



REPUBLIC OF NAMIBIA

Ministry of Finance

Tabling Statement

MICROLENDING BILL, 2018

**Hon. Calle Schlettwein, MP
MINISTER OF FINANCE**

22 February 2018

Honourable Speaker,

Honourable Members,

I have the honour to table the Microlending Bill, 2018.

The legislative intent of this Bill is to provide a designate primary legislation for regulating and supervising the activities of the microlending industry and the financial services this industry provides to the public. *It is an important service rendered to the low income people.*

It does so by setting out the rights and obligations of borrowers, the conduct of microlenders, procedural matters and regulatory and supervisory powers of NAMFISA in this regard.

Honourable Speaker,

1. The current legislative regime for the microlending industry is provided for under the Exemption Notice issued in terms of Section 15A of the Usury Act (Act No. 73 of 1968) as amended.
2. I am indebted to the Honourable Members for the support provided on the Usury Amendment Act last year and the resultant promulgation of the Usury Amendment Act, 2017. The Usury Act sets regulatory caps for, and disclosure of information, on financial charges levied by money lenders and, thus, seeks to deter the practice of charging unreasonably high rates of interest to borrowers.
3. The amendments made to the Usury Act last year have brought the finance charges levied by the microlenders within the regulatory caps, similar to any other money lenders.
4. However regulating the microlending industry by virtue of a subsidiary Exemption Notice has associated supervision and enforcement limitations. A designate primary legislation becomes necessary given the scope and complexity of the financial services rendered by the microlending industry as well as to confer Namfisa with requisite supervisory powers.

Scope of Industry and market conduct

5. By 2017, the number of registered microlenders stood at 304 with the total capital base of some N\$4.4 billion, serving about 284,000 client base. This is 42 percent of the total employed population of about 677,000 based on 2016 Labour Force Survey. *month at the low in new, broad*
6. In spite of serving this relatively large market segment, market conducts such as the retention of Personal Identification Numbers (PINs) as well as the provision of loans without conducting affordability assessments lead to a vicious cycle of overindebtedness which further fuels vulnerability.

Honourable Speaker,

7. This Bill, in its provisions, seeks to promote good market conducts, responsible borrowing and lending. Its main provisions are as follows:-
8. **Part 1 and Part 2** provide definitional issues and sets out the policy and legislative intent of the Bill as well as registration requirements for microlenders.
 - *The Bill requires that all microlending businesses be registered with NAMFISA and sets out the fit and proper requirements for the key responsible persons in respect of each microlending business.*
 - *It also introduces penalties for non-compliance with the regulatory requirements and empowers the regulator to impose and enforce conditions which enhance the highest conditions of business conduct.*
9. **Part 3 of the Bill** sets out administrative matters which, amongst others, require each microlending business to have a principal office in Namibia, regularly submit information returns to the regulator and contribute to the payment of levies in line with the practice for all industries in the non-banking financial sector.
10. **Part 4** deals with the obligations and business conduct of microlenders as well as the cascade of prohibited activities based on standards of good market conducts. In particular:-

- *providing a loan to borrower without conducting affordability and assessment is prohibited, and*
- *retention of card and PIN as well as original personal identification documents also becomes prohibited.*

11. **Part 5** sets out the rights and obligations of borrowers, with emphasis on responsible borrowing and the provision of accurate information.

12. **Part 6** deals with regulatory and supervision obligations of NAMFISA. It confers obligation on the regulator to inspect, set regulations and standards not inconsistent with the provisions of the Bill and to enforce these provisions. Enforcement matters are provided for under **Part 7** of the Bill.

Conclusion

Honourable Speaker,

Honourable Members,

13. In conclusion, the policy and regulatory emphasis in this Bill is not only on the microlender and microlending businesses, but also on the consumer responsibilities. At the same time, the Bill promotes public awareness and understanding of the microlending industry.
14. Its significance lies in providing for a primary legislation for microlending business and making provisions for responsible lending and borrowing. It provides for appeal mechanisms for complaints. Over the medium-term, it is the policy intention to consolidate the provisions of the Usury Act and Microlending into a Consumer Credit Bill.
15. The microlending industry has been severally consulted during the formulation process of the Bill and the concerns raised regarding the recent review of the levies payable by the industry have been addressed.
16. With these remarks, and to realize the expressed policy intentions underpinning this legislation, I table the Microlending Bill to the House for your favourable consideration and approval.

I thank you.