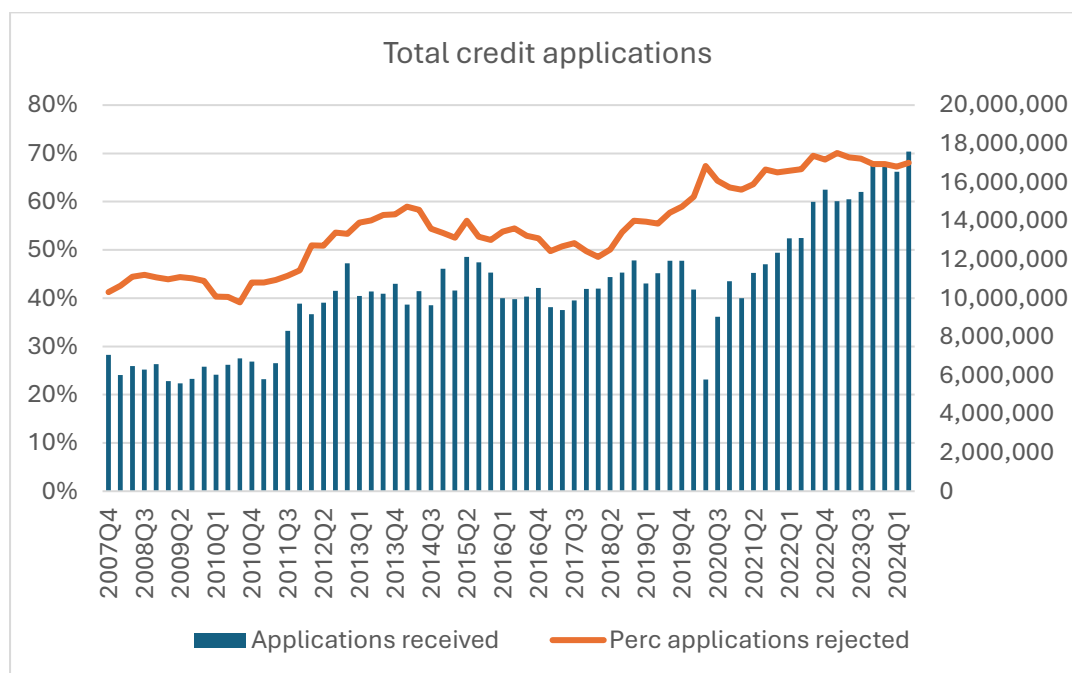


Risky Business: Making credit safe again

Paul Shortridge, Chief Credit & Data Officer at FinChoice

Managing risk has become a central focus for companies in the financial services sector. Economic uncertainty, inflationary pressures, political fluctuation and evolving regulatory frameworks are the backdrop for businesses and individuals all around the world.

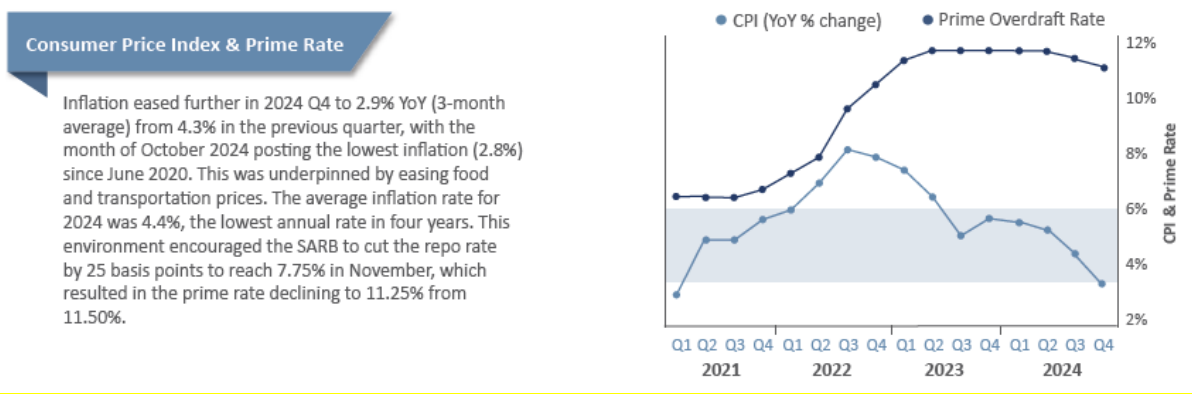
Spurred by the aftershocks of the COVID-19 pandemic, fluctuating commodity prices, and geopolitical instability, there has been a global tightening of monetary policy and increased lending rates. In developed economies, there is a heightened focus on risk management as lending institutions navigate the complexities of a more volatile economic environment. While credit conditions were historically more relaxed in the years following the global financial crisis of 2008, the landscape has shifted toward greater scrutiny, with institutions tightening their lending criteria and making more conservative decisions.



