



THE QUICKSAND

of cash loans

by Innocentia Gaoes • photograph Shutterstock

CASH LOANS CAN BE SEEN AS A CONVENIENT AND EASY WAY OF ACCESSING QUICK CASH, HOWEVER, AT THE SAME TIME IT CAN BE THE WORST OF DEBT TRAPS.

Borrowing money is easier than one can imagine. Some cash loan agencies will respond to as little as an SMS from potential clients (I take it a Please Call Me will also work). Others, such as Letshego, will even pay for their potential client's taxi fare. All you need to do is alert them of your desire to begin a conversation. Who would not want to do business with such helpful and efficient companies?

Clients are guaranteed the money will reflect in their bank accounts by the time they step out of the agency's doors. All cash loans agencies contacted by Sister Namibia informed us they charge 30 percent interest on their loans. But hey, 30 percent is a minor factor when you can have the money NOW! You see, qualifying for a loan is as simple as providing a bank statement for the past three months, pay slips for the two most recent months, and leaving behind a bank card should the client not bank with FNB. And voila, the rest is history.

However. To those in the know of how the cash loan business operates, it is not as easy as it sounds. Those trapped in that friendship soon find out visiting a cash loan is like becoming friends with the devil.

Some people, especially government employees, are said to have resigned in order to get hold of their pensions to pay off their cash loan debts. Others remain endlessly stuck in repaying the interest and can only settle the actual capital once they get their bonus.

Frieda Aebes, a Swakopmund resident who has worked for a cash loan agency for over six years, says, "Once people make a cash loan, it is very difficult for them to get out. Even when they pay it off they eventually come back and get stuck again."

Sister spoke to several women to find out how they ended up indebted to a cash loan agency and how they plan on getting out of the situation they are in.

Most of them admitted to being trapped and trying to find ways of getting out through starting up small businesses such as selling clothes, perfumes and other items ranging from sweets, popcorn, ice and baked items to make a little extra to be able to pay back the cash loan.

"I do not know how to get out," were the words of Grace, a single mother of

indebted to a cash loan agency because of her household needs, Victoria borrowed money to live a lavish lifestyle. Twenty-five-year-old Victoria finds herself handed over to a renowned law firm in Windhoek for owing financial institutions a large sum of money.

Victoria started off by borrowing money from relatives and friends to travel overseas and live lavishly. She would borrow from one friend to settle her debt to another friend. She continued this trend until she no longer had people who trusted her enough to lend her money. That is when she approached the cash loans, and being the smooth talker she is, she managed to get money from three different cash loans, who have all handed her over to the lawyers.

Afra Schimming-Chase, financial adviser and owner of Chase & Associates

ey immediately. Planning and patience would have saved them a great deal of trouble in future. In her work Schimming-Chase urges people to adopt the culture of saving for rainy days and investing with long standing institutions to avoid the need of approaching cash loans.

She further advised that the first step to getting out of this kind of financial trap is by paying off the debt in order to get away from paying the exorbitant interest rates. And the second step is to exercise self-discipline to stay away from such agencies. Staying away becomes the biggest challenge for people.

Mark, who has also worked in the risk compliance field for over 10 years, said financial literacy is the biggest challenge facing Namibians. "Poor people are the ones most vulnerable to cash loans and it is because they lack financial literacy,"

"It has been months since I have even seen that N\$6000", laments Grace, adding that everything goes back into the cash loan and she has to go through the month borrowing from family and friends.

four children who lives in a rented one bedroom house in Windhoek's Hakahana informal settlement.

Grace works as a contract worker for the government and earns about N\$6000 per month. But paying rent, taking care of her children, paying taxi fares and day-to-day expenses for her household remains a constant struggle.

"It has been months since I have even seen that N\$6000", laments Grace, adding that everything goes back into the cash loan and she has to go through the month borrowing from family and friends.

In recounting the first time she visited an agency, Grace recalls her disbelief at how easy it was to get the money and thinking that she should have asked for more. The staff certainly encouraged her to borrow more. Soon she did go back for more. But later she would think with regret, "if I had stopped at that first N\$2000, I would not be where I am today."

Unlike Grace who ended up deeply

said the reason why most people turn to cash loans is because it is the fastest and easiest way to obtain quick cash, adding desperation is what leads most people to cash loans.

Shimming-Chase maintains those from impoverished backgrounds are more prone to go for cash loans and suffer at the hands of privately owned cash loans. "These are cash loans owned by private individuals who are often not even registered, which charge exorbitant fees," she explained.

Schimming-Chase says these private companies often do not comply with the standard interest rates and, instead, put up hefty interest rates to milk the already vulnerable people in order to enrich themselves.

Schimming-Chase notes that there are also those with Unit Trust accounts or some form of investment account who do not want the hassle of the paperwork process or who do not want to wait for the money to clear. They want the mon-

said Mark, adding "because people see it is a quick way of getting money, they forget the bigger picture – which is the danger of getting into debt too deeply."

He explains, "It is like getting hooked on drugs." He explained, "They start small, then return to the drug lord for more, until they can no longer pay back and that's when the real trouble starts. For then they resort to stealing from family or get into other kinds of illegal activities in order to get hold of more drugs."

The common advice from those who were interviewed is that cash loan agencies start charging interest after a month and hand their clients over to lawyers who have them listed on ITC that can block them from getting financing for important things like buying a house or a car.

Our advice is: don't bake and sell to pay off your cash loans, bake, sell and save for when you need a cash loan from yourself.

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