



**The effects of consumer protection legislation on challenges  
pertaining to student loan debt: A case study of the Durban  
University of Technology**

Submitted in fulfilment of the requirements of the  
degree of Master of Management Sciences  
Specialising in  
Business Law  
in the  
Faculty of Management Sciences  
at the Durban University of Technology

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**JULY 2023**

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**Date: 12 July 2023**

# **ABSTRACT**

Millions of South Africans endured numerous injustices throughout apartheid, with education being one. Since the beginning of the 21st century, the value of Higher Education (HE) has grown, and it is believed that giving more people access to it will benefit the economy of the country as well as their social status and quality of life. This has compelled numerous governments to create student loan schemes in order to assist deserving and needy people and increase their access to HE. HE may be the only option to escape poverty in South Africa yet, in order to continue their study; students require money. Some students must rely on parental or family support, part-time employment, savings, or bank loans to pay for their studies. One type of financial aid intended to assist students in paying their tuition and other expenses, is student loans. Student loans are another means to pay for university education. There may be severe repercussions for the student who is unable to make prompt payments, which may take many different forms. Furthermore, when signing student loan contracts, through banks, government-funded schemes, such as the National Student Financial Aid Scheme (NSFAS), private lenders, University Financial Aid, Bursaries and Scholarships, students face various difficulties.

The aim of the study was to investigate the effects of consumer protection legislation on the challenges pertaining to student loan debt in the South African HE sector. The objectives of the study were to explore HE student challenges in respect of student loan contracts and the resultant student loan debt; the study analysed the implications of selected consumer legislation (including the National Credit Act 34 of 2005 and the Consumer Protection Act 68 of 2008) on such challenges faced by HE students, furthermore, the study explored measures to protect students and make future improvements in the broader South African student loan scheme in HE.

The target population for this study comprised of full-time students from all of the Durban University of Technology campuses, viz. ML Sultan, Steve Biko, Ritson, Brickfield, City campus and the Pietermaritzburg campus. A case study research design was employed for the current study. This study adopted non-probability sampling techniques, i.e. a judgemental or purposive sampling method and a convenience sampling method. A questionnaire, which is mainly quantitative in nature,

was utilised for this study. The questionnaire was developed to achieve the study's objectives.

The study focused on collecting and analysing, quantitative data as a method and is being presented and analysed using quantitative techniques. Cronbach's Alpha was used to determine reliability of the questionnaire. The Statistical Package for the Social Science (SPSS) package version 27.0 was used to analyse the quantitative data. Data was obtained from 306 respondents and analysed and interpreted using descriptive and inferential statistics. The results from the study were presented using graphs and tables. This study will be beneficial to students as well as HEIs as it highlights the challenges faced by students and possible measures to protect students and make improvements in the broader South African students' loan scheme.

The findings from the study revealed that the respondents were unaware of the consequences to unpaid student loan debt, including the fact that they may not be able to complete their studies; that if their studies have been completed, the university will withhold the certification, and that not paying their student loan could prevent them from graduating. Furthermore, the respondents experienced challenges such as the contracts not being in a plain and understandable language, amongst many others. Based on the findings, recommendations are made on the measures that can be implemented to protect students and to make future improvements in the broader South African student's loan scheme in HE.

# ABBREVIATIONS

AOD	Acknowledgement of Debt
CHE	Council of Higher Education
CPA	Consumer Protection Act
CPI	Consumer Price Indexes
DUT	Durban University of Technology
HDIs	Historically Disadvantaged Institutions
HEI	HE Institution
NCA	National Credit Act
NSFAS	National Student Financial Aid Scheme
SAUS	South African Union of Students
SJT	Social Justice Theory
SRC	Student Representative Council
T's & C's	Terms and Conditions
UK	the United Kingdom
US	United States

# DECLARATION

I declare that this dissertation titled “The effects of consumer protection legislation on challenges pertaining to student loan debt: A case study of the Durban University of Technology” is my own independent work and this work has not been previously submitted for any other degree or examination to any other university. Where other sources have been used, they are acknowledged and given explicit reference.

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*12/07/2023*

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# CHAPTER ONE: INTRODUCTION TO THE STUDY

*'There is no future without education'- Rosa Parks*

## 1.1 Introduction

During apartheid, millions of South Africans faced multiple inequalities, including, but not limited to black South Africans being forcibly removed from their land and moved to racially segregated developments (Fogel 2019), the income inequality (Leibbrandt 2021) and education. Undoubtedly, due to the racial policies and financing inequalities in schools, the previous apartheid system created educational and social inequalities that affected access to HE (Ocampo 2004: 638). Any nation's progress, which relies on skilled employees, must include tertiary education. Education is frequently thought to be of vital importance to a nation's prosperity, and South Africa is no exception (De Shileds, Kara and Kaynak 2005 cited in Pirthiraj 2017:15).

HE may be the only way to break the shackles of poverty in South Africa, but for individuals to further their studies, they need money. South African students, who lack financial assistance, resort to other methods to finance their studies. Some students must rely on parental or family support, part-time employment, savings, or bank loans to fund their education (Callender and Jackson 2008; Richardson, Evans and Gbadamosi 2009). According to Ruzicka (2018: 21-23), all major banks (Absa, FNB, Nedbank, Standard Bank), as well as credit companies like Fundi, provide bank loans.

One form of financial aid that is intended to assist students with meeting their tuition costs as well as their living expenditures while attending Higher Education Institutions (HEIs) is student loans (Vacondam and Wen 2020). With all the alternative ways to pay for tertiary education, comes student debt. A mounting HE financing problem, caused by spiralling student debt that has reached approximately R14 billion and a fiscally bankrupt government, has contributed to South Africa's challenging start to the 2021 academic year (Naidu 2021: 1). According to Ahmed Bawa, chief executive officer of Universities South Africa, the total amount due to universities as of the end of 2019 was R14 billion (Van der Merwe 2021: 7). According to the country's HE and training minister, Mr. Blade Nzimande, over R10.4 billion in fees was outstanding to South

African universities between 2010 and 2020, with historically underserved schools carrying the majority of the burden (Van der Merwe 2021: 1; Mtshali 2020:1).

The inability to make timeous payments will result in serious consequences for the student, which could manifest in many forms, some of which include blacklisting or a poor credit rating, which in turn will impact the student's ability to save for the future, obtain a loan to buy a house or car or qualify for other credit facilities, amongst many other things (Covert and Konczal 2019: 5).

Students experience many challenges when concluding student loan contracts or Acknowledgement of Debt (AOD) forms. Some of these challenges include contracts often not being in plain and understandable language, contracts containing unfair provisions, terms, and conditions (Sharrock 2010: 295–296), in addition to many others. These challenges will be discussed in more detail in Chapter 2.

In light of these challenges experienced by HEI students, there is a need for this study, which intends to fill the gap. There is a paucity of research on the contractual challenges faced by students, which can shed light on whether such challenges contribute to the large amounts of student loan debt. This study aims to unveil the challenges faced by students concerning student loan agreements and the extent to which students are protected by consumer legislation.

This chapter will provide a brief background about HE and its exorbitant costs. It will set out the research problem, the aim and objectives, and rationale for the study. Furthermore, a brief overview of the literature review is given, with the conclusion completing this chapter. It will also discuss certain significant points on the research methodology and delimitations of the study. The results generated from this research study are limited to the confines of the case study institution only, viz. the DUT, and although they may to an extent be considered indicative, may not be generalised to all HEIs.

## **1.2 Background to the study**

HE is viewed as the source of skills and knowledge, which are necessary to propel the country into the competitive international arena (Wakeford 1997). It is linked to economic mobility (Naidoo and Mckay 2018: 159). If people are better educated, their

chances of getting a job are better (Naidoo and McKay 2018: 159). HEIs are increasingly realizing that they are in the service industry, placing greater emphasis on satisfying the demands and expectations of their customers, who include the students (De Shileds , Kara and Kaynak 2005 cited in Pirthiraj 2017:15). According to Pirthiraj (2017:1), there have been huge changes for South Africans in terms of education in the past decades, with the previously disadvantaged having access to HE and opportunities in ways that their ancestors could only dream of. While there is an increase in the access to HE, it needs to be paid for by students. Being a student is a widely acknowledged obligation of adult development in modern societies (Pirthiraj 2017:1).

Despite having 26 public tertiary institutions, there is a significant shortage of finance and access to public tertiary education in South Africa (Naidoo and McKay 2018: 159). According to Marmolejo (2015), students and their families pay for an increased portion of tertiary education costs, either through direct tuition payments or loan programmes that let students make payments after they graduate. Not everyone, however, is qualified for bank loans, is able to obtain part-time employment, or has family members who can assist them. For prospective first-year students, Pirthiraj (2017:1) asserts that their ability to pay for their education is important since it affects whether or not they enrol in a HE institution. Where students cannot afford to pay fees, they are assisted by financial aid arrangements or by a third party. Hence, the result is student loan debt.

Ruzicka (2018: 21-23) explains that bank loans are offered by all the major banks as well as credit providers. A contract is concluded between the credit provider and the student or third party. The author notes that the funds are subsequently repayable by the student or borrower through wage deductions or a debit order. These credit providers typically pay the tuition charges straight to the tertiary institution. In addition, the student must have someone to sign as a guarantor, pledging to repay the loan in the event that the student is unable to do so. A suretyship agreement is where a third person, such as a spouse or a friend, agrees to be liable for the debt if the debtor fails to do so. Furthermore, the surety cannot avoid accountability by claiming that they were uninformed of the terms of the contract (Gillan and Veldhuizen 2023).

The National Student Financial Aid Scheme (NSFAS) is another option available to students and prospective students to allow them to fund their education. NSFAS is a

student loan and bursary program, funded by the government, that welcomes applications from prospective students from families with a combined annual income of R350 000 who plan to enrol in a public university or TVET college. If they are eligible for funding, the student or parent of the student will conclude a contract with NSFAS. Similar to NSFAS is University Financial Aid. This is available to students who are not eligible for funding from NSFAS and entails students approaching the universities themselves for a loan or bursary. A contract is concluded between the university and the student. Included in the loan or bursary is funding for all study-related costs such as fees, accommodation and books (Ruzicka 2018: 9-11). For the ordinary student, HE is quite costly due to several additional non-tuition expenses like daily expenses, textbook fees, as well as other academic-related costs like transportation and lifestyle costs (Oyelana 2017). It is for this reason that NSFAS and university financial aid are quite beneficial as it will ease some of this burden on the student; however, according to Ruzicka (2018: 9-11), historically NSFAS has performed poorly in managing the funding.

In 2020, the South African Union of Students (SAUS) composed a document and submitted it to Minister Blade Nzimande on behalf of SRCs from all 26 universities across the country. Among the demands made were that student debt be written off, allowing indebted students to register, and providing academic records and certificates to all students, even those who still owed tuition fees. Nzimande responded to the list of requests by saying that this was impossible since government funding for the university system is limited and cannot be eliminated. He did, however, suggest that NSFAS-eligible students with debt from 2019 would be permitted to enrol in colleges so long as they sign an AOD form (Ngqakamba 2020). The AOD form is usually administered through the relevant university. With this form, the beneficiary admits that they are in arrears and owe money to the institution and aims to repay the money owed (Samuels 2021). This allows a student to register to continue their studies, access their academic records and receive their certificates, despite still owing the university money.

Some challenges that students have encountered with student loan contracts and AOD forms is that contracts are often not in plain and understandable language. Furthermore, these contracts may contain unfair provisions, terms, and conditions as

the contracts are typically in the form of standard-form contracts (Sharrock 2010: 295–296), in addition to the students' failure to read the terms and conditions (T's & C's) (Woker 2010: 227). The cautionary Latin maxim 'caveat subscriptor,' which can be translated to 'Let the signatory beware', is one such rule that students should be aware of. It can be understood that the failure of a student to read the terms and conditions of a student loan contract will not be grounds enough for them to be let out of the contract. The rationale behind this finding is that the rule, in essence, mandates that a party who signs a legal contract must abide by all of its conditions, whether or not they have been read (Govinden 2012: 11-12). Low education levels (Stoop 2013), poorly informed consumers and a lack of understanding of legal terms and conditions (Sharrock 2010: 12) have resulted in many South African students concluding unaffordable credit contracts with severe consequences should they not comply. These challenges will be discussed in more detail in Chapter 2.

Despite the 'caveat subscriptor' rule and its subsequent consequences, the court can set it aside depending on the circumstances. This is evident in the case of *Mercurius Motors v Lopez* (2008: para 33), where Lopez deposited his vehicle with Mercurius Motors for minor repairs. Before this, he signed two forms, one of which contained a clause that exempted Mercurius Motors from liability for loss arising from the negligence of its employees. This clause was on the reverse of a document and was referred to next to the space for signature; this referral was in small writing and was placed next to a far more prominent exemption clause. Mercurius Motors was broken into, and the vehicle was stolen due to the negligence of Mercurius's employees. Lopez filed a claim against Mercurius for his damages, and the court concurred with him.

In light of these challenges experienced by HEI students, this study aspires to contribute to the discourse that will facilitate seeing the future of this country free of student debt, which will be beneficial to the country as a whole, as well as society. If the youth of the country has as little debt as possible, it may contribute to a less stressed and a healthier country. The benefit of this study is that it will create awareness of the underlying issues of student debt and the protection offered by the law. This study will also endeavour to find the gaps in the legislation, particularly with respect to protecting students as consumers.



### **1.2.1 HE Student Loan Debt and the Social Justice Theory**

With minimal assistance from the government, students owe hundreds of millions of rands in fees. Of the fifty percent of South African students who leave institutions of HE, it is reported that many of them do so due to financial constraints (Styan 2014). In South Africa, HE is becoming increasingly elite. Only students who can afford it may enrol and complete their education due to rising expenses and insufficient financial assistance (Bozalek and Boughey 2012). The #FeesMustFall campaign, which claimed that HE is gravely underfunded, put enormous pressure on the government and the HEIs in response.

