

## The critical role of data in debt recovery

As South Africans and their pockets are impacted by rising inflation, cost-of-living increases, and a spate of interest rate hikes over the past two years, consumer debt has surged at an alarming rate. More people are turning to credit facilities to keep up with daily expenses, with worrying knock-on effects for businesses and the entire South African economy.

With a renewed focus on debt recovery processes and procedures, businesses need to ensure they have the most reliable, up-to-date information available to assist with recovering outstanding monies. "As the cost of borrowing escalates, and the average South African consumer finds themselves allocating approximately 62% of their take-home pay towards servicing debt, the need for efficient, effective debt recovery strategies is a crucial consideration for any business extending credit," explains Chantelle Frier, National Sales Manager of [SearchWorks](#), South Africa's largest and most innovative data aggregation platform that allows users to conduct live, accurate searches on individuals and companies, and in-depth KYC checks online.

The household debt-to-income ratio in South Africa is projected to hover around 65.00% in 2024. This figure, coupled with an estimated R300 billion in debt owed to municipalities, paints a grim picture of the financial burdens individuals and businesses face. The consequences of massive debt levels also ripple through the broader economy. Postponed or missed payments contribute to inflationary pressures, escalating consumer expenses. The repercussions extend to the public and private sectors, resulting in financial losses that drive up prices and the cost of credit, ultimately burdening taxpayers as service quality deteriorates.

In response to these challenges, Frier says there is a need for a more nuanced approach to debt recovery that leverages the latest data aggregation technology. "The key to navigating this complex economic space lies in our ability to access and utilise up-to-date, relevant consumer data. By employing a comprehensive suite of data-driven tools, we can enhance the efficiency of debt recovery processes, from KYC checks to individual and company record tracing," she notes.

Access to reliable, credible data enables debt recovery agencies to perform a wide array of verifications and searches, thereby crafting tailored, effective recovery strategies that take into account debtors' individual circumstances.

"A one-size-fits-all approach to debt recovery is not only ineffective but can exacerbate the very problems we seek to solve," Frier adds. "Businesses should be empowered to manage their financial risks with precision, ensuring that credit is extended and recovered in a manner that is sustainable for both the provider and the consumer."

She adds that agencies should embrace modern technologies to ensure collections are conducted securely, legally, and with a vision that is sustainable over the long haul. "In today's competitive market, the ability to streamline processes and maximise resources at the lowest possible cost is not just an advantage but a necessity."

As businesses and individuals grapple with the implications of mounting debt, the role of data in shaping effective recovery strategies has never been more critical. By using SearchWorks, which offers the user 160 different search types and gives instant access to over 20 data sources, including all credit bureaus in South Africa, debt collectors can perform ID and bank account verifications, asset valuation, live tracing on individual and company records and batch tracing for multiple records at once; credit, past employment, property, vehicle ownership and directorship searches; and have access to an income estimator on the new client, all within the confines of the law.

"By leveraging technology, debt recovery businesses and departments can play their part in addressing the current debt crisis head-on, fostering a more resilient and equitable financial ecosystem," says Frier.