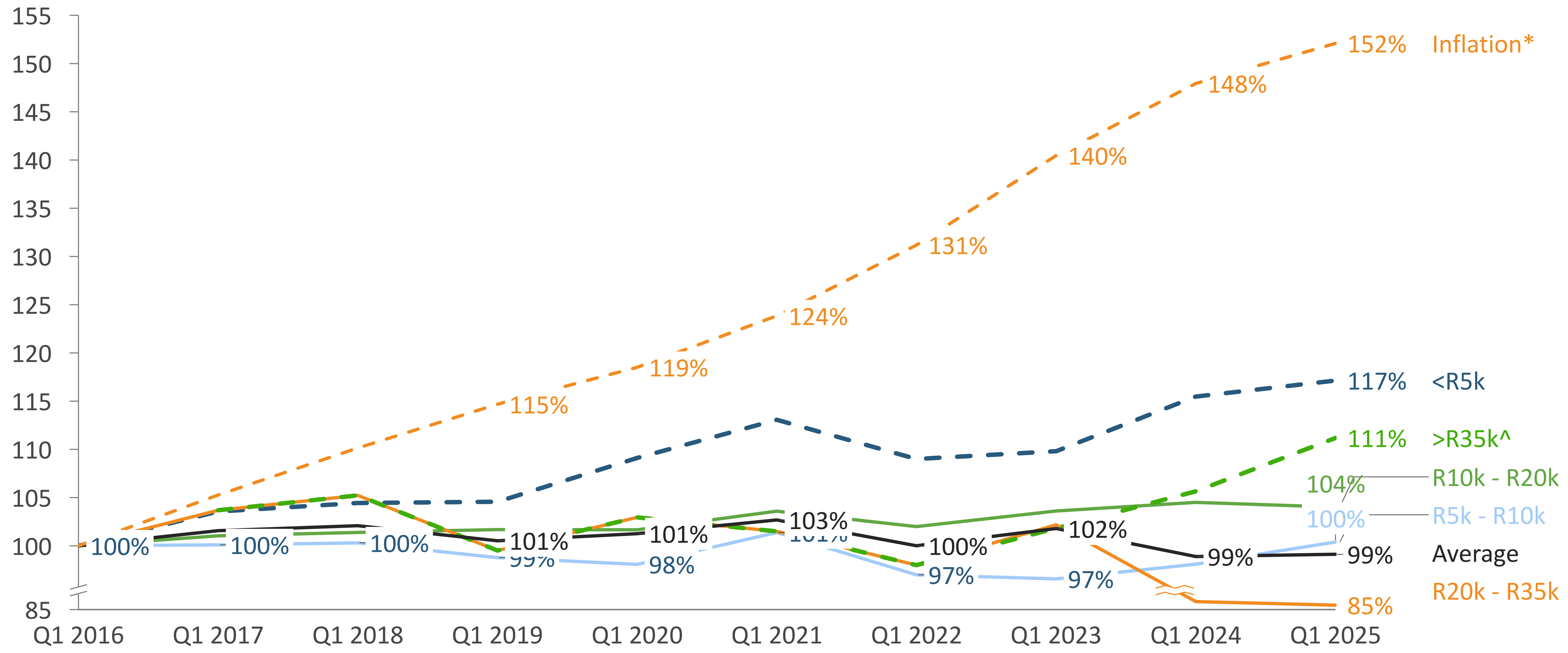
** Source: Eskom municipal rate increases ; https://www.eskom.co.za/distribution/5189-2/; last accessed on 23 April 2025

*** Source: AA; inland price of Unleaded 93 petrol per litre; https://aa.co.za/fuel-pricing/; last accessed on 23 April 2025

The inflation shown here is CPI. Due to their mix of expenditure items, lower income groups have experienced 2-4% higher inflation rate in the last few years

## In the last nine years, average net incomes (take-home pay) of incoming debt counselling clients decreased by 1% while inflation (CPI) went up by 52%. This means that in real terms most South Africans had 53% less disposable income in 2024 compared to 2016…