The country's greatest issues are poverty and inequality, which are made worse by unemployment (Govender 2016). Justice is a broad, complex notion with a wide range of forms and interpretations. Several prevalent ideologies of justice exist (United Nations 2006 cited in McGregor 2017). Justice is fundamentally understood to be morally acceptable and fair, proper or merited behaviour and treatment. Various forms of justice exist (see Hardon, 1980), namely social, economic, distributive, legal, and many more (McGregor 2017). Hence, the Social Justice Theory (SJT) underpins this study.

McGregor (2017) defines the SJT as taking the appropriate steps to influence the social conditions that are prevalent (common good). In a society, resources like money, housing, healthcare, education, employment opportunities, food, secure working conditions, and access to the market, must all be allocated equally. In order for students to feel safe and secure both physically and psychologically, social justice entails treating all students equally and allocating resources fairly (Álvarez 2019). This notion has become pertinent in education, especially in communities that have a history of being oppressed (Belle 2019).

Widening university access, which makes it possible for a diverse student population and graduate workforce that can, in turn, contribute to a more just society, are prominent instances of social justice in HE. While it is acknowledged that HE may result in temporary poverty, more recent research indicates that many university students are vulnerable to withdrawal, have growing debt, and have elevated mental health stress (Gair and Baglow 2018). According to Carter (2013), student loan debt specifically, has

been placed under the ever-widening umbrella of social justice. Those students drowning in debt as a result of their student loan debts will have a much more difficult time in society. The inability to make timeous payments will result in serious consequences for the student, who may be unable to get accepted for jobs, blacklisted or get a poor credit rating, which in turn will impact on their ability to save for the future, obtain a loan to buy a house or car or qualify for other credit facilities, amongst many other things (Covert and Konczal 2019: 5). According to Tumbo (2020), one can only ponder the value of a society whose youth have amassed massive loans with exorbitant interest rates. Additionally, very little is left of a society whose graduates start their careers in a sprint to pay off their debts.

### **1.2.2 Students as consumers**

According to the Section 1 of the Consumer Protection Act 68 of 2008 (CPA) (Republic of South Africa, 2008), a consumer is any individual to whom particular products or services are promoted during a providers' regular business hours. Additionally, regardless of whether the recipient took part in the transaction for the supply of certain products, anybody who has done business with a supplier and anyone who has used particular goods or received particular services, is deemed a consumer. Mehrtens (2016) states that students are customers as they satisfy the above requirements.

Although evident in almost every country, the conversion of students into consumers appears to be most well-established in university systems that are set up as competitive markets, such as those in the United States (US), the United Kingdom (UK), and Australia (Paricio 2017: 138). According to Paricio (2017: 138), costly HE tuition leads students to adopt a mind-set of seeking value for their money and seeing HE more as consumers than as members of the university community. The student is therefore the consumer in the HE context. The customer (student) seeks student loans to pay for the service (HE), which leads to the student having a debt (Richardson, Evans and Gbadamosi 2009; Vaicondam and Wen 2020). However, students are unaware of their consumer rights and as such do not fully comprehend their student loan contracts, which leads to an increase in student loan debts (February 2018). The rights of consumers in relation to students will be further discussed. Student loans are one of the largest consumer debts in the world (Anon. 2014).

### **1.2.3 Student challenges in respect of student loan debt**

Student loan debt is a worldwide challenge. According to Kapadia (2015), the US has acknowledged the affordability of HE and the student debt as a crisis. The author claims that the student loan debt crisis is distinguished by the fact that more than 38 million students are struggling under more than \$1.1 trillion in unpaid student loans. According to a report by the Consumer Financial Protection Bureau, cited by Kapadia (2015), student loan debt increased by 20% between the end of 2011 and May 2013, making it the second-largest type of consumer debt behind mortgages (Chopra 2012; Lewin 2011; Friedman 2019). Kapadia (2015) notes that a big contributing component to the student loan problem has been the student loan market's lack of flexible repayment alternatives and solutions during challenging times. These solutions are provided under the recommendation section of this study.

Years after the inception of the student loan programme, New Zealand's outstanding student debt stood at \$7 billion (Asadullah and Chan 2019). Asadullah and Chan (2019) maintain that approximately 28% of graduates default on their student loan debts. According to Vaicondam and Wen (2020), Malaysia is one of the countries with the highest loan default rates.

South African students who lack financial aid must apply for loans, which are either loans from banks or loan bursary schemes such as the NSFAS, and/or they have to rely on part-time jobs, savings and/or parental contributions to pay for their education (Callender and Jackson 2008; Richardson, Evans and Gbadamosi 2009). The current student loan crisis remains a prominent fixture in national discussion in South Africa (Kapadia 2015; Hodes 2017).

Naidu (2021: 1) states that student loan debt has reached almost R14 billion between 2019 and 2021. As reported by Xolo (2018), an IT consultant who was interviewed indicated that he had acquired a student loan debt of approximately R80 000 and adds that the only way to pay his debt is by taking out more loans or credit cards, further adding to his debt.

Payi (2022) claims that the University Of Western Cape (UWC) had a total student debt of R445.7 million as of December 31<sup>st</sup>, 2021. Further, the university owed a total of R119m in previous debt for the 2020 academic year. Prior to 2020, the total historical

debt owed by the University of Cape Town was R225 million. Around 1 900 student had owed R77 million in 2020 student fees. University students around the nation had to deal with the inconvenience of unpaid loans and uncleared debts at the start of the 2021 school year. Despite meeting the academic criteria, this prevented them from re-registering at universities. Furthermore, according to Zama (2021), the Minister of HE and training, Mr Blade Nzimande mentioned that more than 100,000 students had been unable to get their qualifications from almost 81% of the country's public universities due to outstanding student loans. Students in South Africa thus continue to experience the effects of the debt problem every year (Botha 2021).

#### **1.2.4 Student loan contractual challenges**

It is becoming more common to represent the relationship between the university and the student as a contractual one. In the context of HE, when the student is indebted to the institution or a third party, the legal relationship between the student and the HEI is usually established in terms of a contract (Rochford 1998: 28). A contract is an agreement between two or more parties, which establishes reciprocal legal duties and is intended to bind the parties to the agreement. A contract can be either oral or written (LaMance 2020; Van Der Merwe 2012: 88; Van Der Ploeg 2017; Van Schalkwyk 2014: 19), which will result in legal consequences (Van Der Merwe 2012: 86). According to Reddy (2012: 587), standard form business contracts are determined by businesses; therefore, in the HE context, the contract for student loan debt is generally a written agreement consisting of a pre-printed standard-form as the T's and C's relating to the student loan agreement are decided entirely by the institution or lender. Standard-form contracts are used by organisations to limit risk and shield them from liability to the greatest extent feasible. These contracts typically contain non-negotiated provisions and are one-sided and overly protective of the organisation. Additionally, some contracts contain provisions that are unjust to the customer. Customers typically accept the pre-formulated terms without questioning them or asking that they be changed, even if they have the option to refuse to agree to the T's and C's or to go elsewhere for better terms (Sharrock 2010: 295–296). In the HE context, the student is the consumer that generally agrees with such pre-formulated terms in the student loan debt contract. It is unlikely that the student will re-negotiate the terms of the agreement or look for another institution to study at, which could happen, for instance, where a

consumer is concluding a retail contract (Elshout, Elsen, Leenheer, Loos, Luzak 2016: 17).

Another challenge is that contracts in general are often not in plain and understandable language (Kirby 2011; Stoop and Chürr 2013). This may also be a challenge when a student is concluding a contract relating to student loan debt. According to consumer legislation, the drafter of a document must provide that document in plain language. A document is in plain language if it is realistic to assume that a typical customer with average literacy skills may be anticipated to grasp the document's importance and substance without unnecessary effort (Republic of South Africa, 2006, National Credit Act No. 34 of 2005; Republic of South Africa. 2008. Consumer Protection Act No. 68 of 2008). Consumers have a right to information in plain and understandable language; hence students, as consumers; also have such right (Newman 2010 737). However, students are unaware of their right to request documents to be translated or to have it in plain language and as such, do not fully comprehend their student loan contracts, which leads to an increase in student loan debts (February 2018).

A further challenge is that student loan contracts may contain unfair provisions, terms, and conditions. For example, even though lending guidelines specify the rate of interest to be charged, many unscrupulous creditors provide interest rates that are significantly higher than what is required, making it practically impossible to pay the principal amount as well as the interest. It is also possible that they add other unnecessary costs onto the student loan or have unfixed interest rates (Rayner 2019). Contract terms which are unfair are not binding on consumers provided, it is contrary to the requirements of good faith, as they result in a significant imbalance in the parties' rights and responsibilities to the detriment of the consumer (Anon 2020).

When it comes to student loans, it is important for students to read the T's and C's to know what they have signed up for. This will enlighten them on options regarding default and grace periods. A failure to do so can result in an increase in the loan (through the application of provisions that require the student to pay a penalty), or the student could default on the loan without knowing it, etc. (February 2018).

According to Stoop (2013:1), some of the most important objectives of consumer credit legislation that were identified, were that it must address the consumer's unequal

bargaining position, curb the exercise of remedies by credit providers, educate consumers, and provide consumers with pertinent information. These observations would equally apply to HE students (as consumers) with loan contracts. The author further states that, considering the significant power disparity between credit providers and consumers; the use of standard-form contracts low education levels; contracts not written in a plain and understandable language; poorly informed consumers; failure to read T's and C's; a lack of understanding of legal T's and C's; weak disclosure and deceptive marketing practices, and many other reasons, many South African consumers have concluded unaffordable credit contracts with severe consequences should they not comply. Clearly, from the discussion above, this is the case with student loan contracts as well.

### **1.2.5 Consequences of unpaid student loans**

One type of financial aid that is intended to assist students with financing their living expenditures while attending HEIs as well as their university fees is student loans (Vaicondam and Wen 2020). However, defaulting on loan repayments will result in serious consequences for the student in the form of either a blacklisting or a poor credit rating, which in turn will impact on the student's ability to save for the future, obtain a loan to buy a house or car or qualify for other credit facilities, amongst many other things (Covert and Konczal 2019: 5).

#### **1.2.5.1 Non-completion of studies, withholding of results and students prohibited from graduating**

The #FeesMustFall protests in 2015–16 brought the issue of inadequate tertiary student funding into the public eye, with students reporting that they were being turned away from HE because they lacked the necessary fees (Naidoo and McKay 2018: 158; Aydin 2014). The NSFAS failure to settle the fees of the studies on behalf of the student results in the university withholding students' results. Students are unable to continue their studies or pursue postgraduate studies because the university refuses to release their results (Cabana 2019; Head 2019; Bozalek and Boughey 2012).

According to Pirthiraj (2017:10), the dropout rate has been increasing steadily over the years as some of them cancel their registration after a few weeks due to financial problems.

The University of Limpopo has confirmed that it has withheld the degree of an Arts student, achieved in 2007, for owing money to the university (Head 2019). The debt was incurred as result of the NSFAS' failure to settle the fees for the final year. The certification policy of the university states that certificates are issued to students whose fees accounts are fully settled (Anon. 2015).

#### **1.2.5.2 Blacklisting, bad credit score/record and the inability to save**

Morgan and Halpin (2005) explain that thousands of graduates will be blacklisted if they fail to pay their debt on time, as a measure to tackle bad debt. Debtors who owe NSFAS may end up blacklisted, according to the NSFAS chairperson. The chairperson stated that people earning an income are unwilling to pay and as such, NSFAS will follow the normal debt recovery process (Anon. 2016; Tandwa 2016).

Some of the first obligations that young individuals incur are student loans (Hagen 2020). In addition, according to Farrington (2019), persons who do not make their student loan repayments will be prohibited from applying for credit cards, mortgages, or personal loans until they have paid off their obligations and restored their credit score (Morgan and Halpin 2005; Williams 2019). Student loan debt makes it difficult for graduates to save for the future (Farrington 2019). However, Farrington (2019) is of the opinion that having a student loan can be beneficial for those who pay it on time, which is the biggest contributing factor to a person's credit score (Hagen 2020). Williams (2019) explains that a bad credit score can significantly affect a person's ability to purchase a home (Austin 2013; Castonguay 2019: 11). Saving money for the minimal down payment needed by many lenders may be impossible for an individual due to student loans (Williams 2019).

#### **1.2.5.3 Being disqualified from prospective jobs**

Most NSFAS students are blacklisted, making it difficult for them to get employment and hence make payments on their loans (Monyae 2010: 21). Blacklisting is a result of not paying the student loan timeously (Covert and Konczal 2019), which is the biggest contributing factor to a person's credit score (Hagen 2020). A poor credit score can affect a person's employability (Becker 1968 cited in Janko and Popli 2015: 4008).

#### **1.2.5.4 Student loan debt and defaulting**

According to Austin (2013), students have borrowed heavily for their education and millions are deeply in debt. The author goes on to say that, many of them will be paying for their debts for much of their lives. According to Austin (2013), many borrowers may default or pass away before making all of their payments, even if some will ultimately repay their loans and others may receive complete or partial debt forgiveness.

According to Stenerson (2012), young student borrowers will ultimately turn into middle-aged student borrowers, and many of them will have far higher student loan debt than their parents had. The experience of today's middle-aged generation, 16% of whom have student loan debt, may be seen as a possible sign of things to come (Stenerson 2012).

#### **1.2.5.5 Emotional/mental health problems**

According to Dickerson (2010 cited by Austin 2013: 401), numerous medical ailments, such as migraines and headaches, stomach aches, back pains, an increased risk of cardiovascular disease and hypertension, as well as psychological disorders like depression, are more prevalent in those who have significant debt. Further, having excessive debt is linked to greater mortality rates, including suicide (Austin 2013: 401). This means that having financial difficulties is just one of the challenges that students experience (Kinnucan, Zheng and Brehmer 2006; Paliulis and Labanauskis 2015). The borrowers' health is neglected since they are more inclined to put off or forego medical and dental care (Jacoby 2002 cited in Austin 2013: 402). Austin (2013) mentions that there are various blogs that address crippling student loan debt, and the depression and other societal issues brought on by this crisis from education. The author also mentions a law graduate who defaulted on his loan, ultimately leading to the dissolution of his marriage.

