Institution: London School of Economics and Political Science		
Unit of Assessment: 22A – Anthropology		
Title of case study: Tackling consumer indebtedness in South Africa		
Period when the underpinning research was undertaken: 2006-2007 and 2018-2019		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	**Role(s) (e.g. job title):**	**Period(s) employed by submitting HEI:**
Deborah James	Professor of Anthropology	2008 to present
Period when the claimed impact occurred: 2015-2020		
Is this case study continued from a case study submitted in 2014? No		

1. Summary of the impact (indicative maximum 100 words)

In South Africa, both middle-class and welfare-dependent people borrow heavily to meet their own and their dependents' expectations. Many have no cash reserves and no investments. The net result of this borrowing has been unsustainable levels of debt. A core objective of the South African Government's National Development Plan is to reduce inequality and eradicate poverty by creating better employment opportunities underpinned by stronger education, while also ensuring financial stability. Research by Deborah James at LSE has contributed to this agenda, particularly by demonstrating the unforeseen consequences of indebtedness and helping to expose and tackle the unregulated plundering of salary earners' accounts by unsecured lenders and loan sharks. The research has enhanced employers' awareness of debt problems (including illicit garnishee orders) and informed debates about how best to address these. It has further informed policy discussions about credit and financial regulations that affect welfare beneficiaries, as well as enhancing public understanding of these matters.

2. Underpinning research (indicative maximum 500 words)

Since the 1990s, South Africans have been borrowing extensively to meet their own and their dependents' needs and expectations. This is true of salaried employees - members of the "new middle class" - as well as of welfare recipients. Among the former, many have no cash reserves and no investments; their houses, cars, and other assets are bought entirely with borrowed cash, often to the detriment of precarious monthly budgets. The result has been unsustainable levels of debt. James explored this sharp rise in consumer indebtedness in South Africa (SA) in ESRC-funded work conducted in 2006-2007. The analysis was developed in conversation with South African interlocutors, particularly the National Credit Regulator (a government agency), Black Sash (a human rights organisation), and the University of Pretoria Law Clinic. James published her findings in a 2015 monograph, *Money from Nothing* **[1]**, and in a series of related articles **[2]**-**[6]**. Subsequent research has been undertaken in discussion with financial services group Alexander Forbes, financial wellbeing firm Summit Financial Partners and, once again, Black Sash. This work has particularly exposed the ways in which lenders and loan sharks have been able to plunder the accounts of salary earners and grant recipients with impunity, through "deductions" **[5] [6]**.

James' research challenges common assumptions about indebtedness. In **[1]**, **[2]**, **[3]**, and **[6]**, she demonstrates how the structures propping up "credit apartheid" in SA disadvantage its victims by enabling creditors to secure repayment with such ease that they have virtually no risk of default. Key mechanisms for this are shown to be the country's legally-enshrined "creditor advantage" and the high levels of financial inclusion. Workers' pay is automatically transferred to their bank accounts at month-end, and then effortlessly removed from those same accounts by their creditors. This is often achieved by abusing the practice of garnishee or emoluments attachment orders, which legally oblige an employer to enable a creditor to deduct a portion of the debtor's monthly pay before the employee receives it. Employee "wellness" is then further undermined when indebted employees cash in their pensions to settle their debts **[1]**. James underscores the need to tackle these infamous practices by challenging the assumption that lenders have a right to repayment, no matter how reckless their loans, and by pressing for their more effective regulation.

She also shows the unexpected ways in which the problem of debt is exacerbated by high levels of unemployment. The few with work are expected to support unemployed relatives and other dependents. Many - from mine employees to nurses, teachers, and other civil servants - borrow to meet that expectation **[1] [2] [3]**. For them, strategic withdrawal from such obligations is the only way to achieve the more individually viable middle-class existence to which many aspire, but acting “rationally” in this way requires undercutting the value entailed in social expectation and obligation. Breaking social norms - even by discussing one’s own debt situation, let alone taking the practical steps required to alleviate it - can create shame and stigma that many find hugely problematic. Drawing on, and in conversation with, the book *From Debt to Riches* by local self-help author Phumelele Ndumo, James highlights in **[1]** the complex choices facing borrowers. If they recognise the social entanglements in which they are caught and start to take the advice offered by those who understand these contexts, they might jeopardise social relationships and dependencies. Empowering them to reduce their debt therefore cannot be achieved simply through the provision of financial advice or “literacy”. Rather, it requires changes in perceptions of acceptable social norms, the cost of violating such norms, and the benefits of engaging in new behaviours.