**Change in net income levels per income band of consumers signed up in the quarter**
Indexed to 2016 levels
2016 = 100



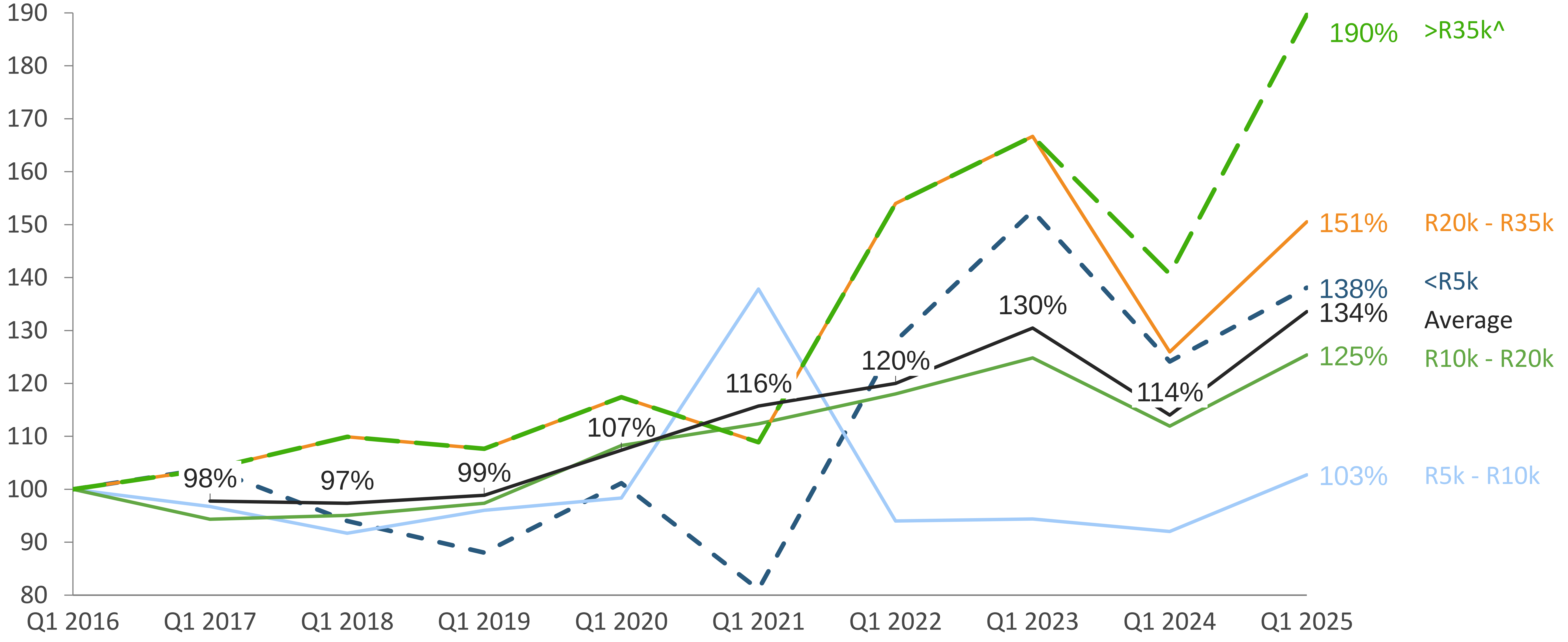

- On average, net income of incoming cohorts decreased by ~1% in the last nine years; during the same period compounded increase in inflation (CPI) was 52%
- This means disposable incomes shrank by almost 53% during the past eight years

Source: DebtBusters
- Source: Stats SA CPI history; Stats SA report P0141; https://www.statssa.gov.za/?page_id=1854&PPN=P0141&SCH=73984; last accessed on 23 April 2025

^ New income band reported from Q1 2023; previously was part of the >20k income band

# … On average, consumers have 34% more unsecured debt in 2025 compared to 2016. Those taking home R35k or more have unsecured debt levels that are 90% higher than in 2016. This outpaces inflation (CPI) growth of 52% and is much higher than salary growth of 11% during the same period for the top earners

**Change in unsecured debt levels per income band of consumers signed up in the quarter**
Indexed to 2016 levels
2016 = 100