### **1.3 Problem Statement**

In recent years, a great importance has been placed on education, in particular, HE. It is important to understand that while basic education is a right, according to the constitution, HE is not, and it is therefore the responsibility of the aspiring student to find the means to fund their continued education. Student loans are often the only



choice young people from disadvantaged backgrounds have if they do not qualify for bursaries. Consequently, many young students or professionals are burdened with debt that they have to pay for whether they complete their studies or not. Recent studies have shown that students often find themselves drowning in loans they are unable to pay back (Farrington 2019). According to an article by Dana (2015: 1-8), an accounting graduate of the Cape Peninsula University of Technology stated that she owes the NFSAS R170 000, and although she has recently obtained a permanent administrative position, she can only afford to pay R300 a month, which implies that it will take a minimum of 47 years to pay off the loan. She further reports that the only reason she is paying anything at all is to prevent blacklisting. The inability to make timeous payments will result in either a blacklisting or a poor credit rating, which in turn will impact the students' ability to save for the future, obtain a loan to buy a house or car or qualify for other credit facilities (Covert and Konczal 2019: 5). A poor credit score will also affect a person's employability, which has serious implications for the country as a whole, such as an increase in unemployment and crime rates (Becker 1968 cited in Janko and Popli 2015: 4008).

The Department of HE and Training (DHET) has allocated an additional amount of nearly R1 billion to NSFAS to settle debt owed to universities by 52 514 students (Mabuza 2019). The statistics of various studies, as shown above, confirms the seriousness of the problem and the urgency of resolving the underlying issues. The student loan debt challenges faced by students requires investigation from the standpoint that students, as consumers, must be afforded protection, such as regulating the terms and conditions of the contract, in terms of existing consumer legislation, such as the CPA. It is therefore of paramount importance to investigate the effects of consumer protection legislation on the challenges pertaining to student loan debt in the South African HE sector.

#### **1.4 Rationale for the study**

Education is important for building one's future, and it is the foundation for a better future. However, not everyone has the ability to pay for that foundation. The costs of building the said future are sometimes crippling, even more so if you are unemployed or earning the bare minimum. More often than not, paying for HE takes decades. In South Africa, young people in HE have already attained a key aspiration: one out of

every 12 students who enrol in school will graduate with a degree (IRR 2016 cited in Walker 2018: 123).

According to Covert and Konczal (2019: 5), student loan debt is reshaping the lives of young adults, and more evidence of its harm is emerging. They continue by claiming that it is linked to a delay in a variety of adult milestones, including starting a family and buying a home. According to the authors, these consequences will continue to have an impact on the economy as more people carry student debt into their early 40s. They believe that the lives of parents and families are also impacted by student debt, in addition to that of the borrowers themselves. This indicates that not only is student debt holding the student back from progressing, it is also having a negative impact on the economy where government has to pay universities the money owed by students in order to sustain them (Mabuza 2019). This demonstrates that student debt not only prevents students from moving forward but also has an adverse effect on the economy because the government must pay institutions the money owed by students in order to keep them operating (Mabuza 2019).

The national student debt in South Africa reached R5.5 billion during the 1990s and the early 2000s as university prices climbed (due to reduction in subsidies from government) (Naidoo and Mckay 2018: 161). There are reservations that the focus on raising funding should not eclipse research that has shown that, while financial aid has a good impact on students' academic performance, it cannot be stated that having more money available to each student will necessarily lead to greater academic success (Richardson *et al.* 2009). The idea behind this is that although financial schemes fund student's studies and only require repayment of the funding once they have completed or dropped out, a monthly payment of the tax owed on the funded amount is required (Basel 2019). More often than not, the students' parents or family are unable to pay for such tax, which results in the student seeking part time job/s, typically those which begin after 5pm (Hesse 2017). This in turn has a negative impact on their studying time, which reflects in the end of semester or year results (Yanbarisova 2015). Since most funders place a high priority on academic performance, it is essential for students to make sure they can prove their efforts and dedication to raising their academic performance in order to maintain financing (Kgethi 2020).

Swaniker (2017: 50) explains that budgets for education funding are often strained. Almost a third of the budgets of African governments are already allocated to primary and secondary education, allowing insufficient money for postsecondary education. Due to low household incomes, lending institutions like banks and credit unions are wary of giving students or their families' student loans. When banks do provide university financing, the interest rates can be as high as 40%, and they typically require security to secure the loan, making it unaffordable for the majority of families. In the instance that the family does accept the loan, they often find themselves over indebted.

The author continues by explaining that although many students are required to sign AOD agreements before beginning their studies, there is no assurance that they will ultimately be able to pay back what they owe. The author also mentions how this is seriously affecting university finances. Undergraduates currently face a myriad of issues, including the following:

- Despite their strong academic achievement, some students are barred from continuing their education due to financial concerns;
- Results are withheld until the debts have been paid off, and
- Some are unable to graduate because of their debt.

This study intends to fill the gap with respect to inadequate research on the contractual challenges faced by students, which can shed light on whether such challenges contribute to the large amounts of student loan debt. This study seeks to unveil the challenges faced by students concerning student loan agreements and to what extent are students protected by consumer legislation. Therefore, it hopes to contribute to the discourse that will assist in ensuring that the future of this country is free of student debt, which will be beneficial to the country as a whole, as well as society. If the youth of the country have as little debt as possible, it will lead to less stress and a healthier country. The benefit of this study is that it will create awareness of the underlying issues of student debt and the protection offered by the law. This study will also endeavour to find the gaps in the legislation, particularly with respect to protecting students as consumers.

## **1.5 Title**

The effects of consumer protection legislation on challenges pertaining to student loan debt: A case study of the Durban University of Technology.

## **1.6 Key Words**

Students; Loans; Student Loans; the National Credit Act; the Consumer Protection Act; Contractual Challenges; Vulnerable Groups.

## **1.7 Aims**

The primary aim of the study is to investigate the effects of Consumer protection legislation on the challenges pertaining to student loan debt in the South African HE sector.

## **1.8 Objectives**

The objectives of the study are:

- To explore HE student challenges in respect of student loan contracts and the resultant student loan debt;
- To analyse the implications of selected consumer legislation (including the National Credit Act 34 of 2005 and the Consumer Protection Act 68 of 2008) on such challenges faced by HE students;
- To explore measures to protect students, and ensure improvements in the broader South African student loan scheme in HE.

## **1.9 Research questions**

To achieve the above-mentioned objectives, the study sought to answer the following questions:

- What are the challenges facing students concerning the student loan contract?
- How do the consequences of unpaid student loan debt affect students?
- What are the implications of the relevant consumer legislation on such challenges faced by HE students?
- What are possible measures to protect students and

- How can future improvements be made in the broader South African student loan scheme in HE?

### **1.10 Research hypotheses**

The following research hypotheses were formulated to guide this study based on the aims, objectives and the literature reviewed:

Ho1: The lack of adequate information in the student loan contract explaining the terms and consequences of the contract does not play a significant role in the student's lack of awareness of such consequences at the time of concluding the contract.

Ho2: The student loan contract not being in plain and understandable language does not play a significant role in contributing to the lack of adequate information explaining the terms and consequences of the contract

Ho3: The supplier failing to properly explain the T's and C's of the contract to the consumer does not play a significant role in the consumers' understanding of the T's and C's of the consumers' student loan contract.

### **1.11 Delimitations of the study**

This study focused on students at the DUT. It was conducted amongst students generally. Furthermore, the study was limited to one HEI, i.e. the DUT and all of its campuses; therefore, the findings from the study cannot be generalised to all Universities of Technology or other HEIs.

### **1.12 Scope**

The scope of the study constitutes the students of the DUT.

### **1.13 Research methodology**

A case study research design was chosen to be employed for the current proposed study. This study focuses on collecting and analysing, quantitative data as a method and is being presented and analysed using quantitative techniques.

The target population for this study comprised of full-time students from all of the DUT campuses, viz. ML Sultan, Steve Biko, Ritson, Brickfield, City campus and the Pietermaritzburg campus. The total population of this study is approximately 33 000 students. This study adopted non-probability sampling techniques, i.e. a judgemental or purposive sampling method and a convenience sampling method.

This study employed a questionnaire that is primarily quantitative in nature. An attachment to the questionnaire detailed the significance and objective of the research. Respondents received assurances that their participation was voluntary, that their identities would remain secret, and that their replies would be treated in confidence. To assess the questionnaire's reliability, Cronbach's Alpha was utilised. The quantitative data were analysed using the SPSS software tool (Statistical Package for the Social Science).

## **1.14 Layout of the Research Report**

### **Chapter 1: Introduction and Background**

This chapter included the background to the study, research problem, aims and objectives.

### **Chapter 2: Literature Review**

This chapter presents a review of relevant literature particularly on the areas of student loan challenges, student loan debt and the implications of the relevant consumer legislation.

### **Chapter 3: Research Methodology**

This chapter explains the research methodology used in the study. The population is described, and the sampling method explained; also, the data collection is defined and the process of analysis explained.

### **Chapter 4: Data Analysis and Findings**

In this chapter, the data collected from the survey is presented, analysed and discussed with the use of figures, tables and narration.

## **Chapter Five: Conclusions and Recommendations**

This chapter presents the conclusions of the study and recommendations based on the findings.

### **1.15 Delimitations of the Study**

This study focused on students at the DUT. The study was limited only one HEI, and findings therefore cannot be generalised to all University of Technologies or HEI.

### **1.16 Conclusion**

This chapter introduced the study and provided the context within which the study was conducted. The aspects presented included the introduction, background to this study, problem statement, the aims and objectives, and delimitations. The challenges that students face with respect to student loan debt are quite serious and have both short-term and long-term consequences for them. It is therefore important to examine the implications that specific pieces of consumer legislation have for students as consumers. The challenges associated with student loan debt and the ramifications of certain consumer protection laws will be covered in more detail and structure in the chapter that follows.

# **CHAPTER TWO: LITERATURE REVIEW**

## **2.1 Introduction**

This chapter reviews the literature relevant to this study. A review of the literature offers suggestions on how to focus the investigation on a particular area. It fills in the blanks and expands previous investigations by providing the reader with the findings of other relatively similar studies to the one being conducted (Creswell 2014: 25). This chapter focuses on existing literature relating to student loan debt and the effect of consumer protection legislation on challenges pertaining to student loan debt. As not much in-depth research has been done on this topic in South Africa, the researcher has based some of the arguments and literature support on examples provided by other countries, particularly the US, where there is an abundance of literature pertaining to the topic at hand.

## **2.2 Definition of relevant terms and introductory comments**

An understanding of certain words and terms will assist in following the review of the related literature on student loan debt challenges.

### **2.2.1 Students**

Students are people who enrol in a class; if they drop out, they are no longer considered students in the class (Goldwasser, Mankoff, Manturuk, Schmid, and Whitfield 2016: 126).

### **2.2.2 Loans**

A loan is when you offer something to someone else in exchange for their future repayment of the loan's value or principal, plus interest or other fees (Kagan 2019).

### **2.2.3 Student Loans**

Student loans are defined, as monies borrowed by students for their education, which they are expected to pay back over time, in most cases, with interest (Bergen 2020: 4).



#### **2.2.4 Credit**

The trading practice of providing products and services to a receiver and acknowledging between the parties that the receiver is entitled to pay for such later has been termed credit (Section 1 of the National Credit Act 34 of 2005; Walker 1980 cited in Vessio 2015:3). By this definition, students being allowed by the HEI to for pay for their fees at a later date, would refer to credit.

#### **2.2.5 The National Credit Act 34 of 2005**

Brits (2018: 2; Rossouw 2008:29) describes the National Credit Act (NCA) 34 of 2005 as a piece of legislation whose objectives include advancing the social and economic well-being of South Africans, and promoting a just, open, competitive, sustainable, fair, efficient, and accessible credit market and industry. In addition, the NCA is aimed at safeguarding consumers and promoting responsible credit granting and forbid reckless credit granting by promoting a fair and non-discriminatory marketplace for access to consumer credit. Furthermore, the purpose of the NCA to provide for the general regulation of consumer credit, to prohibit certain unfair credit and credit-marketing practices.

#### **2.2.6 The Consumer Protection Act 68 of 2008**

The Consumer Protection Act 68 of 2008 (CPA) (Republic of South Africa 2008), which came into effect on April 1, 2011, is the country's first legislation of its type and provides the groundwork for the consumer era (Havenga 2010: 483). It advocates a fair and accessible market for consumer goods and services. The CPA also establishes national standards for consumer protection, and raises the bar for agreements and transactions involving consumers (Reddy 2012: 587).

#### **2.2.7 Vulnerable Groups**

A group that is considered vulnerable in South Africa is one that is at a higher risk of social exclusion and poverty than the general populace. At all levels of policy planning and execution, special attention must be paid to this sector in order to determine, among other things, resource allocation (Stats SA 2017: 1).

## **2.3 Historical Inequality in access to HE in South Africa**

In South Africa, life revolved around a single word from 1948 through the 1990s. Through apartheid, a small white minority maintained control over the majority-black population of the nation (Blakemore 2019: 1). The apartheid system severely persecuted Black South Africans. It is important to note that education was one way that this tyranny was carried out (Shange 2015: 13). The fragmentation of the schools, according to Chisholm (2004, cited in Shange 2015: 13), was the most efficient method for unfairly allocating resources. The author explains that all educational levels, including primary and secondary schools as well as universities, experienced this fragmentation (Universities and Technikons).

