

# CITY OF MBOMBELA



## DEPOSITS AND REFUND POLICY

## 1. LEGISLATIVE COMPLIANCE

- (a) Section 96(a) of the Local Government: Municipal Systems Act, No 32 of 2000 (hereinafter referred to as the “MSA”), obliges the municipality to collect all money that is due and payable to it, subject to the provision of that Act and other applicable legislation;
- (b) And whereas section 96(b) of the Systems Act requires Mbombela Local Municipality to adopt, maintain and implement a credit control and debt collection policy, which is consistent with its rates and tariff policies and complies with the provisions of the Act;
- (c) The municipality requires protection that service rendered will be paid for by the service user therefore it is equally appropriate that council adopt a deposit policy of Mbombela Local Municipality (section 104(1) (d).
- (d) In terms of Chapter 8, section 64 of the Municipal Finance Management Act (MFMA), municipalities are required to maintain and conduct an effective revenue management system in order to ensure that there is proper control and management over of municipal revenue.
- (e) The Municipal Finance Management Act Chapter 3 Section 11 (1) (f) & (g), states- Only the accounting officer or the chief financial officer of a municipality, or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorize the withdrawal of money from any of the municipality’s bank accounts, and may do so only -f) to refund money incorrectly paid into a bank account; (g) to refund guarantees, sureties and security deposits.

## 2. DEFINITIONS

**“Municipality”** refers to City of Mbombela,

**“Customer”** means the owner or occupier of the property/premises, liable to council for payment of municipal account or part thereof,

**“Council”** means the municipal council of City of Mbombela in terms of section 18 of the Municipal Structures Act and/or section 157(1) of the Constitution,

**“Credit Control and Debt Collection Policy”** means the credit control and debt collection as adopted by the City of Mbombela council in terms of section 96(b) of the Municipal Systems Act 2000 as amended,

**“Deposit”** an amount paid by the customer, to be withheld by the municipality from opening of an account till termination, and will be refunded on termination provided as prescribed by this policy and the customer does not owe the municipality on other accounts,

**“Financial Year”** means the municipality’s year starting 1 July and ending at 30 June of the following year,

**“Service agreement”** means a form to be completed by customer when applying for municipal service /account,

**“Termination of service”** means the form to be completed by the customer as a notice of closing the municipal account.

**“Arrears”** means the debt that is overdue after missing one or more required payments,

**“Foreigner”** a person who comes from a foreign country, a person who does not have South African Bar-coded identity book issued by South African Department of Home Affairs.

**“Refund”** to return money, repayment, or of balancing account, appropriation of deposit held by the municipality

**“Credit”** in a consumer account , a credit balance (positive balance) is the amount that remains in the services users account after billing, or after the account has been deactivated/ deposit into the banking account of the municipality.

### **3. OBJECTIVE**

**The objective of the deposit and refund policy is to ensure that:**

- (a) To provide a framework within which City of Mbombela may exercise its administrative authority to refund credit due.
- (b) To outline the procedures that would warranty a refund.
- (c) To ensure legislative compliance in protecting the rights of the service user.
- (d) To provide a framework for dealing with monies due extending beyond a particular financial period.

### **4. FORMS OF DEPOSIT**

- (a) The deposit shall be in the form of cash/ cheque deposit.
- (b) Irrevocable bank guarantees will only be accepted after an application is made stating all reasons why deposit cannot be made in the form of cash or cheque and is approved by the Chief Financial Officer.
- (c) Deposits are payable on opening of accounts and will be held until the account is closed/terminated.
- (d) At the time of registration as a customer, a deposit will be required based on the criteria set by the Chief Financial Officer from time to time.

### **5. AMOUNT OF DEPOSIT**

- (a) The minimum amount of deposit which is equivalent to estimate of customer's average monthly utility bill for service will be set annually with the review of the policy. The deposit may vary according to the credit worthiness or the risk as determined by council.
- (b) Deposit will be due and payable on registration of new customers and or upon the movement of existing customer to a new address.
- (c) The municipality may classify customers in terms of their credit risk profile into three groups ;
  - i. Good Customers – Customer with a good credit record and pose no credit risk to the municipality,
  - ii. Moderate Customers – Customers with a moderate credit record and pose a credit risk to the municipality, and
  - iii. Bad Customers – Customers with a bad credit record and pose a significant risk to the municipality.
  - iv. Foreign Customer – deposit can be different from the others on the merit and approval of the Chief Financial Officer.
- (d) The security deposit will accordingly vary according to credit rating of the customer as assessed by the municipality.