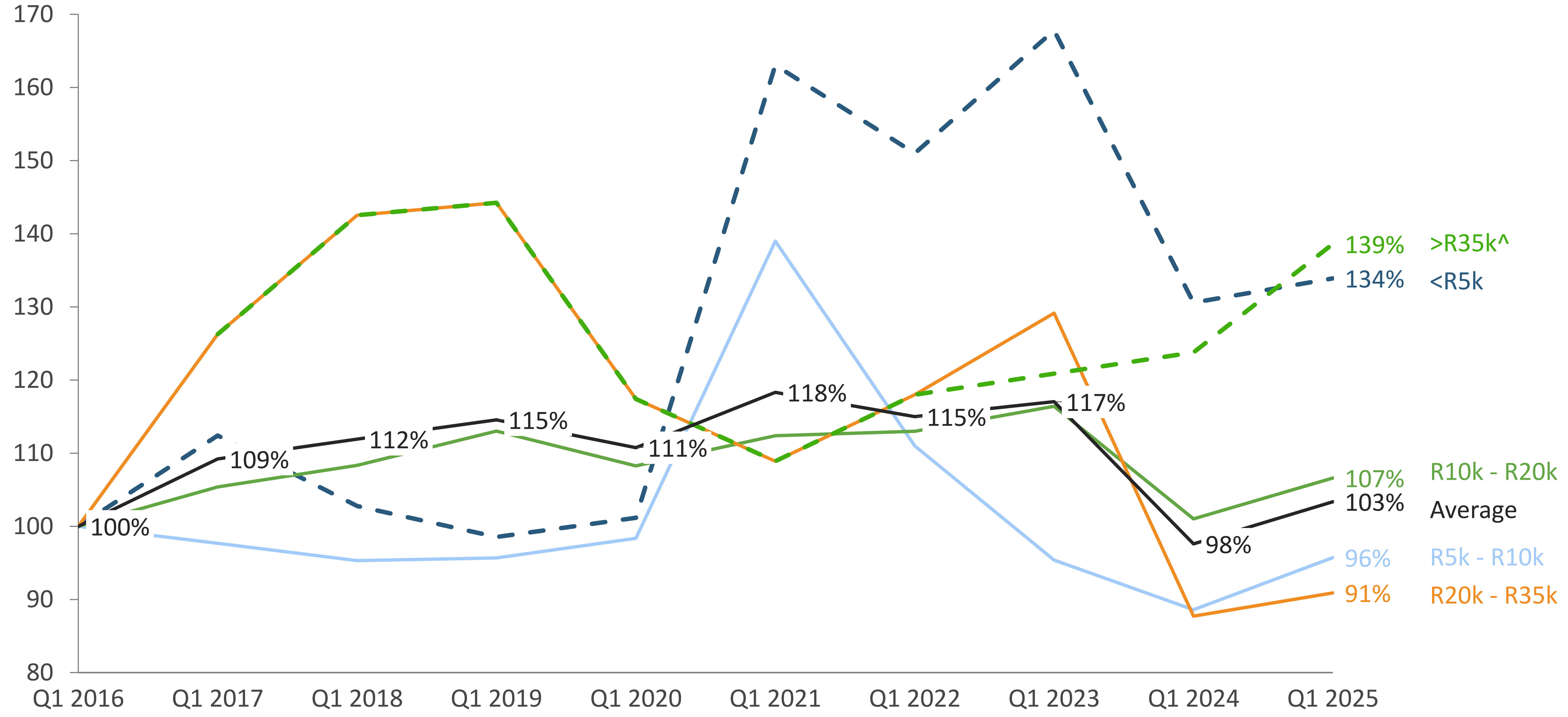

- Unsecured debt for the average consumer is 34% higher than 2016 levels; for top earners the figure is 90%
- For top earners, growth in unsecured debt has increased and far outpaces inflation (CPI) growth of 52% and salary increase of 11% over the same period
- Top earners still under lots of financial pressure

Source: DebtBusters
^ New income band reported from Q1 2023; previously was part of the >R20k income band

# Total debt levels (which include both secured and unsecured debt) are 3% higher than they were in 2016. While this looks healthy overall and is lower than the CPI increase over the same period, for top income earners, overall debt levels are 39% higher than 2016 levels

DEBT BUSTERS

**Change in total debt levels per income band of consumers signed up in the quarter**
Indexed to 2016 levels
2016 = 100




- Compared to 2016, the total debt levels are higher, but the increase has been below CPI
- Those taking home more than R35k had 39% increase in overall debt levels since 2016

Source: DebtBusters
^ New income band reported from Q1 2023; previously was part of the >20k income band

# Since 2016, average unsecured loan size increased by 43% whereas the volume of new unsecured loans declined by 19%. This means larger unsecured (personal) loans are being granted to a smaller number of consumers, highlighting that risk is being concentrated on an ever-smaller group of consumers

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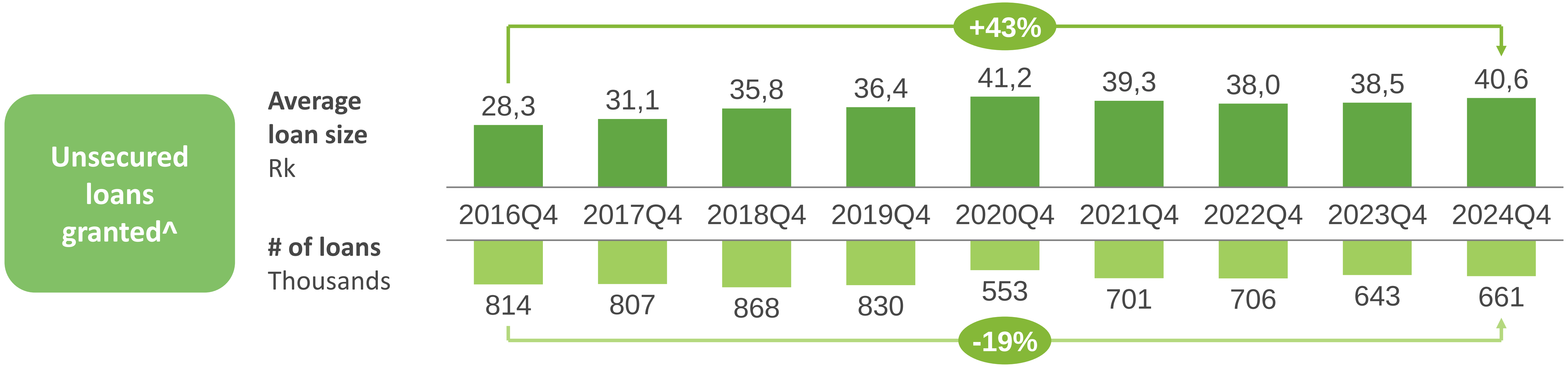
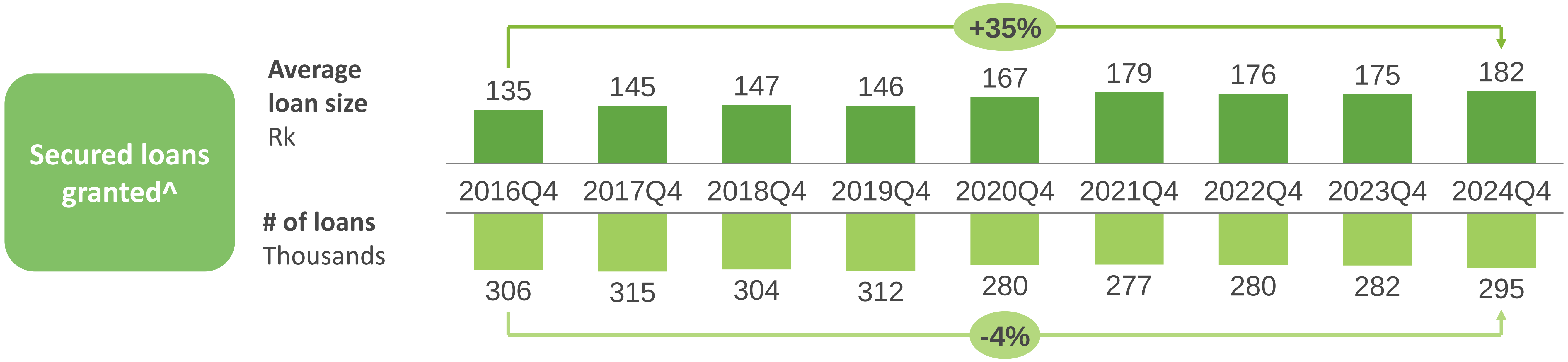