Despite South Africa achieving much since the demise of the apartheid system and reducing the historical inequalities that brought about many economic, social and technological challenges, graduates are not technologically advanced and equipped with the necessary skills and knowledge for the real world (Pirthiraj 2017: 19). The post-apartheid parliament that came to power in 1994 inherited an unequal and unfair HE system, according to Badat (2009 cited in Sehoole and Adeyemo 2016: 2). The author also emphasizes that historically, racial and ethnic distinctions were made in the apartheid HE system. Mzangwa (2019: 1) claims that before 1994, several South African HEIs did not appear to prioritise the social inclusion of diverse groups, especially those from underprivileged origins, in HE; because they engage students from disadvantaged and under-represented social backgrounds, access and increasing participation are consequently challenging and getting harder to maintain (Leibowitz and Bozalek 2014: 91). According to Shange (2015: 14), the democratic government was established in 1994 with the intention of "balancing the inequities of the past," and Shange maintains that this objective was partially accomplished as students from disadvantaged backgrounds continue to face difficulties. This marginal success has been brought into focus by Sehoole and Adeyemo (2016: 2), who express the opinion that when total engagement was broken down by race, evident disparities were discovered. It was found that Africans, despite constituting 80% of the population, had a participation rate in HE of only 9%, while whites, who made up only 10% of the population, had a participation rate of 70%. The authors added that these figures showed that Africans received the worst treatment under apartheid.

Bunting (2004 cited in Mzangwa 2019: 2; Scott, Yeld and Henry 2007 cited in Smith 2012: 370; Pandor 2006 cited in Hlalele and Alexander 2016: 488) reported that despite the democratic government's introduction and subsequent amendment of HE policies, the majority of historically underprivileged black people in South African society have not reaped the benefits of these changes in terms of access, equity, or participation in HE. These policies included giving black students who do not meet the specified admission standards for a degree course more access, so they can be enrolled without being discriminated against due to their inadequate matriculation results (Makura, Skead and Nhundu 2011 cited in Tanga and Maphosa 2018: 2). In order to accomplish what is currently known as the “massification of HE”, the objective of these policies was to improve access to HE (Cloete and Bunting 2000 cited in Tanga and Maphosa 2018: 2). Instead, the wealthy are still able to afford and attend HEIs, but the overwhelming majority of the poor in South Africa, who are primarily black, do not appear to profit from the adoption of laws meant to alter HE in the country (Mzangwa 2019: 1). Smith (2012: 370) explains that in order to address equity issues and wider diversity in the student population, HEIs and government have been implementing various measures to allow admission of students from previously disadvantaged backgrounds.

NSFAS, which was founded in 1991, is one such measure. It aims to have an impact on South Africa's radically imbalanced student and graduate populations by offering a viable financial assistance scheme that enables academically deserving and financially needy students to meet their own needs as well as South Africa's development needs (Jackson 2002: 82). While programs like NSFAS do exist, Odhav (2009: 33) contends that the policy still has flaws in a number of areas, including financing for historically disadvantaged institutions (HDIs) and for students, particularly those from disadvantaged backgrounds.

## **2.4 Social justice and access to HE**

In essence, social justice is concerned with equal justice, not just in the courts, but also in university access, inclusion and social justice in all aspects of society. This concept demands that every person have equal rights and opportunities (Hlalele and Alexander 2016: 489). Gair and Baglow (2018: 207) indicate that in postsecondary education, concepts of social justice have deep historical origins; apparent instances of social

justice include increased university accessibility, permitting a varied student population and graduate workforce who, in turn, may contribute to a more fair society. Inclusion of social justice implies providing equal access to HE to everyone and no discrimination in terms of race, disability, culture, gender or other aspects of learners (Department of Education 2001 cited in Hlalele and Alexander 2016: 493).

Hlalele and Alexander (2016: 490) argue that the rationale for expansive access needs to be balanced with the most appropriate opportunities and choices available to support and guarantee the success of selected students. The authors believe that cognisance must be taken of the fact that these students' educational backgrounds might not have adequately prepared them for the demands of university life.

In agreeing with Hlalele and Alexander (2016: 490), Wilson-Strydom (2011: 407) reported that while institutions seek to improve their throughput rates, the issue of under-preparedness among new students has become more prominent. According to the author, expanding access to HE without also increasing the likelihood of success is evolving into a brand-new type of social exclusion (Mngomezulu, Dhunpath, and Munro 2017: 132). Wilson-Strydom (2011: 415), discloses that insufficient attention given to students' capabilities and their ability to make effective use of the opportunity of university study. The implications of this are apparent from students' low academic performance, the significant number of students who have been blacklisted due to unpaid student loans, and the differences in academic performance amongst students who identify as members of various racial and class groups. As a result, access frequently does not lead to success but rather to additional injustices, such young people dropping out of university (Mzindle 2015: 77) with massive debts, self-doubt, and no degree. Additionally, the throughput and retention rates decreased as more students entered HEIs (Shange 2015: 14). In light of this, Letseka (2009, cited in Shange 2015: 14) presents the argument that many students are leaving university education before completing their undergraduate degrees. This observation suggests that the substantial increase in student dropouts may be due to the low calibre of applicants to HEIs or to applicants' lack of preparedness brought on by the pressing need to address historical inequities. Bozalek and Carolissen (2014: 16 cited in Moja, Luescher, and Schreiber 2015: viii) suggest that opportunities for people to participate

on an equal footing need to be created, and that this is an expression of recognition of diversity of living. It is a lived form of social justice.

## **2.5 Higher education student challenges and dropout rates**

Chetty and Pather (2015: 1) state that students from South Africa who enrol in universities come from backgrounds that are incredibly unequal in terms of education, race, class, and financial and other resources. Although the South African educational system has undergone a complete reform since the democratic elections of 1994, the authors note that mediocre university student performance has persisted. The authors also reveal that despite there being policies for the widening of access to HE, which have led to an increased number of students who enter into the institution from poor and disadvantaged backgrounds, a large number of students drop out due to challenges they face that relate to poor programme choice, maladjustment (Mouton, Louw and Strydom, 2013: 285), social circumstances, health and finances. These challenges will be discussed further below. It is important to note that they are only some of the many challenges experienced.

### **2.5.1 Poor programme choice**

In a study conducted by Pillay and Ngcobo (2010: 234), it was discovered that one in eight students felt they had not chosen their course of study wisely. This was due to the fact that there was a dearth of information available at the time they made their career choice. Another study by Moodley and Singh (2017: 103) found that the majority of the participants maintained that they were not properly advised about their career choices, hence they chose the incorrect programme, and cited this as one of the many reasons for dropping out.

According to a study by Moeketsi and Mgutshini (2014: 248), students reported quitting their studies after discovering that the anticipated financial and career rewards were no longer possible. This is supported by Manik's results (2014: 154), which demonstrate that inadequate career assistance and a lack of career counselling before and upon entering university both appeared to contribute to the students' departure. She asserts that students did not actually know how to select courses or modules for HE, or how well their high school subject selections prepared them for college.

### **2.5.2 Maladjustment and lack of support**

Numerous obstacles must be overcome by university students, some of which are greater than they can withstand. Due to this, their chances of graduating are reduced, as evidenced by the high failure and dropout rates at the national level (Pillay and Ngcobo 2010: 234). Shange (2015: 2), reports that students who come from low socioeconomic or disadvantaged backgrounds encounter multiple challenges, one of which is the adjustment they are required to make when transitioning from their underprivileged backgrounds into the challenging and complex multi-cultural learning environments seen in educational institutions. In addition to the adjustment challenges found by Shange (2015:2), the findings of a study conducted by Moodley and Singh (2017: 91) show that poor career choices, insufficient academic assistance, and insufficient funding were the main causes of student dropout. As a result, they require strong support systems to assist them in adapting to the rigours of HE (Shange 2015: 2). According to a report prepared by Moeketsi and Maile for the Human Sciences Research Council in 2008 (cited in Moodley and Singh 2017: 93; Shange 2015: 15), of the 120 000 students who entered HE in 2000, 30% abandoned their education in their first year of study. Twenty percent more students left their second and third year early. Of the remaining 60 000 students, 22% completed their degrees in the required three years for a general degree.

The statistics mentioned above, according to Shange (2015: 15), could be interpreted as a sign that students are still having difficulty acclimatising to their new surroundings and the university's culture. The author continues by speculating that it is possible that the institution's support initiatives are not seen as sufficiently successful in ensuring that all students—first-year and undergraduate students in particular—are adequately equipped with the abilities needed to function in the academic environment. The author contends that resources like financial aid and bursaries are perceived as being squandered if students are not making academic progress because it is assumed that they are occupying space that should be occupied by new (or prospective) students who also rely on financial aid to further their studies.

In support of the notion, research by Moodley and Singh (2017: 103) concluded that there was a lack of academic assistance based on the participants' replies to a range of questions about their academic performance and assimilation.

### **2.5.3 Financial constraints and student loan debt**

According to Shange (2015: 2), students from disadvantaged backgrounds have problems adapting to a demanding and varied multi-cultural educational institutional setting. The author goes on to explain that these students endure significant financial difficulties as a result of their underprivileged upbringing, which negatively affects their academic performance. Data from a study by Mzindle (2015: 81) revealed that the majority of the participants in the sample suffered from persistent failure, which led to their leaving the university. The author notes that it is to be expected that students who continuously fail, will not be able to move further without institutional approval. He asserts that students who repeatedly fail courses suffer from financial consequences as a result of having to pay for their repeated attempts, which increases their financial pressures. This repeated failure might be a result of the fact that these students' educational backgrounds might not have adequately prepared them for the demands of university life and curriculum demands, as outlined by Hlalele and Alexander (2016: 490). The repeated failing may also result in a large student loan debt if the student has taken out a student loan and is unable to pay back the now exorbitant amount. According to several studies, students from less affluent homes are more likely to leave college than students from more affluent families because of financial difficulties (Garwe and Maganga 2015: 323). Similarly, a study carried out in East Africa revealed that financial constraints were the greatest obstacle to completion of university education (Griffin 2007 cited in Garwe and Maganga 2015: 323). In South Africa, Letseka and Maile (2008 cited in Garwe and Maganga 2015: 323) reported that financial difficulties accounted for 70% of university dropouts. Hence, there is strong evidence to show that students are finding it increasingly difficult to finance their HE, and are left with little choice but to drop out.

Many students from families with lower socioeconomic levels pursue HE in an attempt to remove obstacles to intergenerational mobility and advancement (Blanden and Macmillan 2014 cited in Mngomezulu, Dhunpath, and Munro 2017: 133). Likewise, many parents are unable to provide financial support for their children at university, and students are forced to eke out a "hand-to-mouth living" and apply for financial aid, which may not cover the total costs at university (Manik 2014: 156). Hence, student

loan debt and delinquency are compounding problems among university graduates (Carioti 2020).

## **2.6 Affordability and HEI student fees**

This section deals with the affordability of HE, both in South Africa and abroad. It addresses the increase in tuition costs over the years and the effects it has had on prospective students.

Benjamin Franklin often stated that an investment in knowledge pays the most valuable interest (Tiongson 2020:1). According to Calitz and Fourie (2016: 2), in the last 3 years, students in Australia, Brazil, Germany, the Netherlands and the UK have publicly campaigned against the HE tuition price increases. The authors state that academics from all over the world have attested to the absence of government support and the consequent astronomical increase in student tuition. They further assert that the rising cost of HE is unquestionably a global phenomenon because, during the same period, attention has also been drawn to the high tuition fees of nations like Finland, Thailand, Poland, New Zealand, and Turkey.

According to recent Stats SA statistics, South African households would need to allocate more money to cover growing tuition costs (Anon. 2015; Wei, Fan, Xiaowei, and Pingping 2017: 2-3). In the years between 2008 and 2015, the average yearly rise in HE tuition costs was 8.8%, according to Stats SA (2016: 4). This was well above the headline Consumer Price Indexes (CPI) estimated annual increase of 6.2% for the same period. In other words, up until 2016, the cost of HE was increasing more quickly than the CPI basket's average price of goods and services. The seemingly inexorable rise in the cost of HE has been a source of alarm for decades (Sturgis 2017: 4). The #feesmustfall initiative raised awareness of the widespread issue of South African university students who are unable to cover the rises. The price of a BA degree at Stellenbosch University has climbed 30% between 2006 and 2015, as an illustration of rising tuition costs (Anon. 2015: 2-3). According to the author, this conundrum is not specific to South Africa.

In South Africa, the then 23 state institutions had tuition price increases between 2010 and 2012 totalling over R3.3 billion, while enrolment only rose by 7% during that time. This implies that only a small number of prospective students are enrolling at



universities. This low enrolment rate could be a result of demographics, or the extremely high costs of HE (Romero Jr 2016: 7). Simultaneously, student debt increased by 31% over the course of two years, from R2.6 billion to R3.4 billion (PwC 2010: 3). According to Macupe (2019: 8), preliminary data was gathered from NSFAS in 2019 concerning the amount the program is paying for a student's complete cost of attendance among universities. These statistics show that out of the current 26 institutions, the top five are University of Cape Town (R148 159), Stellenbosch University (R127 621), University of Pretoria (R113 593), Wits (R111 562), and Rhodes University (R106 429). Central University of Technology, Vaal University of Technology, Durban University of Technology, Unisa and University of Limpopo are the top five universities that rate low in terms of their total tuition costs (Macupe 2019: 9).

According to Stats SA research (Maluleke 2017: x), 47% of young adults aged 20 to 24 with Bachelor degrees or qualifications equivalent to NQF Levels 8 to 10, and 36% of those with postgraduate degrees, were from the quintile with the highest family income. The survey also revealed that just 7.4% of young people with the same qualifications hailed from the quintile with the lowest household income (King 2019). The report further revealed that about 51% of South Africa's youth between the ages of 18 and 24 do not have the financial means to pay for their tertiary tuition (Maluleke 2017: x; Xala 2019: 1; King 2019: 1). King (2019: 1- 12) claims that 1.4 million young people in South Africa admitted to not attending any educational institutions because they could not afford the tuition.

