

Know Thy Credits

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INTRODUCTION

Our offices are seeing an uptick in the number of cases where customers are unable determine whether the credits passed on their municipal accounts, are correct or not.

Simply for the purposes of illustration, an excerpt illustrating a particularly confounding credit, is below:

City of Johannesburg Sundry	VAT 4760117194	Sub - Total	Total Amount
WO Debt Rehab Project COJ CR		- 2,014.80	
WO Debt Rehab Project COJ CR		- 45,929.96	
WO Debt Rehab Project COJ CR		- 1.14	
Write Off Refuse No VAT (CR)		- 665.39	
WO Debt Rehab Proj PIKITUP CR		- 16,285.99	
Write Off Sewer No VAT (CR)		- 1,001.92	
WO Debt Rehab Project Water CR		- 22,402.11	
VAT: 15.00%		- 5,803.22	- 94,104.53

WHY DO WE CARE WHAT THE REASON FOR THE PASSING OF A CREDIT IS?

Some might argue that it is not important to know why the municipality passed a credit – as long as they passed it, the customer ought to be happy. This is a dangerous attitude to adopt, for a number of reasons.

1. You might be due More

First, the credit might be too small. The customer might be owed even more. It is always a good idea to audit (meaning verify through calculations) the amount due to be reversed or credited, and then compare that to the actual credit to see if the municipality has under- or over-reversed. Naturally in the case of an over-reversal many customers will just keep quiet, but in the case of an under-reversal they will go back to the municipality to fight for a further reversal.

2. If its Not Really Yours, you Might Have to Give it Back One Day

Second, it is vital to know what the credit passed was for, to find out whether it was correctly passed or not. Imagine that the municipality accidentally records a payment made by another person as being a credit against your municipal account.

So someone else paid R 100k, and the municipality accidentally records that payment as if you paid it. You now have a credit of R 100k on your municipal account, so you don't pay your account for two years and you let the charges each month be settled by the credit on the account which reduces over time. Around two years later the credit (which was never really yours to begin with) is reversed, and your account is now two years in arrears.

Because you didn't speak up about the mistaken credit and you just kept quiet for two years hoping you would be allowed to keep it, it is unlikely that any municipal official is going to take pity on you and provide you with time to pay off your massive bill of approximately two years of charges. If you aren't able to find the money to pay, you face a termination of water and electricity services, and potentially even being summonsed for the amounts outstanding.

Depending on how large the amount you owe is, if judgment is taken against you, the municipality might even apply to court to attach your home, which will then be sold and the proceeds used to pay off your municipal debt.

3. Even if it is yours, you need to know what the credit is for

Assuming that the credit was correctly passed, you still need to know what the credit was passed for. If we look at the example image above showing notations that indicate that they are for "debt rehabilitation", its very difficult to tell what these are for, unless you are relatively familiar with municipal invoices. To the layman they appear to be an unintelligible lump of senseless debits and credits.

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Customers need to know what the credits they receive, are for, because customers use this information to figure out what other amounts on their account are still owed (or not owed) to the municipality. Consider the situation where a customer has an account on which she is charged roughly R 2k a month water, R 4k a month electricity, R 3k a month rates, R 1k sewer/refuse (roughly R 10k a month in total). Now imagine that the same customer has an ongoing dispute with the municipality about the electricity charges, because the customer is being charged on estimated readings which are inflated.

The customer believes that they have been over-charged R 50k over the past two years, and so their account is in arrears by this amount of R 50k because they refuse to pay it. If the customer now receives a credit saying “Debt Rehab” for R 100k, it probably isn’t a credit for the electricity dispute and so the customer is probably still entitled to another credit (R50k) for the electricity. On the other hand, if the credit is not notated as “Debt Rehab” and its notation is different, something like “Elec write off” then it might very well be to sort out the incorrect charges on the electricity portion of the account, in which case the customer will not be due any further credit from the municipality.

4. To protect yourself from unlawful cut offs

The municipality might claim that they have resolved the billing dispute because the customer’s account was credited when the credit passed was for a completely different reason – this happens fairly frequently unfortunately. A customer raises a dispute and the municipality closes the dispute on its systems the minute a credit is passed because the municipality has taken actual readings and is simply adjusting the account for the difference between the estimated readings used in the past and the actual readings recently obtained.

Although it is a good thing that the municipality is adjusting the account correctly and crediting the customer’s account, this is not done to resolve the dispute, and the dispute remains alive and unresolved.

A customer who is trying to claim a refund/reversal/credit from a municipality for a billing dispute needs their dispute to be registered with the municipality as being “unresolved”, or else no one will be working on resolving and, and of course the customer is then vulnerable to credit control action such as having their water or electricity services terminated or being summonsed for the amount outstanding on the account.

