

Transaction Capital tightens lending criteria

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Transaction Capital lowers approval rates in its minibus financing business by tightening its lending criteria, it says ahead of its closed period

FINANCIAL services company Transaction Capital has lowered the approval rates in its minibus financing business by tightening its lending criteria, it said in a presentation on Thursday ahead of its closed period for the year ended September.

The group's financial performance for the full year is in line with the expectations, it told analysts on Thursday.

Transaction Capital has previously said that over the medium term it would grow its revenue to about the mid-teen level in percentage terms and its profit to the early to mid-20s level.

Its biggest contributor to earnings is the SA Taxi and Rand Trust business, which is involved in asset-backed lending.

The unit delivered a 15% rise in earnings to R78m in the first half of 2014. The group's headline earnings were R148m in the first half.

Though growth in gross loans had slightly declined in the SA Taxi business, Transaction Capital said there was a marginal improvement in nonperforming loans. Nonperforming loans in the first half sat at 28.6%.

It said recovery rates remained stable at about 70%.

Commenting on the credit environment Chris Gilmour, an investment analyst at Absa Wealth and Investment Management, said: "The credit industry has been tightening across the board whether it's banks or retailers. We might see tighter lending. Generally, worldwide we are looking at a gradual increase in interest rates."

Despite the tough lending environment financial services company Sasfin sees opportunities in lending to the minibus industry. On Wednesday it announced it was looking to lend about R250m in 2014-15 in the taxi industry.

In its other operation, MBD Credit Solutions, which is involved in debt collection and acquisitions of loan books, the company said it was making progress in the municipal collections industry. Transaction Capital said for MBD Credit Solutions, high activity levels in the purchase of distressed debts "was a feature of the 2014 financial year".

In Principa, which is involved in credit-risk management consulting, Transaction Capital said the unit had performed marginally below expectations due to a weak consumer credit environment and tightening of lending criteria. It added that there were delays on certain projects from a joint venture in Qatar.

Transaction Capital is scheduled to release its full-year results on November 25. Its shares ended up 1.3% to R7.