According to Head (2020: 1), the average South African earns approximately R22 500 a month, before tax. This equates to approximately R270 000 a year. However, few people in South Africa earn the average salary (Head 2020: 1). Furthermore, unemployment in South Africa is at an alarmingly high rate of approximately 30% (Jacobs, Moolman and De Beer 2019: 130), in addition to that, 29% of working people earn less than the national minimum wage of R3,500 a month (Matangira 2018: 1-2). It can be deduced from the statistics that those that earn the average salary would not be able to afford the highest-ranking universities, and a substantial amount of their salary would go towards paying for the lower ranking universities. More alarmingly, it can be approximated that 51% of South African youth would not be able to afford any

HE (Stats SA 2019: 1). According to De Villiers (2012: 1), further increases in HEI tuition prices made them significantly more expensive, creating a new barrier to entry for the (mostly black) poor. A tertiary degree is still seen as the best method to increase a person's employability and earning potential, despite its astronomical expenses (Donnelly 2012: 4).

## **2.7 The need for student loans at HEIs in South Africa**

The majority of students in South Africa's HEIs during apartheid were white. The unfairness of the former political system was reflected in the disproportionate link between demographic share and representation at tertiary institutions (de Villiers 2012: 1). De Villiers (2012: 1) explains that high expectations emerged around the time of the country's political transition. The author goes on to say that the country demanded that those previously excluded, be given equal opportunity and better access to HE. The overt racial boundaries disappeared, and were replaced by economic barriers. The NSFAS was created as a government initiative to mitigate this and make HE more affordable for the underprivileged and those who had previously faced hardships, ensuring that the country's diverse population is fairly represented in its HE (de Villiers 2012: 1). Even in wealthy industrialized nations, most academic institutions experience financial difficulties, according to Hayward and Ncayiyana (2014: 180), but these issues are more acutely felt in Africa. The majority of South African households, according to the CHE (2016 cited in Mngomezulu, Dhunpath, and Munro 2017: 133), are unable to maintain a dependant at a university on their own salary, without financial aid.

Dana (2015) states that students who are unable to get bursaries to finance their HE frequently have no other option but to apply for bank loans or the NSFAS. It is well acknowledged that students with limited financial means find it difficult to pay for rising tuition, housing, food, books, and inconsistent transportation costs (Budlender and Woolard 2006 cited in Mngomezulu, Dhunpath and Munro 2017: 134). It was discovered that inadequate financial resources constitute one of the most important reasons cited for students dropping out of South African universities (Jones, Coetzee, Bailey, and Wickham 2008: 21).

The cost of tuition per student soared by 2.5% year between 2000 and 2010 (Bunting 2011: 4). De Villiers (2012: 4) claims that despite expectations that colleges would become more inclusive in terms of recruiting in a more diverse student body, the inescapable price hikes got making it more difficult for low-income students to enrol in the system. Those who did enrol in school ended up with enormous debts. The author goes on to state that the amount of student debt nationally has increased at alarming rates, resulting in it being written off by government. This confirms the problems students experience in paying back their HE loans, and as such opt to avoid it altogether. NSFAS was created specifically for this purpose: to help the poor finance HE and, in doing so, to help change the demographic make-up of students enrolled in HEIs in South Africa (De Villiers 2012: 4). NSFAS repayments only start once graduates are employed and are earning at least R30 000 per annum. There is also no set deadline as to when the loan should be repaid (Grobler 2020: 18; De Villiers 2012: 10).

Student loans are frequently justified on the basis that HE provides students with economic advantages such as greater earnings and better work chances (Akers and Chingos 2016; Baum 2016). Additionally, it was discovered that, as the Human Capital Theory explains, there is a widespread expectation that parents of students would provide financial support for their education (Becker 1993; Becker and Tomes 1979; Mincer 1962; Schultz 1960 cited in Cho, Xu and Kiss 2015: 229). As a result, Brown, Scholz, and Seshadri (2012) explain that the student finds it challenging to pay for university as the unmet expected family contribution rises. There are few opportunities for people who are born into poverty in underdeveloped rural or urban regions to escape intergenerational poverty (Schotte, Zizzamia, and Leibbrandt 2018 cited in Webb 2019: 5). Even with government assistance, HE is just out of reach for the great majority of people. The low rates of HE attainment are evidence of this. Only 15% of South Africans possess a Bachelor's degree or a comparable degree (OECD 2014 cited by Webb 2019: 5-6). The demand for financial help rises as a result. This increased demand highlights the growing need for financial aid, such as student loans, to finance HE.

## **2.8 The student loan debt crisis**

According to de Gayardon, Callender, Deane and DesJardins (2018: 4), as more students rely on student loans to pay for their HE and as their borrowing levels increase significantly, there is an increase in student loan debt globally. The authors continue by saying that it is predicted that most graduates in countries like England would be repaying their debts for the majority of their working life. According to the authors, having student loan debt is increasingly becoming the new normal for many people rather than just a temporary circumstance. Borrowers in the UK who completed their studies in 2018 had an average debt of £36,000. Between 2011 and 2017, the total amount owed on student loans in the UK more than doubled, rising from £40.2 billion to £100.5 billion (Student Loans Company 2017).

Hess (2020; Johnson 2019), explains that the amount of student debt held by all Americans is currently above \$1.6 trillion and increasing rapidly. A total of \$1.5 trillion in student loan debt, as well as an estimated \$119 billion in student loans from private sources that are not backed by the government, are owed by the 43 million adult Americans—approximately one-sixth of the country's population who are older than 18—who are currently carrying a student loan. Miller, Campbell, Cohen, and Hancock (2019) reported that young individuals have considerably more concentrated educational debt. According to the authors, one-third of all persons between the ages of 25 and 34 have student loans. Smith (2019) and Kuchar (2019) note that more than 44 million Americans have outstanding student loan debt and private university tuition and fees averaging over \$34,000 per year. The UK and the US both have among of the largest student loan debt burdens in the world (de Gayardon, Callender, Deane and DesJardins 2018: 6).

According to Jacobs, Moolman and De Beer (2019: 128), in an effort to maintain and enhance the quality of HE and innovation, including research, South African universities have been obliged to raise student fees at abnormal rates. This is due to the amount of funds provided by the government, which is insufficient to cover all of these costs. Mtshali (2020:1) expresses the view that collectively, historical student loan debt in South Africa approximated to around R10 billion. According to Bureau Data (2015 cited in Melzer 2016), a third of private student loan borrowers were in arrears for three months or more. Spiralling student debt in 2019 reached almost R14 billion

and has contributed to a difficult start to the 2021 academic year in South Africa (Naidu 2021: 1). Ahmed Bawa, chief executive officer of Universities South Africa, echoes this statement by stating that total debt to universities stood at R14bn by the end of 2019 (Van der Merwe 2021: 7). The total amount that South African students owe the country's HEIs has reached previously unheard-of heights. According to recent figures, student debt increased to R16.5 billion from R14 billion at the end of 2019 (Van der Merwe 2022).

## **2.9 Consequences of unpaid student loans**

For the duration of their years of study at HEIs, thousands of students rely on study loans. Many would not have the opportunity to get the essential ticket to employment that degrees and diplomas give without these loans (Van Schalkwyk 2015). According to Bakewell (2008, cited in Garwe and Maganga 2015: 323), enrolling at university is one of the most celebrated life transitions toward complete independence, increased financial responsibility, and enhanced time management. Post-secondary education costs are constantly rising. Hence, there is strong evidence to show that student loans have long since ceased being an option and are now a necessity if students want to get high paying jobs. This, however, results in a large debt that many students can never afford to pay back completely (Klosowski 2010). While it is acknowledged that postsecondary education may result in temporary poverty, more recent research indicates that many university students are vulnerable to withdrawal, have growing debt, and have elevated mental health stress (Gair and Baglow 2018: 207).

Academic research on the effect of student loan debt on decisions made by students after leaving HE and later in life is sparse, according to de Gayardon, Callender, Deane, and DesJardins (2018: 4). The authors emphasize that there are not many research studies, except for the few that are predominantly US-based. According to this research, people who have student loan debt tend to choose alternative careers, put off purchasing a home, suffer from lower mental health, have less financial security throughout their lives, and are less prepared for retirement. The inability to make timeous payments generally result in serious consequences for the student. These consequences are discussed below.

### **2.9.1 Non-completion of studies and withholding of results**

According to an empirical study by Sekhukhune (2008 cited in Johnson 2019), because NSFAS could not fund all of the unpaid costs for 5 of the 10 study participants, they were forced to discontinue their education. The study found that these students were not in a position to pay the outstanding fees and therefore did not receive their results. This resulted in them being unable to register to continue their studies, as they required these results in order to enrol for the following academic year. According to Jones, Coetzee, Bailey, and Wickham (2008: 7), the inability to pay the cost of tuition resulted in students being excluded from registering for the next year. Although NSFAS was established to encourage enrolment among students from low-income and working-class backgrounds, it has left many of them underfunded and heavily indebted (Webb 2019: 4). Mthethwa (2020: 22) explains that those students who have historical debt will be unable to register to continue their studies. In addition to withholding of results, Universities are known to withhold certification from students who have completed their studies but have not paid their tuition. More than 100 000 degrees or certificates were withheld because of lack of payment over the period between 2010-2020 (Africa News 2022; Chabana 2019). An article by Sobuwa (2020) reveals the multiple instances in which qualifications were withheld from students due to debt. According to Business Insider (2021) since 2010, at least 120,000 students have passed their courses, but are yet to receive their degrees and transcripts due to outstanding fees.

Motsai (2018) presents an example of a student who was studying towards a degree in Education at the University of Johannesburg, who was forced to drop out, leaving his degree incomplete, as he was unable to pay to complete his studies. The author further explains that the student had missed the NSFAS application deadline, and took out a student loan from a bank to finance his studies. This worked well for 2 years, but eventually it became too much for the student and his surety to pay and he was forced to drop out.

### **2.9.2 Students being prohibited from graduating**

According to an article by Mthethwa (2020), a Bachelor of Arts in Language and Literary studies graduate, of the North-West University, who was interviewed, stated that her studies were often not funded on time and that more often than not, she ran

out of money for food and groceries. The student stated that due to her student loans debt, she had to endure two years of unemployment after graduating. She requested official documentation from the university to show that she had successfully completed her course, but they refused to provide it to her. An article by Sobuwa (2020: 1-10) found that a number of students at the Walter Sisulu University were prohibited from graduating due to outstanding tuition fees. The author reported that students expressed the concern that many years have passed without them receiving their certification and they lost prospective jobs due to their inability to produce the relevant documentation (Sobuwa 2020: 1-10). The Student Representative Council (SRC) deputy chairperson from the Walter Sisulu University stated that there were thousands of students who did not receive their certificates, despite being registered with NSFAS (Sobuwa 2020: 10). The literature thus offers few examples, among many, which highlight the fact that Universities withholding certification due to unpaid fees, is commonplace. Macupe (2013) supports these claims and maintains that students who do not pay their University fees can expect their diplomas or degrees to be withheld until their debt is settled.

### **2.9.3 Blacklisting**

According to Khanyile (2017), NSFAS has issued a warning to its former beneficiaries, to arrange to pay back their student loans or face blacklisting. Blacklisting will result in students being unable obtain credit on their name or get a job (Hamza 2017: 1). From this statement, it can be deduced that students will be prevented from buying a house, car, taking out credit cards and many other things which require a positive credit score (Morgan and Halpin 2005; Williams 2019). Khanyile (2017) goes on to state that NSFAS has been working with the South African Revenue Service to track down student loan defaulters. NSFAS has expressed concern that a large number of the people failing to pay back their loan are in fact employed and earning a reasonable income, and further, that this failure to pay back their loans means that future students who are in need of financial assistance, may not be funded, as the entity does not have the funds. The funds received from the recoveries are reinvested and used to fund more students (Khanyile 2017; Anon. 2016a; Anon. 2016b; Tandwa 2016).

#### **2.9.4 Bad credit score/record**

According to Morgan and Halpin (2005; Williams 2019), students who default on their student loan repayments will not be permitted to apply for credit cards, mortgages, or personal loans until they have paid off their obligations and restored their credit. Student loans affect the credit score of a person in much the same way as other loans do – timeous payments will have a positive impact on credit scores, while defaulting will have a negative impact on a person's credit score (Nykiel and O'Shea 2020; Farrington 2019). If a payment is missed, it is added to a person's credit report. This means it is visible to lenders (McGurran 2020; Litant 2019). This implies that students who are in debt will find it difficult to obtain a loan or credit in the future.

According to Dana (2015: 1-8), some university graduates with student loan debts who were interviewed, were too afraid to open accounts for clothing, cars or even future bonds because they were aware that their credit record will be checked prior to the awarding of such loans, and it was highly likely that the student loans, which they were still owing, would be discovered. It was also revealed that these students applied for a NSFAS loan in a moment of desperation and were unaware of the effect it could have on their credit score. Student loans can also prohibit a person from saving money for the minimum down payment required by many lenders (Williams 2019).

#### **2.9.5 Being disqualified from prospective jobs**

According to the National Credit Regulator, the NCA 34 of 2005 (South Africa 2015) mandates that a prospective employer get consent from an applicant before conducting a credit check. Additionally, it can only be requested when an applicant is being considered for a job in a position that demands honesty while handling money or funds (Arde 2012: 1-2; Fisher-French 2016; Kumok 2018; Blumberg 2018). However, according to Kumok (2018), an employer seeking to hire someone has the right to check a prospective employee's credit history and decide to not appoint him/her as a result of what they discover. The author justifies this view by explaining that the employers' credit check is designed to check for financial problems that could pose a problem on the job. This implies that they are only allowed to view it to the extent permitted by the NCA or by any other relevant legislation (Arde 2012: 1-2). Kumok (2018) states that such a right is especially useful when assessing a public service



employee, as they may be a target for bribes. If the prospective employee has significant debt, it is reasonable for the employer to assume that the prospective employee will be more willing to accept bribes, as it will assist them in getting out of their financial predicament. The author adds that according to a report from Think Tank Demos, one in 10 workers with debt have indicated that they have not been hired because of their poor credit report.