Data from the National Credit Regulator shows the total credit applications has generally increased but that the % of applications rejected has gone up from about 40% in 2007 to just under 68% in Q2 2024. Responsible lenders are increasingly careful not to over indebt customers, declining credit services to customers who are unable to afford the repayments.

In South Africa, the credit environment reflects many of the global trends but also has unique local dynamics that influence lending practices. South Africa's economy, like many others, is grappling with inflation, which reached its highest levels in several years in 2023. This has placed a strain on consumer purchasing power and increased the cost of borrowing, making it more difficult for households and businesses to manage debt.

However, the picture is not completely negative. The Eighty20/XDS Credit Stress report shows CPI dropping from its 2022 high and also some relief in the prime overdraft rate.



StatsSA (Report No. 04-04-04 (2024)) reporting shows that transport is actually the biggest Household final consumption expenditure (HFCE) for South Africans (indexed to 2018 where HFCE formed the largest part of GDP measured by expenditure, with a contribution of 63,6%).

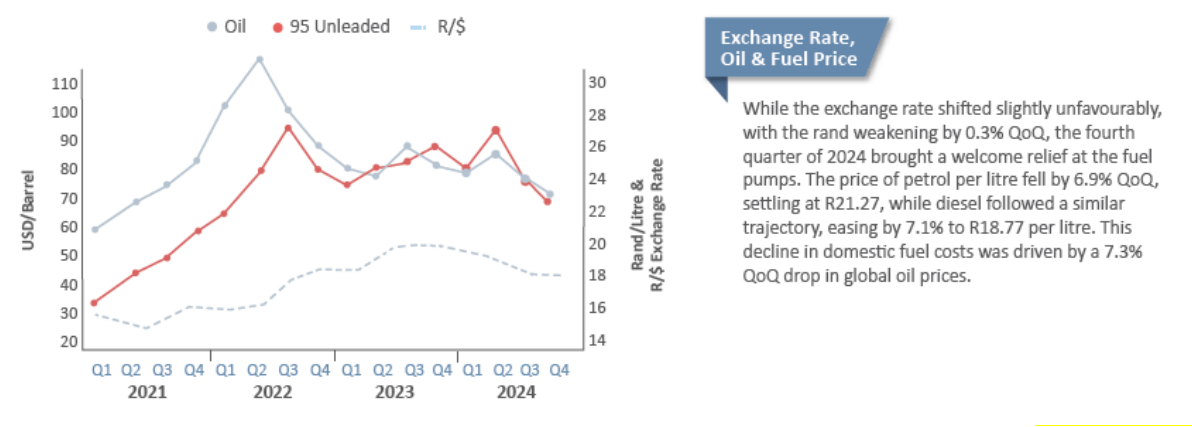
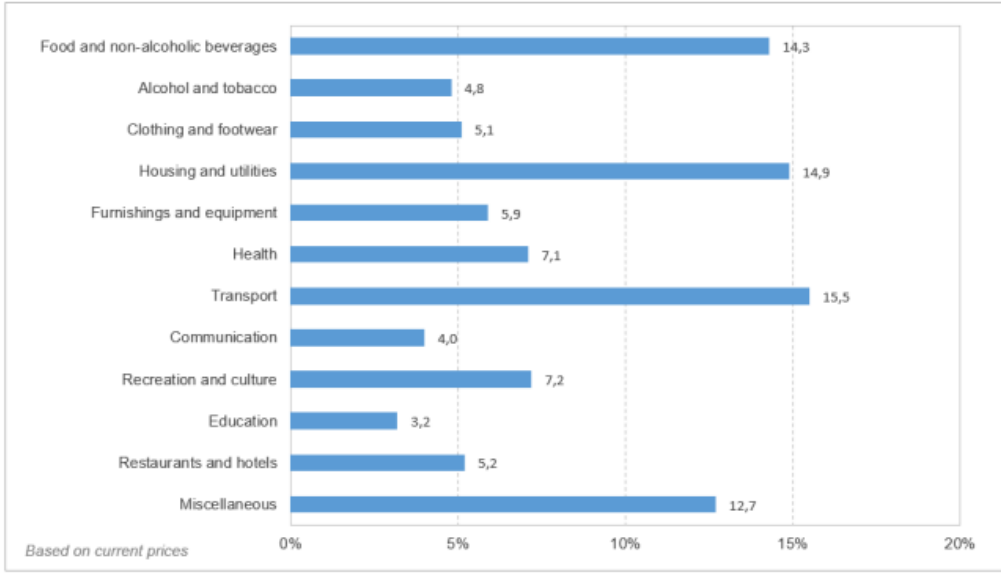
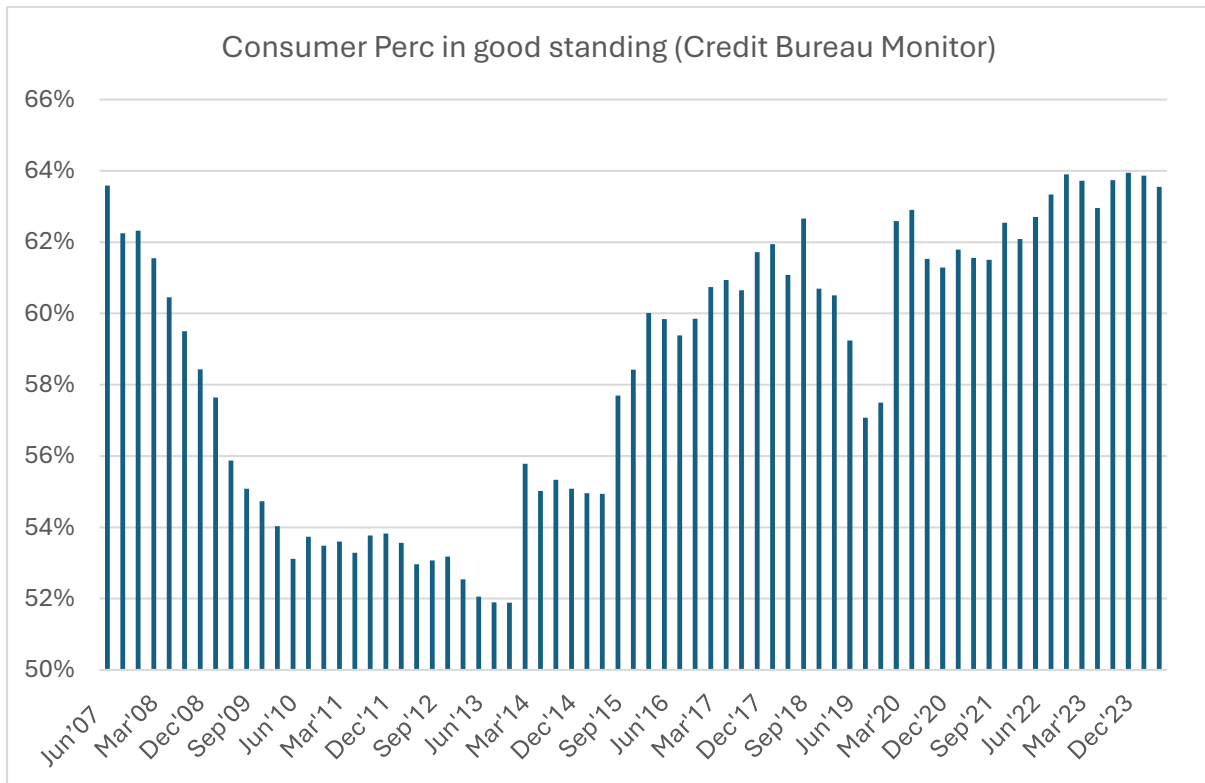