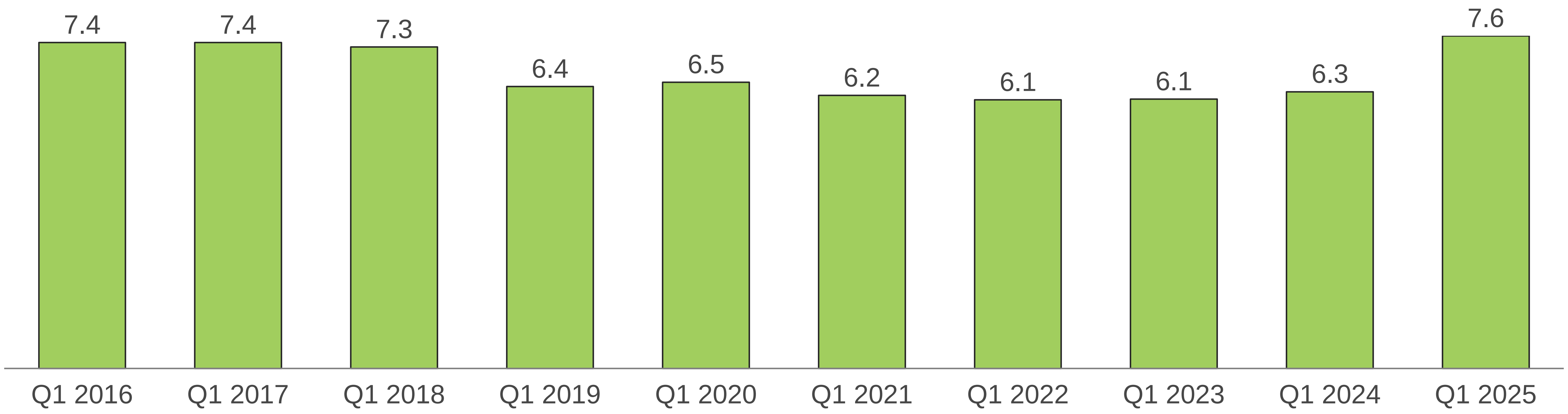

- Since 2016, average unsecured loan size increased by 43% whereas the number of loans decreased by 19%. This indicates that unsecured lending is extended largely to a smaller pool of consumers
- For secured loans, in contrast, the number of loans decreased by 4%, but the average loan size increased by 35%

^: Q4 2024 was the most recent quarter available at time of publication

Source: NCR Consumer Credit Market Report Data Q4 2007 – Q4 2024

# The average number of credit agreements (open trades) per consumer increased in the past few years. When factoring in higher debt levels as well, this indicates consumers' multi-lender borrowing relationships have expanded recently

**Credit agreements (open trades) per new consumer**
Number, when consumers sign up with DebtBusters




Source: DebtBusters

# The debt mix for new applicants has shifted over the last few years, driven by change in interest rates. Since early 2022, the share of home loan debt has increased and now makes up 27% of new applicants' debt

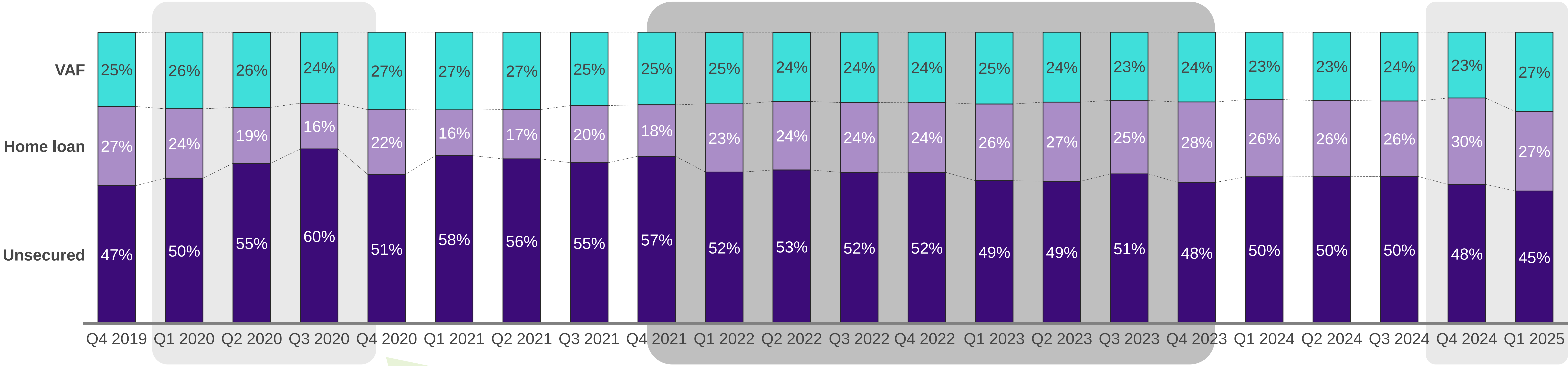
Repurchase rate decisions by SARB

Multiple increases

Multiple decreases

**Breakdown of new applicants' debt**

Percent by type




- Interest rate reduction combined with bank payment holidays in first three quarters of 2020 resulted in dip in asset debt share
- With interest rates increasing from November 2021 till May 2023, we have seen an increase in the home loan share from Q1 2022 onwards, now reaching 27% in Q1 2025