## **6. REVISION OF DEPOSIT**

The municipality may at its sole discretion increase the deposit by not less than 10% of the approved deposit as per the approved tariff list of the current year. The deposit may be increased on the following grounds:

- (a) If the consumer's account is regularly in arrears, paid after due date.
- (b) If the consumer's account is regularly in arrears and the average account is far more than the deposit.
- (c) If the consumer's service supply is regularly restricted or disconnected.
- (d) When the debtor apply for extension of time to settle account.
- (e) When payments by direct/negotiable instrument is dishonoured.
- (f) If and when the debtor poses a payment risk to the municipality.
- (g) When there is an increase in consumption of services.
- (h) When reviewing the tariffs for the new financial year or such time when the municipality deems it necessary at its sole discretion.
- (i) The municipality may increase the deposit up to 12 months average usage.

## **7. INTEREST**

The municipality will not pay any interest on deposits. All deposit paid shall not be regarded as being in payment of account due to the municipality, as such will be held by the municipality as its security until the account is closed(service terminated) and fully settled.

## **8. ALLOCATION OF PAYMENTS**

Should the municipality increase the deposit as in the revision of deposit above, the amount paid shall first be allocated to the deposit and then other services as per the municipality`s credit control and debt collection policies and by-laws. This sequence of allocation shall be followed notwithstanding any instruction to the contrary given by the accountholder.

## **9. REFUNDS**

### **9.1 A credit on a consumer account or the banking account of the municipality may arise in one of the following manners:**

- (a) An incorrect transfer or deposit into the Municipality's banking account
- (b) Intentional advance payments by owner / tenant
- (c) Upon termination of the service agreement.
- (d) Vehicle registration over quotations
- (e) Due to the rates clearance figures (consisting of rates and all basic charges) being charged in advance for a number of months (2 month)

### **9.2 Refund Process**

A refund may only be processed to the banking account of the services user whose name appears on our records. If a service user does not have a banking account, a cheque will be issued.

#### **9.2.1 Refund of consumer/security deposit**

- (a) On the termination of the service agreement, the deposit held by the municipality shall be refunded to the debtor within 40 days of the termination of service and the submission of all the required information, provided that the customer has paid the account in full, if the account has not being paid in full, the deposit will be applied to any outstanding amounts owed by the customer, if the deposit exceeds the amount due, the balance will be returned to the customer.
- (b) If the deposit is not sufficient to cover the amount due, the customer shall remain liable and a notice to that effect shall be given to the customer to settle the account after which credit control shall be applied.

- (c) The municipality cannot be held responsible for not paying out the deposit that is not claimed, or paid out on time due to outstanding documents. It remains the responsibility of the customers to claim and follow up on the deposits held by the municipality.

### **9.2.2 Refund of other deposits**

- (a) An official request for the refund must be submitted to the City.
- (b) A refund will not be processed if the user owes any other municipal accounts, such credit will be used to settle the outstanding accounts.
- (c) Prior to a processing of a refund , an administrative ( handling ) charge of 5% will be levied on the total value any transaction from which a refund will emanate due to an incorrect payment into the Municipal banking account by a third party.
- (d) The origin of the credit must be investigated by the official; the service user will be required to produce proof to substantiate the request for a refund.
- (e) The service user must submit an official bank statement or letter from the bank reflecting the name and account of the service user or a cancelled out cheque, to validate the correctness of the account where funds will be paid out to.
- (f) The process of the refund will be processed within 30 days.

### **9.2.3 Refund of credit due to clearances figures**

- (a) Credit arising upon change of ownership, the deposit will be refunded to the debtor within 40 days, upon receipts of all supporting documents.
- (b) The refund will only be processed once a property has been registered at the deeds office.
- (c) In a case of a trust with no bank account, a proxy letter/power of attorney and all other relevant documents will be required in order to process the refund.

## **10. UNCLAIMED CONSUMER DEPOSIT**

- (a) Only deposits which have been claimed by the customer will be refunded and these deposits will only be refunded to customers who can positively identify themselves as persons who have signed the agreement with councils, or in the absence of the person the death certificate and execution letter must be submitted.
- (b) Guarantees will only be released upon the full settlement of the outstanding debt to council and the notice of such is made to the municipality.
- (c) Where the customer does not complete the termination of service agreement form, services are disconnected by the application of the new customer, it remain the responsibility of such person to claim their deposits.
- (d) The municipality may appropriate a customer's deposit on any account related to that customer. Where a tenant has absconded leaving a debt on a property, an additional deposit equal to the debt on the property, may be raised on the owners account.

## **11. UNECONOMIC REFUNDS**

- (a) Where the municipality deem uneconomic to refund a certain amount to be decided annually by council, such amounts will be consolidated and forfeited, if considerable set off against provision for bad debts.
- (b) Where the customer has another account with the municipality Credit can be transferred between accounts, same where the account is in arrears (Section 102(1) of the Municipal Systems Act).