In **[1]** and **[3]**, James emphasises the requirement for policymakers to understand the needs and aspirations that lead people into debt. She shows that viewing borrowing as “irrational” (as financial advisers and economists often do) misses important aspects of its social underpinnings. Borrowing often has less to do with meeting immediate material needs than with honouring long-term obligations such as education, housing, and socially valuable connections. As such, it is frequently bound up with complex and deeply-held ideas of duty, rather than simply representing frivolous consumerism.

Finally, James counters the notion that “banking the unbanked” helps people move from “traditional” ways of conducting their financial affairs, such as investing in rotating credit savings clubs, to more “modern” ones like saving money in banks. She shows that, in reality, many people take a more “portfolio” approach, holding savings in and credit from many sources in uneven combinations **[1] [4] [5] [6]**. Her research further challenges the idea of the indebted as passive victims of nefarious loan sharks. In **[1]** and **[3]** she shows that, for those unable to borrow from the banks - perhaps because they do not have a regular salary or are reliant on welfare payments - loan sharks represent the best (and often only) borrowing option. Informal lending at often high levels of interest is not, moreover, the sole preserve of loan sharks, but practised by a range of actors seeking to supplement their incomes.

3. References to the research (indicative maximum of six references)

The outputs were based on an ESRC-funded research project and published in peer-reviewed journals and a monograph by a US university press.

[1] James, D. (2015). *Money from Nothing: Indebtedness and Aspiration in South Africa*. Stanford University Press. ISBN: 9780804791113. Winner of the 2016 Fage and Oliver Prize awarded by the ASAUK and the 2017 Society for Economic Anthropology Book Prize.

[2] James, D and Rajak, D. (2014). Credit apartheid, migrants, mines and money. *African Studies*, 73(3), pp. 455-76. DOI: 10.1080/00020184.2014.962872.

[3] James, D. (2014). “Deeper into a hole”: borrowing and lending in South Africa. Special issue eds. N. Besnier and S. Narotzky “Crisis, Value, Hope: Rethinking the Economy”, *Current Anthropology*, 55(S9), S17-S29. DOI: 10.1086/676123.

[4] James, D. (2019). Indebtedness and aspiration in South Africa. In C. Soudien, I. Woolard, and V. Reddy (Eds.) *State of the Nation 2018: Poverty and Inequality: Diagnosis, prognosis and responses*. Cape Town: HSRC Press. ISBN: 9780796924421.

[5] James, D. (2017). Deductions and counter-deductions in South Africa. *HAU: Journal of Ethnographic Theory*, 7(3), pp. 281-304. DOI: 10.14318/hau7.3.016.

[6] James, D. (2020). Redistribution and Indebtedness: A Tale of Two Settings. In C. Hann and D. Kalb (Eds.) *Financialization: Relational Approaches* (pp. 196-219). London: Berghahn Books. ISBN: 9781789207514.

4. Details of the impact (indicative maximum 750 words)

Policymakers in South Africa tend to devolve responsibility for reducing debt to borrowers themselves, suggesting that financial advice and "self-discipline" will solve the problem. The research published in **[1]**-**[6]** shows that this approach can work only in combination with other measures, including understanding the needs and aspirations that have led people into debt. The SA Government's National Development Plan (NDP) aims to reduce inequality and eradicate poverty by creating better employment opportunities, underpinned by a stronger educational base, and by helping people maintain whatever financial stability they are able to leverage from this growth in employment. While many of these aims have so far proved elusive, James' research has helped to counter one threat to economic wellbeing; namely, consumer indebtedness and the "reckless lending" that underpins it. Impacts arise from the use of the research by, and in collaborations with, research users and beneficiaries including financial experts, debt activists, lawyers, financial wellness companies, the employer community, and human/consumer rights advocates.

(a) Improving awareness of debt problems among employers, pension fund trustees, and financial experts

In 2015, SA financial services company Alexander Forbes sought to support better understanding among their clients of the social context of individuals' financial decisions. They asked James to contribute to their online *Benefits Barometer* (*BB*) tool and an accompanying book, freely available to subscribers to the Benefits Barometer blog. The book provides suggestions of workplace solutions for financial wellbeing; it emphasises the need to address individuals' full financial journey over their lifetime, rather than focussing exclusively on their retirement needs, and to shift toward enhancing financial wellbeing. James' contribution, summarised key points from **[1]** and **[3]** in a section dealing with aspiration and indebtedness in South Africa **[A**, pp. 42-47**]**.