5. So you know how much you actually need to pay each month, to keep your bill up to date

If you don’t know what your credits are for, you don’t know how much you owe the municipality for each service (ie rates, water, electricity, sewer and refuse) or how much the municipality might actually owe you for these services [for example, if you have overpaid in the past, you might have a credit on your account for any one or more of these services, which means the municipality actually owes you money].

If you don’t know how much you are meant to be paying the municipality for each of your services, you won’t be able to budget correctly, you might over pay (in which case you might have to fight for years to get your over-payment back) or you might under-pay, rendering you liable to credit control action and legal action. You might also end up attracting interest and other ancillary charges (like cut off charges) if you are underpaying. Knowing what a credit on your account is for, is critical to help you know what you need to pay for each service on your monthly invoice.

FIGURING OUT THE PERIOD OF TIME TO WHICH THE CREDIT/REVERSAL APPLIES

In most cases it is just as critical to know the period of time that the credit is supposed to apply to, as it is to know the type of charge it relates to (eg water, electricity, rates, etc). For example, if you were overbilled two years ago, and you are waiting for a reversal of R 75k from March 2022, you wouldn’t think that a credit of R 15k which has some dates from three months ago next to it could be a resolution to your two year old billing problem because both the amounts and dates don’t match.

Another reason it is important to know the dates to which credits apply is because some charges (electricity and water) prescribe after 3 years whereas other charges (rates, refuse and sewer) prescribe only after 30 years. Knowing which of these services the credit relates so, and having it allocated properly, could be the difference between an amount that would otherwise prescribe (meaning become too old and ‘stale’ for the municipality to claim from the customer) becoming prescribed.

HOW DO YOU FIGURE OUT WHAT A CREDIT IS FOR?

If you can’t tell from the invoice/statement, you can log a query with the municipality to request it to tell you precisely what the credit is for. If this fails, you can try and reverse engineer the amounts by seeing if you can match them to any other similar looking charges on your invoices over the past few years, or googling them to see if any other customers having the same difficulty have posted information about them on the internet that might be of use.

If all else fails, you might need to consult an expert in municipal bills to assist you to figure out what the credit is.

DEBT REHABILITATION PROJECT

Many customers may come across a credit transaction on their account that reads as "WO Debt Rehab Project CR". Historically, financially strapped customers who struggled with settling their debt could submit an application, along with supporting documents to the City, for a reduction of the amount owed through a write off.

Qualifying applicants would receive a 50% debt write-off of debt incurred within 3 years of the write off, subject to compliance with specific conditions, including that the property owner earn a maximum of R 22,000 per month and that the property be valued at a maximum of R 2,5 million. This project was initially implemented in March - June 2022. To our knowledge, although this process carries on there has been no update to the documentation, process or qualifications in the subsequent financial years, meaning that the original documents, processes and qualification criteria from 2022 still apply.

Interestingly, our offices have come across many cases recently where customers have received debt rehabilitation write-offs without having applied to the City for relief. If you are also experiencing this issue, it is advised to contact the City at rehabilitation@joburg.org.za or visit your nearest walk-in centre for assistance to determine why this happened.

CAVEAT - STILL MANY UNKNOWNNS

Although we provide information in this article that is, to the best of our knowledge and belief, accurate at the date of publishing, we have had more difficulty than usual ascertaining how the City is implementing its current debt rehabilitation program. There is little information on this topic available publicly.

An incorrect credit on an account can be just as difficult to deal with (from the perspective of having it resolved and reversed) as an incorrect debit, but many customers prefer to stay quiet and simple "accept" the erroneous credit in the hope that it will never be reversed and they will be able to keep the benefit of the mistake.

HONESTY IS ALWAYS THE BEST POLICY

Customers are advised to be honest and raise the issue with the municipality if they are accidentally over-credited, to avoid a situation where the credit is reversed later at a time and in a manner that prejudices the customer severely.

Better the devil you know than the devil you don't – rather know and plan for the reversal of an incorrect credit, rather than get a nasty surprize when the credit is suddenly reversed and your account is thousands (or hundreds of thousands) in arrears that you can't afford to pay.

CONCLUSION

Customers of the COJ with strange (or unexpected credits) should enquire with the municipality as to what they are, and in the event that they are unable to get any useful information from the municipality, you may need to consult with an attorney about the issue.

Please note: this article is for general public information and use. It is not to be considered or construed as legal advice. Each matter must be dealt with on a case by case basis and you should consult an attorney before taking any action contemplated herein.



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