According to Blumberg (2018), a CareerBuilder survey revealed that 72% of US employers perform background checks on all new hires, and 29% of those checks include credit records. From this, it can be inferred that students who have a student loan debt and as a result, a weak credit report, will have a more difficult time securing a job. Further proof of universities withholding certification is provided by anecdotal evidence by Mtethwa (2020:9). The author recounts a story by a student in which the student claimed that she was subjected to two years of unemployment due to her student debt, as the university would not provide her with official documentation that she had successfully completed her course, which was what prospective employers required.

#### **2.9.6 Student loan debt and defaulting**

According to Kreighbaum (2019), student loan borrowers in the US enter default when borrowers fail to pay their student loans for more than 270 days. These figures can roughly be transposed to the South African context as students have approximately 6 months after graduating before they are required to start making payments on their loan (Basel 2019: 6). Defaulting on student loans is a serious matter that deserves serious consideration. Borrowers who default on their student loans may face severe financial repercussions, such as collection costs, income garnishment, harm to their creditworthiness, and potentially loss of eligibility for other aid programs. The financial security of a family may also be negatively impacted by these consequences (Anon. 2020).

#### **2.9.7 Emotional/mental problems**

Smith (2019) claims that many students take out a student loan without giving it much attention in the hope that their degrees will assist them in acquiring lucrative employment. However, a person's mental and emotional health may suffer if they

spend their entire lives repaying thousands of pounds in student loan debt (Nissen, Hayward and McManus 2019: 248). For the majority of graduates they may be unable to pay off the interest, let alone the outstanding debt (Smith 2019). According to Lockert (2019: 4), a large number of people that participated in a study by the Student Loan Planner in the US, have contemplated suicide because of their student loan debt. The author states that an even larger number of people have experienced anxiety due to their student loan debt, and that that 53% of the respondents had experienced student loan depression due to their debt. Despite the survey being conducted in the US, its findings give an indication of what could possibly happen in the South African context mental health disorders are universal.

In 2015, a separate University of California, Los Angeles (UCLA) research examined 13 years' worth of information from approximately 9,000 US people, concentrating on those who had student debt. Even after accounting for income, family wealth, and employment, the researchers discovered that student loan debt was associated with lower levels of psychological health for people between the ages of 25 and 31 (Smith 2019). For people who already experience stress, anxiety, depression, and other mental health issues, debt may also be a significant influence, feeding a vicious cycle in which the issues exacerbate one another (Smith 2019; Kuchar 2019; Gravier 2019; Stewart 2020).

In order to deal with debt, a spouse or partner may harbour resentment toward the other. It is typical to accuse your spouse of carrying a lot of debt into the relationship (Kuchar 2019). A survey by insider.com reported that 36.1% of divorces were brought on by financial difficulties (Stewart 2020). According to Stewart (2020), there is a strong link between suicide and debt, and people who commit suicide are eight times more likely to be in debt. Hence, there is evidence to show that that people with student loan debt could experience such suicidal thoughts, anxiety, depression, and other emotional and mental challenges associated with loans and debts.

## **2.10 Impact of student loan debt on academic performance**

Over the past several years, there has been substantial media attention centred on the dramatic rise in outstanding student loan debt. However, little is known about the short-term ramifications of borrowing money to fund HE tuition (Stoddard, Urban and

Schmeiser 2018: 540). According to Cameron and Taber (2004 cited in Stoddard, Urban and Schmeiser 2018: 540), literature has predominantly focused on the credit constraints associated with student loan debt. Stoddard *et al.* (2018: 541) state that minimal attention has been paid to the effect of student loan debt on academic performance and university completion, because there is limited availability of quality data on the amount and type of student loans, as well as their link to academic outcomes (Wei, Fan, Xiaowei, and Pingping 2017: 2). However, Alon (2011: 809) is of the opinion that there have been numerous studies done on the implications of financial assistance mechanisms on student outcomes, i.e. their academic performance, in developed countries. However, most of these studies are focused on its effects on student enrolment and attendance (Cerdán-Infantes and Blom 2007: 3; Mngomezulu, Dhunpath, Munro 2017).

### **Link between student debt and academic performance**

According to research by Stoddard, Urban, and Schmeiser (2018: 541), borrowing decisions, non-loan aid, and academic success are all strongly and consistently correlated (Deming and Dynarski 2009: 10; Castleman and Long 2016). The study demonstrated that non-loan aid is linked to successful academic outcomes, but the impacts of loan aid, while more complex, usually lead to worse academic performances for students who take out loans (Marx and Turner 2016 cited in Barr, Bird, and Castleman 2019: 3; Wei, Fan, Xiaowei, and Pingping 2017: 3). Ashley (2019: 4) contends, however, that students who borrowed money to pay for their education outperformed their counterparts in terms of academic performance. Students who switch between having no student loan debt in certain semesters and having a student loan debt in other semesters, on the other hand, tend to perform better academically in the semester in which they borrow. Students, who reduce the amount of their debt, attain better academic achievements throughout those semesters (Stoddard *et al.* 2018: 542). Barr, Bird, and Castleman (2019: 3), however, found that student loans led to worse academic outcomes for students in the semester immediately following the borrowing of the loan (Marx and Turner 2016 cited in Barr, Bird, and Castleman 2019: 7). According to Stoddard *et al.* (2018: 542), having access to student loans can enable students to perform better academically, but as the amount of debt increases, it was

discovered that students begin to see detrimental effects on their academic performance.

### **2.10.1 The nature of the effect of student loan debt on academic performance**

Stinebrickner and Stinebrickner (2003, cited in Stoddard *et al.* 2018: 543-544; Callender 2008) explain that a further hour of work-study has been shown to have a detrimental impact on grade achievement. Due to the ability to devote more time to studying and less time to working, it is reasonable to assume that higher student loan debt levels are linked to better academic results (Stoddard *et al.* 2018:544; Wei, Fan, Xiaowei, and Pingping 2017). Stoddard *et al.* (2018: 544) theorised that loans and non-loans help might also result in greater performance in university since students are aware of the academic standards that must be achieved to remain eligible for loans and grants.

According to an empirical study by Mani, Mullainathan, Shafir, and Zhao (2013), obsession with money hinders cognitive performance, as greater levels of student loan debt may also place an emotional strain on students as they consider their ability to repay their debts. The authors concluded that this could lead to stress or a sense of duty to work while in school, both of which could be harmful to academic achievement.

Contrary to the foregoing arguments, Mngomezulu, Dhunpath and Munro (2017: 137-139) believe that it is not as simple as it seems. These authors argue that simply having a student loan or not having a student loan is not all that should be taken into account when examining the effect of a student loan on academic performance. According to the data these authors acquired, many students who get bursaries for their education may occasionally be required to give some of the money they receive to their families in order to improve their living circumstances. This kind act has the unintended consequence of sabotaging the students' own financial resources, which have been set up specifically to help them through their education. The reduction in funds available for study-related costs caused by budget redirection undermines academic achievement. This contrary perspective suggests that students who receive funding may be academically deserving, and are able to continue to perform well academically, however, using their funding to sustain their family results in their low academic performance. This observation is supported by Higher Education Minister Blade

Nzimande, who states that the department is aware that the vast majority of students in institutions of higher learning from disadvantaged families, are using their NFSAS allowances to support their families (Sithole 2022).

### **2.11 The student as a consumer/customer**

A consumer is defined as a person, company, or other entity that purchases goods and services produced by another person, company, or other entity (Section 1 of the Consumer Protection Act 68 of 2008). The student is, therefore, the customer/consumer in the HE context. According to Bunce, Baird and Jones (2017: 1958), after much rejection, students attending universities in England have been defined as customers by the government since the introduction of student tuition fees. Kandiko and Mawer (2013 cited in Bunce, Baird and Jones 2017: 1958) state that students appear to recognise and accept their identity as consumers, which has resulted in students demanding more from the HE sector than ever before (Woodall, Hiller and Resnick 2012: 1). However, the “student as customer” metaphor is less than universally acknowledged, particularly, amongst academics (Lomas 2007 cited in Woodall, Hiller and Resnick 2012: 5). Harvey (1998: 244, as cited by Saunders 2005: 145) rejects the idea that the student is a customer and appears to support the notion that the student is a participant in the education process. Arguments remain active today and are still not resolved. Some academics, for instance, are of the opinion that there are many contingencies to consider, and they believe that all positions are – to some degree – tenable (Woodall, Hiller and Resnick 2012: 6). However, the idea that students are consumers of HE is becoming more widely accepted. It is for this reason that this study will consider students as consumers in the HE context.

### **2.12 Student loan contractual challenges**

According to Stoop (2013:1), the South African Law Commission identified several important objectives for consumer credit legislation, including addressing the consumer's (students') unequal bargaining position, limiting the use of remedies by credit providers, educating consumers, and providing consumers with pertinent information. The author goes on to say that many South African consumers have signed up for unaffordable credit agreements with serious repercussions if they should not comply, because of the significant power disparity between credit providers and

consumers, low education levels, poorly informed consumers, poor disclosure, and deceptive marketing practices. Clearly, the challenges facing HE students with respect to student loan debts and related contracts are quite serious and have severe impact on borrowers. The contractual challenges facing such students are therefore examined below. It is important to note that not many in-depth studies have been conducted in this area in South Africa; the researcher has therefore supported the discussion with literature on consumers generally and with examples relating to students from other countries.

### **2.12.1 Inequality of bargaining power between students and credit providers**

According to Merriam-Webster (Bargaining power 2021), bargaining power can be described as each party's ability to negotiate an agreement based on their own terms during a negotiation. In contract law, power relates to the bargaining strength of contracting parties in relation with each other (Kim 2009: 93). According to Govender (2017: 41), customers have experienced several atrocities at the hands of prudent, unscrupulous salesperson and businesspersons because they have little to no negotiation power in business-to-consumer transactions. Barnes (2012: 661) elaborates that, in general, when consumers conclude transactions with commercial enterprises, they almost inevitably do so by using standard form contracts. The disparity in bargaining power between consumers and commercial firms is generally complete and absolute, the author continues. Consumers frequently lack the ability to negotiate the specific terms of form contracts, and as a result, they are unable to bargain with the business over onerous clauses like liability limitations, warranty exclusions, breaches, and similar clauses. The T's & C's are frequently not negotiable, and if customers were to search for better terms, they would discover that other businesses employ terms that are comparable to theirs (Elshout, Elsen, Leenheer, Loos, Luzak 2016: 17; Govender 2017: 62). Standard form contracts are ones that are prepared beforehand by the supplier and provided to the customer on a "take-it-or-leave-it basis", removing the possibility of the consumer negotiating T's & C's that are beneficial to them (Barkhuizen v Napier 2007: para 135). Barnes (2012: 661) emphasizes that even if consumers had the ability to negotiate better contractual terms at the time of contract formation, they would often not be able to comprehend the many

legal implications at stake. Despite the law requiring the service provider to explain the provisions to the other party, it is not always done.

Although fundamentally flawed, the notion that customers may give their legitimate agreement to create contracts has been acknowledged and upheld by courts. Consumers typically consent to contractual terms after having the option of minimal input into the process, other than the simple choice of whether to buy the company's goods or services, and are then bound by the conditions set out by the provider as "*caveat subscriptor*", which translates to "let the signatory beware", will be applied. This means that, once the consumer signs the contract, he/she will be bound by all terms included, even though they were not actually negotiated (Govinden 2012: 11-12). There are many clauses in form contracts that are beneficial to the businesses who wrote them but detrimental to the customers who are presumed to have agreed to them. According to Woker (2010: 230), consumers must rely on the information, which they receive from suppliers. This, in addition to the unequal bargaining position between business and consumers, results in consumers who confront businesses with problems, being ignored. Therefore, consumers sign contracts and agree to T's & C's which they had no say in including. Similarly, in the HE context, there is inequality in bargaining power between the student and the credit provider as the terms are usually set out in a standard form contract. With HE student loan contracts, students as consumers could be expected to agree and comply with these T's & C's which are dictated by the HEIs or lenders as it is highly unlikely that the student will go elsewhere because the contract is unfair, or that the student will be engaged in negotiation (Reddy 2012: 587).

The honourable judge, in the case of *Barkhuizen v. Napier* (2007), stated that public policy incorporates the principles of fairness, justice, and rationality and that if a contractual term's enforcement would be unjust or unfair, public policy would prohibit its enforcement. However, in social reality, equality is infrequent. It frequently happens that the "weaker" side lacks negotiating advantage and may be forced to accept the terms of the "stronger" party's will (Mulder 2015: 52).

In the case of *Afrox Healthcare Bpk v. Strydom* (2002), where the court observed that many people in this country enter into contracts without any bargaining power and without understanding, what they are agreeing to, the potential injustice that may be

caused by inequality in bargaining power was also acknowledged. This will frequently be a pertinent factor for considering fairness. Furthermore, the freedom of contract is a common law principle that contributes to the inequality between parties.

Hence, the inequality of bargaining power between students and credit providers is a significant challenge experienced by consumers, and by extension, students.

#### **2.12.1.1 Freedom of contract (*pacta sunt servanda* rule) whether a court can refuse to enforce contracts**

The essential foundation of all contractual agreements under common law was the freedom of contract (*pacta sunt servanda*) (Van Eeden 2009: 72; Gibson 2005: 15 cited in Govender 2017: 64). This suggested that the participants to the agreement held the ability to decide how their agreement will function and what terms to include contract. Consequently, the parties enjoyed all contractual authority as long as the agreement was lawful and able to be executed (Tennant and Mbele 2013: 36). One established view was that South African courts lacked the authority to alter agreements that parties freely and voluntarily agreed to, even if the terms seemed to be extremely harsh. This viewpoint assumed that customers and credit providers were on an equal footing when it came to the negotiation process and that each had the ability to secure the best possible deal for themselves. However, in practice, this was not the case (McQuoid-Mason 1997: 115 cited in Govender 2017: 64). In the section above, it was revealed that HE context, there is inequality in bargaining power between the student and the credit provider, as the terms are usually set out in a standard form contract and that students are expected to agree and comply with these T's & C's.