**VAF** refers to vehicle finance agreements.
**Unsecured** debt refers to all debt other than vehicle finance and home loans. Therefore, it includes credit card debt, overdraft facilities, personal loans, retail cards, store cards and the like.

Source: DebtBusters

# Since late 2021, the impact of successive interest rate increases resulted in a higher average interest rate for new applicants. In Q4 2023 the repo rate reached the peak of this cycle and then held steady until decreasing slightly in Q4 2024

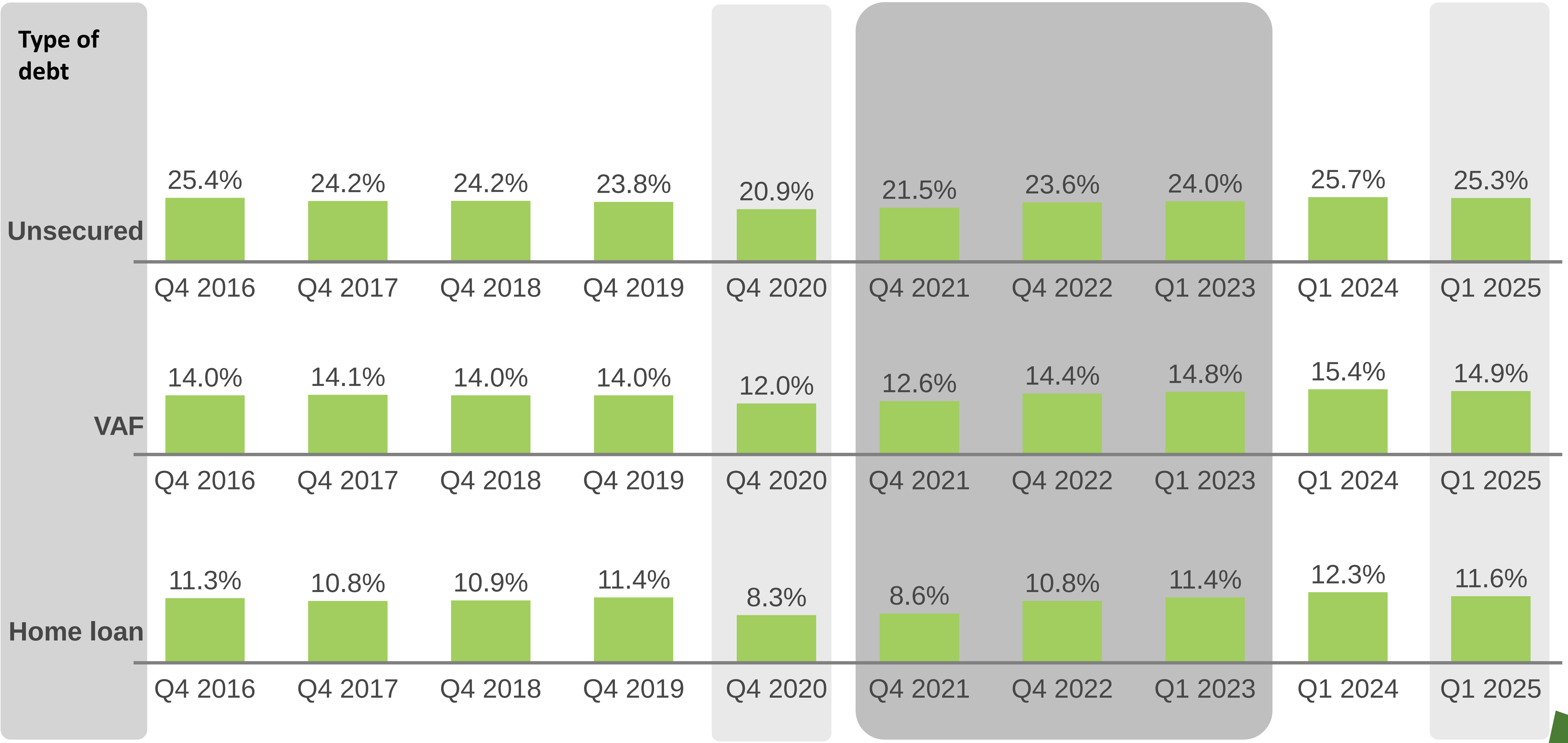
**Repurchase rate decisions by SARB**

Multiple increases

Multiple decreases

## Average interest rate for new applicants (before debt counselling)

Percent, per annum




- Unsecured debt interest rates increased to the highest level in the last eight years, before dipping slightly in the last quarter
- Unsecured debt interest rate has big impact on what percent of incomes are needed to service debt
- Home loans also very sensitive to changes in interest rates – big swing from 2020 onwards

Max. allowed at end of quarter*:

- Unsecured: 28.50% p.a.
- VAF: 24.50% p.a.
- Home loan: 19.50% p.a.

