SCHINDI FRS ATTORNEYS

eThekwini 80/20 Debt Relief Funds Unallocated

hbgschindlers attorneys

By Chantelle Gladwin-Wood (Partner), Maike Gohl (Partner) and Nashina Devi Harbhajan (Para-Legal)

04 March 2025

WHAT IS THE 80/20 DEBT RELIEF PROGRAMME?

In order to alleviate the strain on customers, the eThekwini Municipality reintroduced the 80/20 debt relief programme in 2022. In terms of this programme when a customer purchases a pre-paid electricity token, 20 percent of their purchase goes towards their outstanding debt and 80 percent goes towards their electricity purchase. This also applies when customers opt to go with the 50/50 option. The 50/50 option helps organisations and small businesses, while the 80/20 option is only for residential users.

ELIGIBILITY TO BE ON THE 80/20 DEBT RELIEF PROGRAMME

To be eligible for this programme, a customer's combined debt must contain an electricity payment and a pre-paid meter for electricity. Unfortunately, should the customer have a combined water and rates bill they will need to arrange payment for those municipal services separately. Customers will need to visit their nearest Customer Service Centre where they can make an application for the 80/20 or 50/50 debt relief.

If a customer does not have a prepaid meter, they would first need to apply for a prepaid meter to be installed before they can apply for the relief. It is important to note that the customer will have to pay a fee for the transition from a normal post-paid meter to a prepaid meter, however, customers have the option to pay for the prepaid meter or have those costs added to their existing debt which will then be recovered through the programme. This is also applicable to businesses that have prepaid meters. It is important to note that this programme is only for customers with an existing debt of R500 or more.

If you entered this programme what you would expect to happen is that every time you purchase pre-paid electricity, your outstanding debt to the municipality would decrease and you would owe less and less on the outstanding debt as time passes. Unfortunately the reality is starkly different.

UNALLOCATED DEPOSITS? DANGERS WITH THE PROGRAMME?

It has been brought to light by the eThekwini Ratepayers Protest Movement (ERPM) that over R22 million that has been collected through this programme has not been allocated by the municipality towards the amount owing by its customers. In essence what this means, is that even though the Municipality deducted the 20 or 50% of the customers pre-paid tokens to service the outstanding amounts on the account, the Municipality never allocated the amounts it so deducted to the consumers account. This has resulted in the Municipalities coffers being bolstered by an amount of approximately R22million, but the customers that entered into this programme did not see any benefit in this regard and the outstanding amounts on their accounts were never reduced.

Customers that have signed up for the programme are being subjected to the 20% (or 50%) deduction, however, the amount has not been allocated towards their debt, and this has resulted in customers now coming to the harsh realisation that their arrears are not decreasing while interest is accruing on the outstanding amount, which in turn has resulted in customers having their services disconnected and their accounts handed over to debt collectors (even though an acknowledgement of debt programme was already entered into). Some have had no option but to sign a further Acknowledgement of Debt with the municipality to avoid the termination of their services. In such instances the 20% (or 50%) is still being deducted from their pre-paid electricity tokens, and they are being forced to service the acknowledgement of debt on the account separately.

The ERPM did an investigation into the 80/20 debt relief programme and have yet to be provided with the answers that they require as customers' accounts have not been flagged and they are being subjected to the credit control processes as funds have not been allocated by the municipality.

eThekwini Municipality on the other hand have advised that the programme is still on going and customers are still able to pay 5% of their debt at their nearest revenue office and conclude a payment arrangement with the municipality if they are facing disconnection. It has further been stated that the City is currently reconciling their SUPREMA and Revenue Management System records and once this process has been finalised, customers will be credited accordingly. Whether (or when) this happens remains to be seen and currently all customers can do is play the waiting game to see when and how this issue will be resolved.

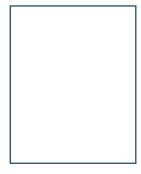
The only alternative the writers hereof can see to is for the customers in question to band together and approach legal representation, to hold the Municipality to task for its failures in this regard.



Chantelle Gladwin-Wood (Partner)



Maike Gohl (Partner)



Nashina Devi Harbhajan (Para-Legal)