To launch *BB,* James accompanied representatives of Alexander Forbes on a tour of four SA cities. In each, she presented findings from **[1]** and **[3]** on SA employees' combination of aspiration and indebtedness, emphasising the need for the financial services industry to develop a more nuanced and customised approach to engaging individuals with their own financial wellbeing. Audiences for these presentations came from both local companies and the SA branches of multinationals. Together, they comprised more than 1,000 employers, CEOs, HR professionals, retirement fund trustees, policymakers, and financial consultants. One commented that James had illuminated "*reasons for debt and where it comes from"*. The same sentiment was echoed by an actuarial analyst, who said he was now better informed about "*the formal and informal reasons for indebtedness in SA"*; he added that he was newly convinced of the importance of "*communicating to clients the need to understand the financial situation of their employees"*. An HR analyst from the banking sector said it showed "*that people's financial decisions are driven more by non-financial context than we allow for in the industry"*, and explained that she was now better motivated "*to highlight these issues in her own work"*. The Chairman of BP Southern Africa, which employs 1,300 people, said he found it "*interesting that borrowers and lenders are often the same people"*. A finance officer from a manufacturing firm said he had learned that "*the needs of employees are hugely complex and need to be accepted, not frowned upon"*, while a financial industry consultant said he subsequently had a clearer understanding of the "*need for responsible banking"* **[B]**. These examples of participants' feedback suggest that James' presentations improved - and changed - their awareness and understanding of the issues addressed in her research and experienced by many of their employees.

The effects of the research on smaller-scale employers may be illustrated by the example of a certified financial planner and CEO of small start-up, Thrive Financial Wellness. In 2018, he wrote to James to say that insights from her research had not only prompted him to start his new company, but were now being used by that company in helping him to advise employers addressing employee indebtedness. He further explained the influence of **[1]** on his thinking about the consumer debt situation in SA when he was interviewed about employee financial stress on SA Radio 702's *The Money Show* on 2 March 2018 **[C]**.

(b) Improving employer understanding of the illicit use of employee garnishee or emoluments attachment orders (EAOs)

Findings on SA's easily-abused "creditor advantage" legal culture (presented in **[1]**, **[2]**, **[3]**, and **[5]**) have informed discussion among human rights lawyers and corporations interested in curbing the abuses that lead to or exacerbate employees' debt problems. In 2016, the Constitutional Court heard a landmark case (University of Stellenbosch Legal Aid Clinic & others *v* Minister of Justice and Correctional Services & Others). This sought confirmation of a 2015 ruling by the High Court (the highest court in SA) that several abusive practices relating to the use of EAOs were unconstitutional. Evidence presented in the case included testimony from University of Cape Town economist Nicoli Nattrass about lenders' illegal use of deductions and their culture of general impunity. Nattrass' reading of **[1]** influenced the testimony she provided **[D]**. The Constitutional Court agreed with the High Court and upheld its earlier ruling. Its own ruling emphasised the need for the amount of a garnishee order allowing for automated deductions for debt repayment to be "appropriate". It further stated that such an order must be issued after everyone is satisfied it is just and equitable. This should then mean that people are not left with less than they need each month to cover their basic reasonable costs **[E]**. This ruling, informed by testimony underpinned by James' research, has potentially far-reaching implications for the financial wellbeing of employees in SA.

(c) Provision of evidence supporting advocacy work

In mid-2018, James participated in a series of meetings with the CEO and employees of major South African financial services and consumer rights company, Summit Financial Partners (SFP), prominent human rights lawyer and advocate, Geoff Budlender, and attorney Odette Geldenhuys, of law firm Webber Wentzel, who had led the evidence in the 2016 Constitutional Court case. The discussions also involved officers of human rights organisation Black Sash, which advocates for a fairer deal for disadvantaged and vulnerable consumers. In these meetings, James drew on her documentation of the legal process relating to garnishee orders, published in **[1]** and **[5]**. Her publications have thereby underpinned ongoing engagement and further collaboration with researchers, human rights activists, and legal practitioners in SA. These partners have particularly used her research to analyse the ways in which SA's "advantage to creditor" environment allows lenders to exploit poor communities of welfare beneficiaries.

One of the primary offenders in this context was the controversial Net1 company, which in 2012 was awarded a government contract to deliver payments to 17 million welfare recipients. It used its access to banking and biometric technologies to leverage these welfare payments as collateral for the loan and insurance products it sold them. James outlined this situation in a piece co-authored with David Neves (University of the Western Cape) **[F]**. Published on *The Conversation* in March 2017, the article exposed the myth that "financial inclusion" is necessarily beneficial, drawing on work published in **[1]**-**[5]** to illustrate the high interest rates charged for these loans inaccurately described as "unsecured".