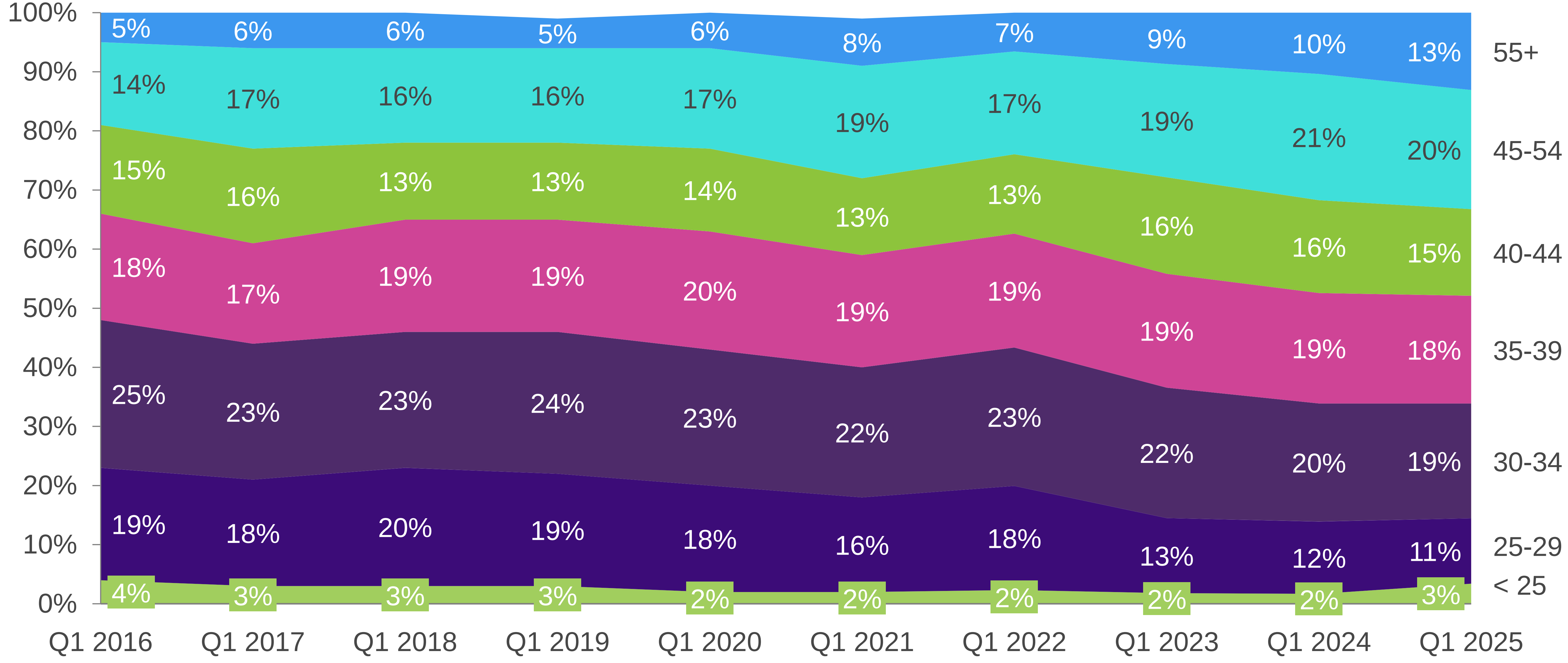
**VAF** refers to vehicle finance agreements.
**Unsecured** debt refers to all debt other than vehicle finance and home loans. Therefore, it includes credit card debt, overdraft facilities, personal loans, retail cards, store cards and the like.
* Maximum rate allowed for newly originated credit agreements in that quarter per dtic guidelines

Source: DebtBusters

# Consumer age profile indicates increasing financial stress in 45+ age group, which now make up ~33% of new applicants

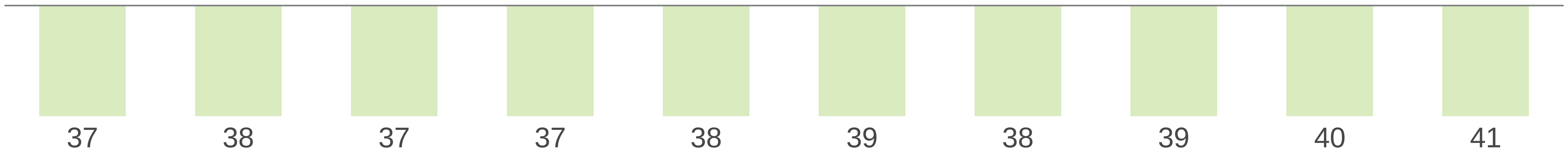
Average age of new applicants has increased to 41. In addition, the share of applicants who are 45 or older has increased from 19% in 2016 to 33% in 2024, indicating financial stress is becoming more prevalent in this age category

