

The City of Johannesburg's Debt Relief Programme: Relief, Prescription of Debts and What Customers Need to Know

CITY OF JOHANNESBURG'S DEBT RELIEF PROGRAMME

The City of Johannesburg ("the City") launched Phase 4 of its Debt Relief Programme ("DRP"), running from 1 November 2025 to 31 October 2026. All applications must be made before 31 October 2026 in order to qualify.

The DRP offers up to a 50% debt write-off, together with 100% waivers of interest and penalty fees. Depending on the applicant's category (discussed below) and ability to pay, relief may take the form of a partial or full write-off, coupled with a payment arrangement for any remaining balance.

Taking part in the DRP will not affect a customer's credit score negatively. However, before any debt write-off is processed, customers are required to enter and sign an Acknowledgement of Debt ("AOD"), setting out the agreed repayment terms. Failure to maintain payments for the outstanding debt may result in the City taking credit control measures, such as disconnections of municipal services, and recovery measures to recover the entire outstanding balance.

The DRP is open to several categories of municipal account holders, some benefitting more than others. Below is a practical breakdown of who may qualify and what each category of applicant stands to gain.

PENSIONERS AND ESP (EXTENDED SOCIAL PACKAGE) BENEFICIARIES

Qualifying criteria:

- The applicant must be registered on the City's ESP database or must provide proof of the applicant's pensioner status.

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- Household income must fall below the City's ESP threshold.
- The property must be used as the applicant's primary place of residence.
- The market value of the applicant's property or combined properties owned by the applicant must not exceed R2,500,000 based on the City's valuation roll.
- Any metering apparatus (such as water and electricity meters) must be functional and be verified (i.e., registered on the City's systems as linked to the municipal account in question and free of tampering).

Relief offered:

- Up to 100% debt write-off, determined on the basis of affordability and account verification.
- Up to 36 months to pay any remaining balance (extended to up to 60 months for pensioners and ESP beneficiaries with a remaining balance).

RESIDENTIAL CUSTOMERS (ALL INCOME LEVELS)

Qualifying criteria:

- The applicant must own a residential property with an active municipal account in arrears.
- The property must be occupied and must not be used for commercial or investment purposes.
- The market value of the applicant's property or combined properties owned by the applicant must not exceed R2,500,000 based on the City's valuation roll.
- Any metering apparatus must be functional and be verified.

Relief offered:

- 50% debt write-off.
- The remaining 50% is repayable over 12 to 24 months via an AOD, depending on affordability.

SMALL BUSINESSES, FAITH-BASED ORGANISATIONS, NON-PROFIT ORGANISATIONS, OLD-AGE HOMES, ORPHANAGES AND BODIES CORPORATE

Qualifying criteria:

- Annual turnover of R3 million or less.
- The entity must be registered and operating within the City's jurisdiction.
- Any metering apparatus must be functional and be verified.
- The applicant must provide the City with proxy letters, three years' audited financial statements, and six months' bank statements.

Relief offered:

- 50% debt write-off on debts older than 36 months.
- The remaining 50% is repayable over 6 to 12 months via an AOD, or in full.

LARGE BUSINESSES

Qualifying criteria:

- The entity must have a registered municipal account with the City.
- Any metering apparatus must be functional and be verified.
- The entity must be willing to pay the remaining balance within 60 days of the write-off being approved.

Relief offered:

- 50% debt write-off on qualifying debt older than 36 months.
- The remaining 50% is payable within 60 days of approval.

GENERAL CONDITIONS APPLICABLE TO ALL CATEGORIES

All categories also receive 100% interest and fee waivers in respect of final demands, disconnection notices, and other sundry charges.

Customers who have already received debt write-offs under previous City programmes are **not** eligible for the DRP. The sole exception is that pensioners and ESP customers may reapply if they continue to meet the qualifying conditions.

DRP AND EXTINCTIVE PRESCRIPTION

For large and small businesses, faith-based organisations, non-profit organisations, old-age homes, orphanages and bodies corporate, the DRP offers a 50% write-off of "qualifying debt older than 36 months."

The choice of 36 months is difficult to overlook. Thirty-six months (or three years) is the exact extinctive prescription period for ordinary debts under section 11(d) of the Prescription Act 68 of 1969 ("**Prescription Act**"), after which an ordinary debt is no longer claimable by a creditor.

Extinctive prescription is the legal principle that a debt can no longer be claimed after a certain period has passed - in effect, the debt 'expires' by law.

This raises a fundamental question: why would a customer accept a 50% write-off of debt that is older than three years where the law of extinctive prescription already entitles a customer to a 100% extinction of the same debt?