Additionally, it was determined in the 1989 case of Sasfin (Pty) Ltd v. Beukes that the court had the authority to refuse to execute a contract that was in conflict with good morals or public policy. Hence, it is submitted that where a contract for student loan debt is against public policy, the court can likewise not enforce its provisions.

#### **2.12.2 The use of standard-form contracts**

A contract is an agreement between two or more parties that creates mutual legal obligations, with parties intending to be legally bound. A contract can be either oral or written (LaMance 2020; Van Der Merwe 2012: 88; Van Der Ploeg 2017; Van Schalkwyk 2014: 19), which will result in legal consequences (Van Der Merwe 2012: 86). Typically,



customers are requested to sign standard-form contracts that might be several pages long and have small print (Woker 2010: 227; Kanamugire 2013: 335). Standard-form contracts are used by organisations to limit risk and protect them from liability to the greatest extent feasible. These contracts are often one-sided and excessively protective of the company, and they often include non-negotiated restrictions. Additionally, some contracts contain provisions that are detrimental to the customer. Consumers typically accept the pre-formulated terms without questioning them or requesting that they be revised, even though they have the choice of refusing to agree to the T's & C's or looking elsewhere for better terms (Sharrock 2010: 295–296). According to Woker (2010: 227), these contracts are frequently signed by customers without reading or comprehending the legal significance of the document, binding them to a contract in which it will be very challenging for them to subsequently prove that they are not bound by its provisions. The author acknowledges that it is often believed to be impossible to inform everyone of the conditions on which a supplier is willing to enter into a contract. Consumers will be bound by the contract even if they did not read and/or understand the terms, provided the supplier took the reasonable steps necessary to notify them of it. According to Reddy (2012: 587), T's & C's relating to the agreement with HEIs (which will include rules, policies, etc. applicable to students) are decided entirely by the institution or lender in the same way that standard form business contracts are determined by businesses. It is highly unlikely that the student will go to another institution because the contract is unfair, or that the HEI will negotiate with a student. Govender (2017: 62) states that standard form contracts are still used in most commercial transactions, for example, mortgage bonds and credit agreements, amongst many others.

While most believe that standard-form contracts are entirely disadvantageous to consumers, Hopkins (2003 cited in Kanamugire 2013: 335) states that standard form contracts allow for consistency and assurance in the transactions and make it easier for the parties to make decisions, because the T's & C's of trade in many industries are frequently well established before the contract is signed. He does acknowledge that these contracts are more beneficial to the supplier than they are to the consumer as they are drafted by a legal advisor on behalf of the company concerned with incorporating all the terms beneficial to the company - usually to the detriment of the

consumer. Where a contract is ambiguous, the *contra proferentem* rule applies, i.e. it is interpreted against the party who drew it up (Bracher, 2021).

In the case of *Barkhuizen v Napier* (2007), Barkhuizen entered into a contract of insurance with a broker, Napier. The insurance contract incorporated a clause ("the time-bar clause") that said that, should the insured's claim be dismissed, the insured had 90 days from the date of repudiation to take the insurer to court. Barkhuizen's claim was refused, and he attempted to take Napier to court years later. The court observed that standard form contracts are usually beneficial to the suppliers that draw them up and rely on them. Furthermore, in the "fine print" of the contract, onerous provisions are frequently spelled out in obscure legal jargon. The majority of consumers just sign and accept the contract without understanding the full implications of their actions. However, the appeal was dismissed and the contract enforced. Despite the verdict, the researcher highlights the observation made by the court regarding standard form contracts.

In a different case, *Four Wheel Drive Accessory Distribution CC v. Rattan NO* (2018), the supplier filed a lawsuit since Mr. Rattan, the consumer, allegedly failed to uphold a term of a standard-form contract. The text in the consumer agreement was so small that "the court could not read it easily even with the aid of a magnifying glass" due to its one-page layout, 25 clauses, and numerous sub clauses. A plethora of reasons were cited by the court for dismissing the lawsuit, among which was that the standard-form contract was unlawful and against public policy.

### **2.12.3 Contracts not in plain and understandable language**

#### **2.12.3.1 Students not understanding contract terms**

Consumer financial literacy is a significant concern as well. Although there are laws requiring transparency and information disclosure, many customers still find it difficult to understand and utilise the information that is supplied; making these provisions ineffective (Stoop 2013). Barnes (2012: 661) reinforces this statement by highlighting the fact that consumers being aware of certain T's & C's does not necessarily mean they understand them. With student loan contracts, the T's & C's often make use of rather complex and technical language that not all students understand. However, Universities have a duty to simplify the terms of contracts to the

students (Reddy 2012: 594) but this is not always the case as students are not aware of their rights (Stoop 2013). In the case of *Barkhuizen v Napier* (2007: paras 135 - 136), it was noted that these onerous terms are included in contracts and most consumers simply sign and accept the contract without knowing the full implications of the T's & C's they are agreeing to. Students are disempowered because they are unaware of their rights. Credit providers may take advantage of the fact that students may not understand the terms of their agreements by including unfavourable clauses in their contracts (European Commission 2016: 14).

Mason (2007: 2) asserts that there is a strong association between consumer rights knowledge and economic progress. According to the author, a country and its citizens will be more knowledgeable of their legal rights as consumers as it develops. Consumers' understanding of their rights will be lower the less developed a country is. According to Roser and Ortiz-Ospina (2016), while worldwide literacy rates have increased over the past 200 years, certain countries have lagged behind, particularly in sub-Saharan Africa, where there are still countries with youth literacy rates below 50%. From this statement, it is implied that students, who are formed largely by the youth in South Africa, have low literacy and as a result do not adequately understand the T's & C's of their student loan contracts; this is likely to lead to an increase in their debt.

### **Contracts not in plain and understandable language**

Since 2011, South African customers have been entitled to consumer contracts in plain language. Years later, the approach for preparing consumer-friendly, plain-language legal documents sometimes remains superficial and formulaic. As a result, consumers continue to be at risk due to factors such as poverty, illiteracy, and a limited understanding of the terminology used to design consumer contracts (De Stadler and Van Zyl 2017: 95). Students must accept the T's & C's of the service provider while signing a student loan contract, even when they do not understand them, in order to move on with their loan application or acceptance. As a result, businesses could exploit this by including unfavourable clauses in their contracts (European Commission 2016: 14). Hence, there is a plain language requirement prescribed by consumer protection legislation.

According to Cornelius (2015:1), defining the concept plain language has always been hugely troublesome. The author explains that according to Schriver (1991: 1), “plain language” is frequently vaguely defined. It can mean anything from the process of simplifying technical language and complex sentence structure to the redrafting of entire documents. The CPA, however, provides a more simplistic and exact definition. A document is in plain language if it is reasonable to assume that a consumer with average literacy skills could be expected to understand the content and significance of the documentation without unnecessary effort (Republic of South Africa, 2006, National Credit Act No. 34 of 2005; Republic of South Africa. 2008. Consumer Protection Act No. 68 of 2008; Marus 2011, 37). Yet, in spite of these provisions intended to protect consumers, contracts are often not in plain and understandable language. This is equally true of student loan contracts as well. According to consumer legislation, the drafter of a document must provide that document in plain language. Gouws (2010: 81 cited in Reddy 2015: 596) suggests that features that make the agreement incomprehensible include long sentences, the use of archaic words, the excessive use of punctuation and the absence of “white spaces”. As consumers, students have a right to information in plain and understandable language (Newman 2010: 737). However, students are unaware of their right to request documents to be translated or to have it in plain language and as such, do not fully comprehend their student loan contracts, which leads to an increase in student loan debts (February 2018). However, the duty then lies with the service provider to inform the student about their rights (Reddy 2012: 594).

#### **2.12.3.2 Vulnerable consumers**

The welfare of vulnerable customers is particularly targeted by the right to information in plain and understandable language (Govender 2017: 70). Section 3(1)(b) defines vulnerable consumers as those who are “aged, minors, live in remote, isolated, or low-density areas, have low incomes or are members of low-income communities”. Furthermore, it is important to note that the customers’ low literacy or inadequate fluency in the language, are unable to read and understand such information due to the language in which it is delivered. Suppliers are therefore obliged to take extra precautions when engaging with such vulnerable customers. From the above discussion, a student who meets any of the requirements can be regarded as a

vulnerable consumer. Barnard (2014: 3) argues that while it is not easy to assess who the “ordinary consumer” is, a large number of people actually fall within the category of “vulnerable consumer”. According to Hutchison and Pretorius (2012: 24), consumers typically enter into contracts without actually negotiating the terms of the agreement. As a result, consumers who are more vulnerable, such as students, are forced to accept the supplier's terms in the language that is provided to them. These so-called “standard terms” in a contract, which may not be clear to the consumer or easily understandable, are vulnerable to misuse by suppliers (De Stadler 2013: 104).

#### **2.12.4 Failure to read terms and conditions and a lack of understanding of legal terms and conditions**

Research by Elshout, Elsen, Leenheer, Loos, Luzak (2016: 4-16; Woker 2010: 227) has shown that most customers agree to T's & C's without ever reading them. The authors explain that consumers are putting themselves at a disadvantage by not knowing what they are agreeing to, running the risk of the supplier taking advantage of them by including unfair T's & C's into the contract. The authors, however, argue that it is commonplace for consumers to accept the T's & C's without reading them. In a study conducted by the authors, it was found that T's & C's are generally lengthy and time consuming, making the cost of reading them high. Furthermore, even if consumers are willing to read T's & C's, they are often put off by the complex and technical language used. Govender (2017: 62) argues that even today, most customers are too focused on promptly completing the transaction to read the fine print and become familiar with the terms' legal implications. A study by Vijayakumar and Subburaj (2010: 12) revealed that respondents were not aware about the various clauses on the loan agreements that they signed. These challenges also face students when contracting for student loan debts. According to a study by Mapunda (2019: 5), the loan contracts were non-transparent and unknown to the loan beneficiaries. Prior to the creation of the HE Students' Loans Board, all students enrolled in public universities or colleges received loans, according to the loan beneficiaries who were interviewed. Borrowers who obtained loans prior to 2005 did not sign the contract documents. They believed they were not required to repay, as a result. Furthermore, the respondents revealed that when concluding the contract, they were not notified that it was a loan and there was no mention of the interest rates.

While many believe that low literacy levels are the reason for consumers not understanding the legal T's & C's in a contract, Woker (2010: 230) provides a rebuttal. According to the author, the advertising of goods and services is extremely sophisticated, and consumers who lack the necessary skills cannot hope to compete with businesspeople who can convince customers to purchase goods or services under T's & C's that are intended to safeguard the interests of suppliers. She further elaborates that even educated consumers, such as students, face difficulties in today's sophisticated modern world. Jayiya (2017: 13) emphasizes the importance of consumer education. He states that consumers will only be able to convert the information provided by suppliers into effective knowledge if they are educated on what they mean. He is of the belief that it is impossible for consumers to discern or appreciate heavy or burdensome credit agreements without a proper understanding of them. As stated by Barnes (2012: 661), this statement is reinforced by highlighting the fact that consumers being aware of certain T's & C's does not necessarily mean they understand them and as student loan contracts often make use of rather complex and technical language not all students understand the student loan contracts.

#### **2.12.5 Student misconceptions about student loans and the lack of understanding of their responsibility to pay back**

According to a 2018 survey conducted by Student Loan Hero, some students are under the false impression that they do not need to repay their loans if they cannot find a job after university (Safier 2018: para. 3 line 1-2). The survey revealed that 52% of students were under the impression that their student loan did not accrue interest (Safier 2018: para. 6 line 1-2), while an even larger group of 72% of students were under the misconception that their student loans will eventually qualify for forgiveness (Safier 2018: para. 35 line 1-2). A study by Fletcher (2014: 134) revealed that nearly 37.4% of students underestimated the amount of student loan debt they owed.

Due to recipients' beliefs that student loans are government grants since HE should be free, loan repayments can become problematic in some countries (Kossey and Ishengoma 2017: 4). This view is supported by the findings from a study by Ishengoma (2006), which focused on students' attitudes towards loan repayments. The study found that students believed that tertiary education is a right and should therefore be

funded by the government, and as such, they do not have the responsibility to pay back the loan.

In relation to the idea that students have that tertiary education should be free, is the #FeesMustFall protest of 2015. Student protests demanding “free” HE took place at most South African universities (Bitzer and Jager 2018: 12-13). Students who were protesting claimed that they had been promised free education. In 1994, during South Africa's first non-racial elections, this pledge was made (Wild and Mbatha 2015; Parker 2015). The main providers of funding to universities worldwide are the government, through schemes such as NSFAS (Altbach 2015 and Smolentseva 2015 cited in Bitzer and Jager 2018: 18). South Africa is not an anomaly in that state funding for universities has also decreased in recent years as the financing of HE has migrated from the government to people (Berger and Kostal 2002; Wangenge-Ouma and Cloete 2008). This decline goes against what students believe, i.e. government should fund their tertiary education, as it is a right, and hence, are unwilling to pay for their student loans. A study in Tanzania revealed that non-transparency of the loan contract resulted in students believing that they were not supposed to repay (Mapunda 2019: 5).