**Share of new applicants**



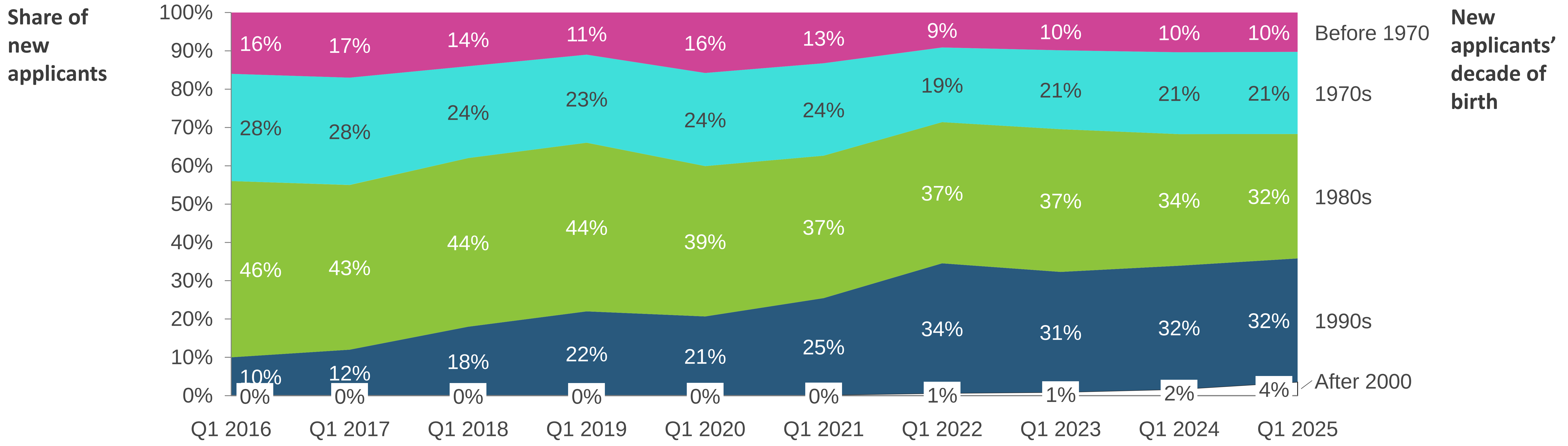

**Age profile of new consumers**
(Age range)

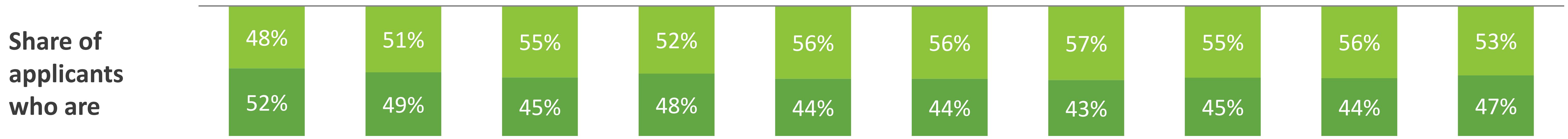
**Average age of new applicants**




Source: DebtBusters

# The ratio of male applicants is consistently above 50%, indicating men are not only the primary applicants but also becoming more proactive about addressing financial distress. During the most recent quarter, 53% of applicants were male