EXTINCTIVE PRESCRIPTION AND MUNICIPAL CHARGES:

As a starting point, note that extinctive prescription does not apply equally to all types of debt. Certain debts remain claimable by a creditor for 30 years, such as property rates, sewer and refuse, while ordinary consumption charges such as electricity and water generally fall within the three-year prescription period.

The Prescription Act provides the statutory framework on prescription of debts, which can be summarised as follows:

- **Section 11(1)** sets out that once the applicable prescription period has run, the debt is extinguished by prescription.
- **Section 11(d)** sets the default timeframe for ordinary debts to become prescribed, being three years.
- **Section 11(a)(iii)**, by contrast, imposes a prescription period of 30 years for debts imposed by means of taxation or levied under any law.

As most municipalities impose a combination of charges to a single account, the total sum billed within a single month will ordinarily not constitute a single undifferentiated debt for purposes of extinctive prescription. The prescription period will depend on what the charge is for. Put simply, property rates and sewer charges generally sit in the 30-year category, while electricity and water consumption charges generally sit in the three-year category.

In general terms, if a municipal account has remained wholly unpaid in excess of three years, all water and electricity consumption charges older than three years on the account, including interest accrued thereon, will have become prescribed and are no longer legally claimable by the municipality. In contrast, all unpaid charges for property rates and sewer charges will remain claimable by the municipality.

PRESCRIPTION AND SECTION 102(2) OF THE MUNICIPAL SYSTEMS ACT – RINGFENCING DISPUTED AMOUNTS

In addition to the ordinary working of prescription (i.e., a debt remains unpaid for a period exceeding the debt's prescription period), there exists an alternative method by which municipal consumption charges may become prescribed, and in practice is often the more important one. This alternative method arises from the interaction between section 102 of the Local Government: Municipal Systems Act 32 of 2000 ("**Municipal Systems Act**") and the Prescription Act.

Section 102(1) of the Municipal Systems Act empowers municipalities to consolidate accounts, allocate payments to any account held by an account holder, and to implement credit control and debt collection measures.

Section 102(2) of the Municipal Systems Act places a limitation on the empowerment afforded in section 102(1), in that section 102(1) does not apply where there is a dispute between the municipality and an account holder concerning any specific amount claimed by the municipality from the account holder.

In practical terms, the limitation created by section 102(2) means that once a customer declares a dispute over specific charges, the municipality is prohibited from allocating incoming payments made by the customer to settle those disputed amounts. The charges are effectively "ringfenced". If the ringfenced charges are ordinary debts such as electricity or water consumption charges, and more than three years pass without the City interrupting the running of prescription (Prescription can be 'interrupted' - meaning the clock resets - if the City issues a summons or obtains your acknowledgement that you owe the debt), those charges will become prescribed. This is so even if the customer continued making regular payments on the account to settle undisputed charges.

Our courts have in recent years addressed this issue repeatedly:

In *Tarica and Another v City of Johannesburg Metropolitan Municipality*¹, the court held that while the limitation created by section 102(2) remains operative, the City could not simply allocate incoming payments to the oldest charges on the account first. It was further held that electricity charges constitute ordinary debts under the Prescription Act and become prescribed after three years.

In *BIR Investments (Pty) Ltd v City of Johannesburg Metropolitan Municipality*², the City argued that section 102(2) prevented prescription from running, as the City is precluded from claiming the disputed amounts from the customer while a dispute persists.

The court rejected this contention, holding that section 102(2) does not prevent prescription from running or delay its completion, and that monthly payments for current and undisputed charges do not amount to an admission of liability for disputed charges.

This position was reaffirmed as recently as July 2026 in *Hlabangana v City of Johannesburg Metropolitan Municipality*³, where the court held that payment of current charges on a monthly basis did not interrupt the running of prescription on disputed amounts.

CHOOSING THE RIGHT ROUTE: DRP OR PRESCRIPTION

The DRP offers a 50% write-off on qualifying debt older than 36 months. However, as the foregoing analysis demonstrates, the law of extinctive prescription may entitle consumers to a 100% write-off of electricity and water consumption charges older than three years, without a customer being required to enter an AOD or being subject to the DRP's restrictions and conditions.

Prescription is not an automatic or blanket entitlement. The customer must be able to show that all the legal requirements for prescription have been met—this is the customer's responsibility, not the City's. Even so, where a municipal account has been in dispute, and the City has neither resolved the dispute nor issued summons for more than three years, our courts have held that consumption charges will become prescribed in the appropriate circumstances.