In 2018, Black Sash worked with the SA Government to withdraw the contract from Net1 and award it, instead, to the Post Office. The article **[F]** led James into collaborative work with Black Sash on this, exploring whether and to what extent the lending bonanza continued after this switch in provider. In a 2018-20 project funded by LSE, James and Neves worked with Erin Torkelson (University of California, Berkley) and under Black Sash's guidance to explore the effects of the transfer from Net1. The resulting report **[G]** presents case studies of debtor abuse from nine peri-urban and rural sites identified by Black Sash partner organisations; James covered three of these sites. Even after the handover to the Post Office, many welfare recipients were shown to be unable or unwilling to discontinue their use of the EasyPay cards issued by Net1. They opted to retain the cards and the borrowing they enabled both in the face of social pressures and because they prioritised forms of saving/investment such as rotating credit associations. To make regular payments to these associations, they needed to continue borrowing from EasyPay subsidiary, Moneyline, using electronic transfers. Many combine six-month loans from formal lenders - charging an effective interest rate of 30% per month - with cash loans from informal lenders (loan sharks). The latter are taken out mid-month, often at 50-80% interest per month. The report **[G]**, which cites both **[1]** and **[4]**, was debated at an advocacy workshop with Black Sash partner organisations in October 2019. It was published by Black Sash in August 2020 (after a five-month delay caused by Covid-19) and launched in September 2020 for stakeholders including the National Credit Register (NCR), garnering significant media coverage **[H]**.

Following the launch, James has continued to be involved in meetings with Black Sash as it liaises with the NCR, SA Credit Ombud, and the University of Stellenbosch Legal Aid Clinic in pursuing the better regulation (and reduced cost) of credit. She is helping to co-organise workshops with the University of Stellenbosch Legal Aid Clinic aimed at redrafting conflicting pieces of credit legislation to provide clarity on the legal parameters; a comparative seminar on the funding of debt advice in other southern countries (with a view to generating recommendations for a similar scheme in South Africa); and a consultation with legal experts and others aimed at the redrafting the Black Sash handbook, Debt and Credit: a reference guide for paralegals **[I]**.

(d) Enhancing public understanding and debate through media

James has shared key research findings widely, especially in SA. The topics she explores were already a matter of concern and featured widely in the SA media. However, her research has contributed to a more nuanced media and public awareness of the complexity and effects of indebtedness. This has been achieved, for example, by her publication of special reports in 2015 for SA weekly newspaper *Mail & Guardian* (which then had a distribution of ~30,000), and interviews for Cape Talk/Radio 702's *The Money Show* (~400,000 listeners) and Radio 702 by Aubrey Masango (~600,000-800,000 listeners) **[J]**. **[F]** was also republished in SA newspaper, *Business Day*. UK and international coverage in media with large audiences has also helped to extend awareness of these issues beyond SA itself. High-profile examples include the publication of excerpts from **[1]** in *City Press* (readership ~2.5 million) and James' contribution of blog pieces to *The Conversation Africa* (monthly readership 1.5-2 million) **[J].** The reach of the research was further extended by James' provision of expert advice about loan shark practices to the makers of the feature film, *For Love and Broken Bones*, which aired to critical acclaim in SA and won Best Film at the 2015 Portland Film Festival.

5. Sources to corroborate the impact (indicative maximum of ten references)

[A] "Benefits Barometer. Financial Well-Being. A Model for Engagement", Alexander Forbes, 15 July 2015. Available at: issuu.com/alexanderforbescomms/docs/benefitsbarometer2015. For James' contribution, see "Understanding decision-making", pp. 41-45.

[B] Feedback on James' presentation from CEOs, HR managers, and other participants in Alexander Forbes Summit.

[C] Email testimony from CEO, Thrive Financial Wellness, 29 December 2017.

[D] Email testimony from Professor of Economics, University of Cape Town, 7 July 2020.

[E] "Con Court upholds spirit of W Cape ruling on 'garnishee' orders", *Debtfree*, 15 September 2016.

[F] "South Africa's social grants: busting the myth about financial inclusion" by David Neves and Deborah James, *The Conversation*, 22 March 2017.

[G] "Social Grants as Credit Collateral: Challenging Reckless Lending in South Africa", Black Sash/LSE, September 2020.

[H] Media coverage of the report (**[F]**): *GroundUp*, 29 October 2020; *Daily Maverick*, 22 October 2020; Independent Online, 25 September 2020; and *Newzroom Afrika*, 16 September 2020.

[I] Supporting statement from National Director of the Black Sash Trust, 3 February 2021.

[J] Media coverage: *Mail & Guardian*, "'Debt finds a way around the law" (17 April 2015) and "'Mashonisa' debt system's slow erosion" (31 July 2015); *Business Day*, "When does financial inclusion become financial expropriation?" (23 March 2017); *City Press*, "Change of fortune: frugal or fragile" (26 April 2015); *The Conversation,* "Obligations, repayments and regulations: the debt conundrum in the global South" (5 November 2015).