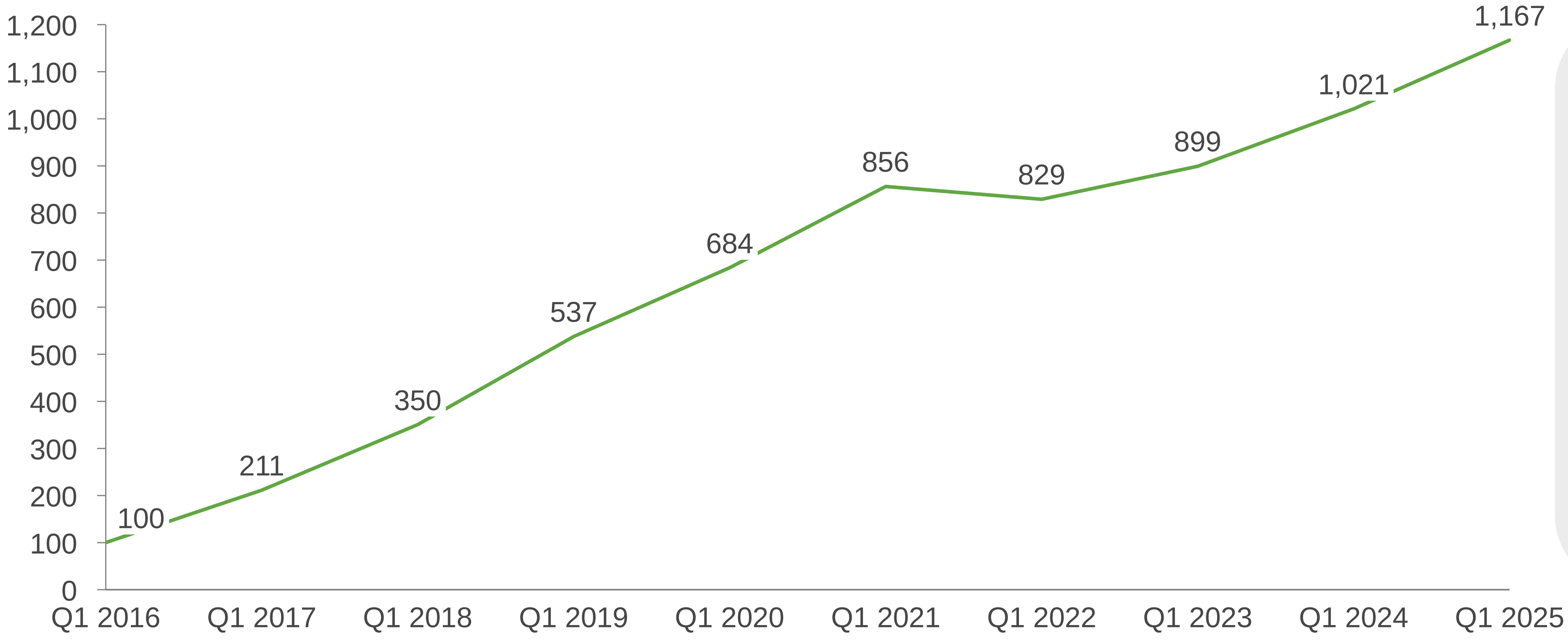






Source: DebtBusters

## In the most recent quarter, the number of consumers graduating from debt counselling (successfully receiving their clearance certificates) was eleven times higher than the same period in 2016. Consumers who graduated in Q1 2025 paid more than R700m to their creditors while in debt counselling

**Clearance certificates issued**
Indexed to 2016 levels
2016 = 100



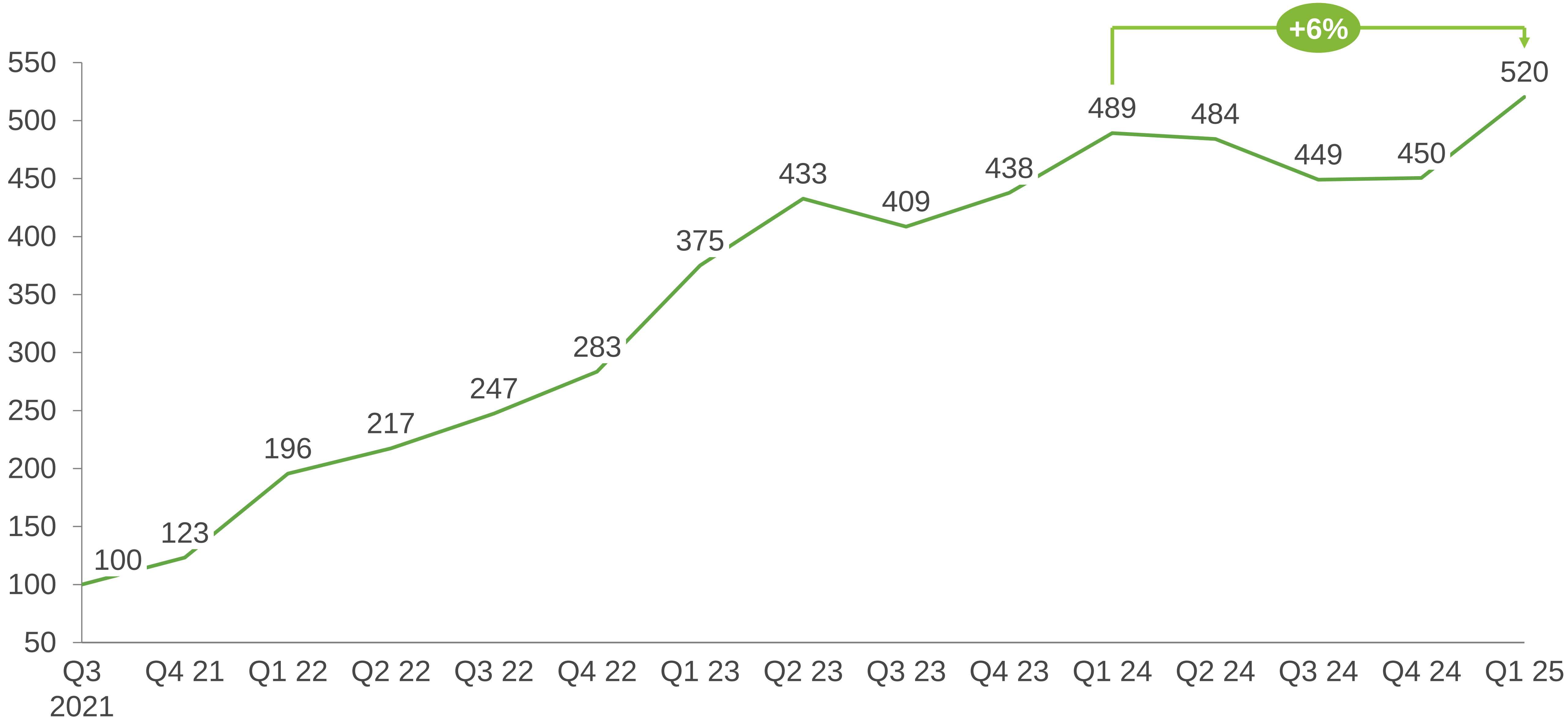

- **In Q1 2024, there were 11 times more consumers “graduating” or getting clearance certificates compared to 2016 levels**
- **Consumers who received clearance certificates in most recent quarter paid R700m to their creditors while in debt counselling**



Source: DebtBusters

# Consumers' interest in online debt management continues to be high. We have observed that the non-debt counselling userbase for the DebtBusters website has grown 6% over the past year

**Number of new non-debt counselling subscribers to DebtBusters website**
Indexed to Q3 2021 levels; Q3 2021 = 100




- 6% increase in last year in new subscribers for online debt management on DebtBusters website
- Consumers enjoy the freedom of managing their debt profile at their own pace and have access to debt management tools, such as budgeting, Debt Radar, and others

Source: DebtBusters

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