While a 100% write-off of municipal debt may sound like the more attractive option, there are several considerations that one would need to take into account before claiming prescription, including the onus of proving the elements of extinctive prescription, and more often than not High Court litigation.

DRP ADVANTAGES

- Unlike a prescription claim, the DRP will not require a customer to resort to litigious proceedings.
- While the definition of "qualifying debts" is undefined in the DRP materials, it may also apply to certain debts that have a prescription period of 30 years, such as property rates and sewer charges.
- All categories of applicants receive a 100% write-off of interest and penalty fees.
- Participation in the DRP will not negatively affect the customer's credit record.
- The administrative process is designed to provide prompt relief to qualifying applicants.
- Pensioners and ESP beneficiaries may receive up to 100% debt write-off.

DRP DISADVANTAGES

- For most categories, the maximum debt write-off is 50% of qualifying debt, being significantly less than the 100% extinction available by means of a prescription claim.

- Save for large businesses who are expected to make immediate payment of the remaining 50%, customers are expected to sign an AOD committing to repayment of the remaining 50%, creating a legally binding obligation. (If you sign the AOD, you are acknowledging that you owe the amount to the City and “give” up any other claim you may have had against the City).
- Non-compliance with the AOD terms results in reversal of the write-off and the application of standard credit control and debt collection measures (i.e. they can come and disconnect your services or hand you over to debt collection attorneys).
- Customers who previously benefitted from earlier phases of the DRP are generally not eligible to reapply.
- The market value of the applicant’s residential property (or combined properties) must not exceed R2,500,000.
- Applicants who have defective or otherwise irregular measuring apparatus will not qualify for a debt write-off.
- The DRP has a fixed closing date of 31 October 2026. Applications submitted thereafter will not be considered.

PRESCRIPTION CLAIM ADVANTAGES

- Qualifying debts older than three years may be entirely extinguished.
- Once a debt is prescribed, it is extinguished permanently.
- Prescription applies regardless of the value of the customer’s property or affordability.
- There is no cap on annual turnover for businesses seeking to rely on prescription.
- Prescription is a legal mechanism that exists regardless of the City’s programme deadlines and considerations.
- Court orders in extinctive prescription matters typically also require the reversal of all associated interest, legal fees and miscellaneous charges.

PRESCRIPTION CLAIM DISADVANTAGES

- A prescription claim will in most cases only apply to ordinary debts with a prescription period of three years, where the DRP may write off debts that have a prescription period of 30 years.
- Enforcing a prescription claim commonly requires legal representation and possibly a High Court application, which entails legal costs.
- The litigation process can be lengthy and costly, particularly if the City opposes the court application.
- The customer bears the onus of proving that the requirements for prescription have been met.
- In the event of “ringfenced” debts, the customer must demonstrate that a valid dispute existed and that specific disputed amounts or account items were identified and communicated to the City, as prescribed in the City’s Credit Control and Debt Collection Policy and By-laws.

- The City may raise defences such as an acknowledgement of debt by the customer or the interruption of prescription through legal process.
- Not all customers will possess the means for litigation.

CONCLUSION

For a customer whose arrears are made up mainly of historic electricity and water consumption charges, and who has a continuing, well-documented dispute with the City, a prescription claim may deliver substantially more relief than the DRP. However, for customers whose arrears include substantial property rates and sewer charges, the DRP may be the more pragmatic route to obtain relief across all billing items on an account, if such charges are included by the City as “qualifying debt”.

There is no clear option that will benefit all customers. Each customer’s account, payment history, dispute record, and financial position must be assessed on its own facts. Where the amounts are significant, obtaining legal advice before making a decision is advisable.

ABOUT THE CASES CITED AND OUR ROLE:

HBGSchindlers Attorneys and Notaries acted on behalf of the successful applicants in the cases cited herein. These judgments represent important victories for ratepayers and property owners in Johannesburg in clarifying that Section 102(2) of the Systems Act does not suspend the running of prescription.

Our firm continues to lead in municipal law and billing dispute litigation, protecting clients from unlawful billing practices and ensuring that municipalities comply with their statutory and constitutional obligations.

¹ *Tarica and Another v City of Johannesburg Metropolitan Municipality* (2023/044543) [2024] ZAGPJHC 46 (27 January 2025)

² *BIR Investments (Pty) Ltd v City of Johannesburg Metropolitan Municipality* (2023/049538) [2025] ZAGPJHC 1050 (20 October 2025)

³ *Hlabangana v City of Johannesburg Metropolitan Municipality* (2024/947995) [2026] ZAGPJHC 841 (22 July 2026)



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