Figure 4 – Components of HFCE as a percentage of total HFCE in 2018

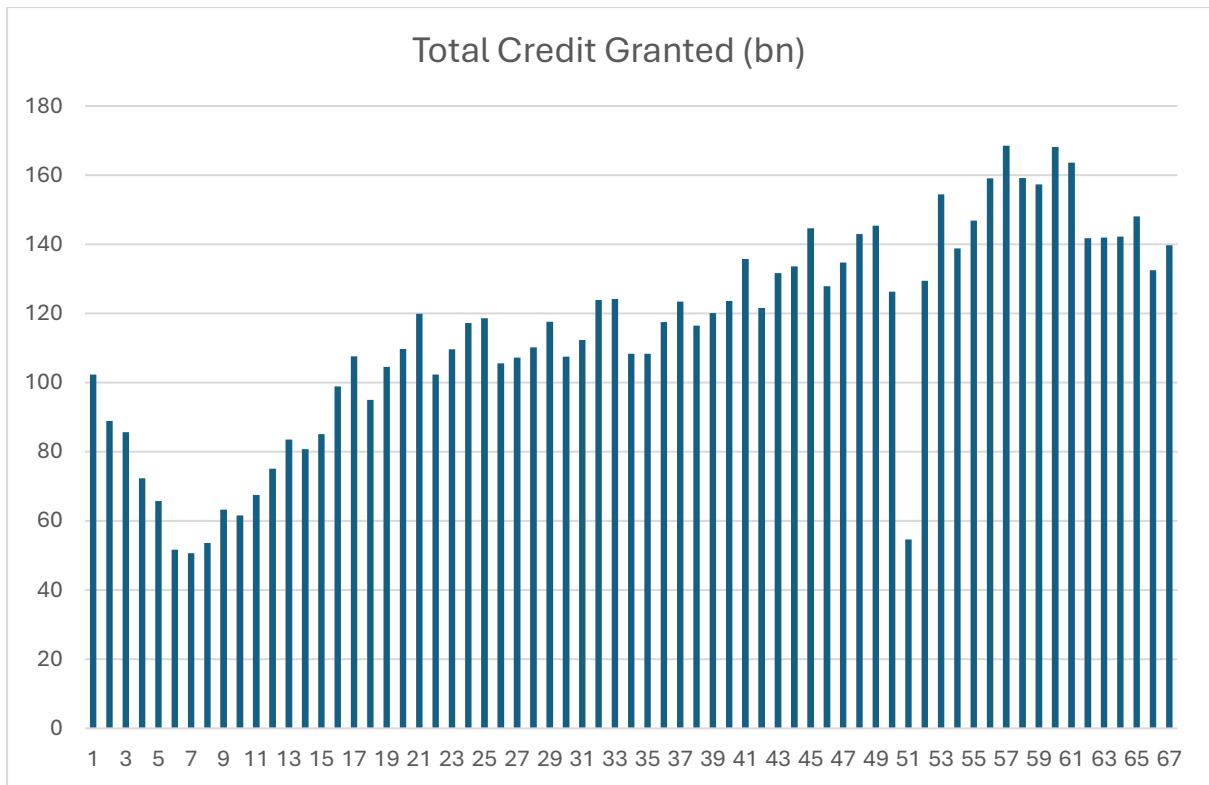


Despite the challenges, South Africa remains an attractive market for lenders due to growing calls for financial inclusion and a growing middle class. However, in response to these difficult conditions, South African financial services companies are increasingly focusing on more responsible lending practices, with an emphasis on credit risk management and innovative solutions to mitigate financial strain on borrowers.

Data from the National Credit Regulator demonstrates that the percentage of consumers in good standing is actually back to pre 2008 levels so the more responsible lending practices are showing good effect.



It can also be seen that there has been a steady growth in credit granted, which means increased financial inclusion.



As one of the leading financial services companies in South Africa, our team at Weaver Fintech (owner of Finchoice and PayJustNow) has developed a robust approach to managing credit risk in an environment marked by volatility and uncertainty. The company’s solutions are designed to not only address the evolving needs of its clients but also to ensure that risk is managed effectively, protecting both the company and its customers.

Central to Weaver’s risk management strategy is advanced data analytics. By leveraging cutting-edge technologies, the company is able to assess the creditworthiness of potential borrowers with greater accuracy and with speed. This involves the use of big data, machine learning, and artificial intelligence to analyse a wide range of variables, from credit scores and transaction histories to macroeconomic indicators. This approach enables Weaver to make more informed lending decisions, reducing the likelihood of defaults and improving the overall quality of the credit portfolio.

In a market benchmarking exercise conducted by Experian in February 2025, Finchoice continues to have the best percentage of balance with no arrears compared with other lenders in the industry (including banks, personal lending portfolios and other personal lenders).

The backbone of Weaver’s approach to risk management is its commitment to responsible lending. The company is dedicated to providing loans that are tailored to the specific needs and financial situations of its clients. This personalised approach helps ensure that borrowers are not overburdened by debt and can manage their repayments in a way that is sustainable in the long term.

In a world where it often feels that uncertainty is the only constant, it is our ability to adapt and innovate that ensures we continue to support clients responsibly through changing economic conditions.

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About Paul Shortridge

Paul is an accomplished leader in credit risk and data science, with more than 25 years' experience driving innovation and growth through AI and analytics across global markets. As Chief Credit & Data Officer at FinChoice, he has been instrumental in building robust credit frameworks and leveraging advanced data management techniques to drive sustainable growth while minimising risk.