#### **2.12.6 Unfair, unreasonable or unjust provisions, terms and conditions in contracts**

According to Kanamugire (2013: 343; Jayiya 2017: 13), one of the primary risks associated with standard form contracts is the presence of unjust conditions, notably, exemption or forfeiture clauses, which are frequently not understood by the typical customer. She goes on to explain that the more alarming aspect of these contracts is that they provide a supplier the ability to place conditions on people who need his or her goods or services, which are typically created for the supplier's own protection. The consumer is frequently unable to reject the conditions in a standard form contract, and he or she is frequently ignorant of their existence or unable to understand their significance, according to the author. In addition, onerous conditions are typically included in the contract's fine print and framed in legalese. This allows suppliers to sneak in provisions that could later prove detrimental to the consumer.

Woker (2010: 227) maintains that South Africa has laws that addresses a number of particular contracts or conditions, but that there is no comprehensive legislation that

addresses unfair contract terms. Hence, remedies are often sought and discovered in the common law. The author explains that the common law of contract is premised on the basis that the requirement of consensus must be present for a legally binding contract to come into existence. This implies that the parties are “of one mind” regarding all the terms of the contract as they negotiate every term contained in the contract. Woker emphasizes that in reality, this is a rare occurrence. Clearly, this is not the case with student loan contracts as explained by Rayner (2019). Rayner (2019; Reddy 2012: 586 cited in Govender 2017: 48) states that contracts may contain unfair provisions, terms, and conditions and customers become victims of unfair business practices and unreasonable contractual terms. While lending guidelines dictate T’s & C’s that can be included in a contract, even in a student loan contract, it is probable that many predatory lenders provide interest rates that are far higher than the agreed upon amount, making it almost impossible to pay both the interest and the principle. It is also possible that they add other unnecessary costs onto the student loan, or have unfixed interest rates.

#### **2.12.7 Failure to read student loan contracts**

When it comes to student loans, it is important that the student reads the T’s & C’s to know what he/she has signed up for. This will enlighten the student on options regarding default and grace periods. A failure to do so can result in an increase in the loan debt itself (for instance, where there are provisions that require the student to pay a penalty), or in student loan default (February 2018). In an empirical study conducted by Vijayakumar and Subburaj (2010: 12), it was revealed that 89% of respondents signed a loan contract without reading it. The study further found that 35% of the respondents had not read the loan agreement because they did not know the importance of reading at that time and 31% had not read because of fear of rejection of the loan. Kanamugire (2013: 336) echoes these findings. In the case of *Barkuizen v Napier*, it was acknowledged that standard-form contracts obscure or restrict the freedom of contracting parties. In these contracts, it is more common for customers to sign long documents without fully understanding their contents. Whether this is a result of failing to read the contract or not understanding the legal language, is not noted. Jayiya (2017: 12) states that the terms, conditions and information made available to consumers are often contained in small print, defeating their purpose. Further, some



consumers were at fault because they neglected to read the T's & C's before signing the credit agreement. Jayiya explains that this failure was as a result of their interest in knowing the T's & C's being superseded by a desire to obtain the credit.

With regard to student loan contracts, this challenge is seen through anecdotal evidence. An article by Arde (2020: para.1 line 1) reveals that a resident of Jeppstone, Johannesburg, is required to pay close to R137 000 for a student loan that started out at R68 000. According to the resident, she had failed to read the contract, in addition to the bank failing to ensure that she understood the T's and C's, to which she agreed: she did not truly understand what she was agreeing to. This Zulu-speaking resident signed a contract that was drafted in English, and it can therefore be assumed that she did not understand the T's & C's of the contract.

#### **2.12.8 Lack of awareness of consequences of default**

Since 2011, South African consumers have been entitled to consumer contracts in plain language. Years later, the method for preparing consumer-friendly, plain-language legal documents is frequently cursory and generic. As a result, consumers continue to be at risk due to factors such as poverty, illiteracy, and a limited understanding of the terminology used to draft consumer contracts (De Stadler and Van Zyl 2017: 95). When signing a student loan contract, students are burdened with the need to agree to all the provider's T's & C's in order to be able to continue with their loan application or acceptance. These T's & C's are generally long and time-consuming. Moreover, T's & C's frequently make use of legalese and rather abstruse language that not all students understand (Barnes 2012: 661). If they are not aware of their rights, students are disempowering themselves. Students do not know what they are consenting to and companies might take advantage of this by putting disadvantageous terms in their contracts (European Commission 2016: 14). Jayiya (2017: 12) states that the terms, conditions and information made available to consumers are often contained in small print, defeating the purpose of attempting to inform consumers of them. In an empirical study conducted by Vijayakumar and Subburaj (2010: 12), it was revealed that the vast majority of respondents signed a loan contract without reading it. Govender (2017: 62) emphasizes that to this day, most customers are focused on quickly completing the transaction and do not take the time to read the terms and get familiar with their legal ramifications. From the statements

above, it is reasonable to assume that by respondents not reading the loan contracts they were unaware of the consequences of the contract, including those relating to them defaulting on their loans.

The Beadica case, which concerned a disagreement over the renewal of a leasing agreement, adequately illustrates the degree of a consumer's ignorance of the repercussions of default. The leasing agreements stipulated a five-year initial term with the possibility of renewing them for further five-year terms. The applicants had the option to activate this renewal clause by giving written notice to the Trust six months before the lease's expiration, but they chose not to do so. As a result, the Trust demanded that the applicants leave the property. Due to the fact that the eviction would result in the termination of the franchise agreements and the failure of the franchisees' companies, the applicants filed an urgent appeal with the High Court. The applicants claimed that their inability to follow the renewal clause requirements was due to their ignorance of its ramifications and lack of sophistication (Beadica 231 CC and Others v Trustees for the time being of the Oregon Trust and Others 2020).

#### **2.12.9 Lack of notice regarding assumption of risk**

According to Arde (2020: para.3 line 1-5), the NCA states that a consumer must be given a disclosure statement and quotation before they sign a credit agreement. The document must include the loan amount, the interest rate, other costs, the payment schedule, and the total cost of the loan. This is to ensure that the consumer is made entirely aware of all the material terms of the agreement or the actual cost of credit over the term. According to Stoop (2009: 367), the NCA stipulates that a credit provider may not enter into a credit agreement without first determining whether the consumer is aware of the risks and expenses associated with the proposed credit as well as their rights and obligations under a proposed credit agreement. The author goes on to state that any response and or request made by the consumer with regard to their understanding of the contract must be kept by the credit provider, as proof. Failure to conduct the required credit assessment on the consumer or the consumer has entered into the credit agreement without understanding the risks, expenses or their duties under the credit agreement will be regarded as reckless credit granting by the credit provider. Consequences of the reckless granting include the court mandating that all, or a part of, the consumer's obligations and rights be set aside; alternatively the credit

agreement's validity and effectiveness might be suspended by the court (Stoop 2009: 368). However, this may not be the accepted practice with all student loan contracts.

Anecdotal evidence reveals that a Johannesburg mother took out a loan on behalf of her son, under the assumption that the loan repayments will be made over the next 12 months. She discovered only later that she would be paying interest only, on the loan until her son finds a job and that the payments she did make did not contribute a cent to reducing the capital amount. This implies that if her son takes 10 years to find a job, she will be paying interest for those 10 years, without any reduction in the capital sum. This consumer added that, at the time of concluding the contract, the bank did not explain to her what she was actually agreeing to (Arde 2020: para.2 line 1-2). In this instance, the failure on the part of the bank resulted in unfair consequences for both the student and his mother, as well as reckless credit granting, which is in violation of the NCA. The report also mentions that the bank could not provide proof that they had attempted to conduct the required assessments or assess the consumers understanding of the T's and C's. It is important to note that the effect of the lack of notice regarding assumption of risk mentioned above, is largely anecdotal, and more quality studies are needed to further explore this area.

#### **2.12.10 Terms that result in the student waiving his/her rights**

The CPA has had profound influence on contract law, notably on how standard form contracts are managed. Its preamble states that it seeks to improve both the quality and accessibility of the information needed for consumers to make informed decisions (Kanamugire 2013: 348). This statement also includes consumers being aware as to what transactions, terms or conditions goes against their rights and therefore, are prohibited from being included in contracts. One such prohibited practice is the inclusion of terms that result in the student waiving his/her rights (Reddy 2012: 601). Kanamugire (13: 349) elaborates by stating that a supplier may not require a consumer to renounce any rights, or accept any obligation, or renounce the suppliers' liability, on terms that are unfair, unreasonable or unjust, or impose any such terms as a condition of entering into a transaction. According to De Stadler (2013: 22), providers typically made certain that their obligation was excluded in the terms of the contract so that the consumer was empty handed. A consumer is prohibited from entering into an agreement under Section 49 of the CPA that might jeopardize his rights or could

include circumstances in which he was not aware of the presence of potentially jeopardizing provisions (Jacobs, Stoop and Van Niekerk 2010: 357). These T's & C's contain clauses that minimise the supplier's risk or obligation, that shift the risk or liability to the customer, and that demand the customer pay the supplier compensation at any time (Naudé 2009: 508 and De Stadler 2013: 119). Due to the negative impact of such conditions, Section 49 mandates that notice be given to the consumer to alert him to the inclusion of such elements in the contract.

#### **2.12.11 Students not aware of their rights as consumers**

Marcella and Baxter (2000 cited in Mason 2007: 3; Jennemann 2003) found that in developed countries like the US and UK, consumers are generally well informed about their rights. According to Mason (2007: 3), consumers in less developed countries do not appear to be as aware of consumer protection activities and their rights to consumer protection, and even if they are, they do not take action to defend those rights. Many South African customers do not seem to be aware of their fundamental rights as consumers or the legislation that can protect them (Lewis 2004 cited in Mason 2007: 5). Mugobo and Malunga (2015: 230) express concern with the level of consumer awareness in South Africa. They state that it is troubling, as many respondents were not aware of their rights and this makes them susceptible to unfair business practices by suppliers. Govender (2017: 51-52) explains that many consumers choose not to institute civil actions: in addition to actions being expensive and time-consuming, they were unaware of their rights as consumers. It is a common belief that students are unaware of their rights as consumers. However, the research in this area is minimal and the evidence from these studies are mixed. In a study of the Awareness Level of College Students on Consumer Protection Practices, Chhetri (2020: 100) discovered that the level of awareness of college students on consumerism is satisfactory. A study conducted by Indirani and Kumar (2016: 72) however, concluded that there is significant difference between undergraduate students in the Arts and Science faculties. It was found that the students in the Arts faculty had more knowledge of their consumer rights than students from the Science faculty.

#### **2.12.12 The expensive process of getting legal assistance to review the contract or seek the court's help**

Klaaren (2019: 1) states that access to justice is not a reality for most South Africans. As Judge Makume recently observed, South Africans live in a time when people, particularly poor people, are denied access to justice, as they are unable to afford lawyers (McQuoid-Mason 1989: 238 cited in Govender 2017: 82) or, if they can afford them, their funds may be insufficient. Thus, these people cannot sustain the costs associated with continued litigation. The author continues by explaining that since many South Africans cannot afford legal assistance, there is no equitable access to justice and that better representation is guaranteed by having more money. Due to the cost, time commitment, or simple ignorance of their common law rights, many customers elect not to initiate civil lawsuits (Govender 2017: 51–52). Consumers lack the financial means to defend their rights. Because litigation is famously expensive and relatively low amounts are frequently at issue, it does not make financial sense for consumers to file a lawsuit (Woker 2010:230). From this information, it can be deduced that should a student seek legal advice to help in understanding the consequences of the contract or defaulting on payment, it can be very costly for the student, and they will most likely not be able to afford it.

#### **2.12.13 Lack of explicit information relating to the contract**

According to Jayiya (2017: 11-12), a consumer market, characterised by weak disclosure in relation to the cost of credit and monetary information often prevents consumers from making informed decisions. There are many who criticize the NCA. Despite all this criticism, the legislation is necessary to prevent the exploitation of consumers (Woker 2010: 217 cited in Schmulow 2017: 1).

According to a study conducted by Mapunda (2019: 5), the loan contracts concluded by participants to the study, were non-transparent and the loan beneficiaries were not familiar with the content. The interviewed loan beneficiaries drew attention to the fact that before the inception of the HE Students' Loans Board, all students who were enrolled in public Universities or Colleges were furnished with loans. Those who secured loans before 2005 did not sign contract forms. Furthermore, the respondents revealed that, when concluding the contract, they were not notified that it was a loan.

The lack of explicit information relating to the student loan contract is further evident in an article by Arde (2020: 5), which relates that a Johannesburg mother signed a quotation under the misconception that the loan will be repaid in 12 months. The loan's duration is actually open-ended because the debtor does not begin repaying the capital until he or she secures employment. This makes “a total cost-based on repaying in 12 months” meaningless. This was not explained in explicit terms to the debtor, which could have result in serious consequences for the student as they may have to pay only interest for several years and in him/her paying the equivalent to several times the initial debt without actually contributing anything to the principle amount. The article further states that a specialist attorney (in consumer and credit law) was consulted and she concluded that even she, as a legal representative, had to carefully re-read the terms to make sense of them and that the terms of the contract were misleading. Furthermore, the attorney explained that the agreement would need to be redrafted to make sense to any reader and, as such, the student was not warned about the devastating impact of the terms of the student loan contract.

### **2.13 The implications of consumer legislation for the highlighted student challenges**

Two particular statutes are relevant when examining consumer rights and the protection of students, namely the Consumer Protection Act 68 of 2008 (CPA) and the National Credit Act No. 34 of 2005 (NCA). In keeping with the objectives of this study, the following sections explore the various provisions of the CPA and the NCA. However, these Acts are quite extensive in their application. Therefore, only certain sections that apply are discussed. The purpose of this section is to present an overview of the relevant provisions of selected consumer legislation, and to provide a description of the background and the implications of the legislation, as well as the role of these pieces of legislation in protecting students. This section goes on to look at the common law consequences for the parties of a student loan contract. It also examines areas of the above the abovementioned Acts that do not provide adequate protection.

#### **2.13.1 Consumer Protection Act (CPA)**

The CPA came into effect on 1 April 2011 (Woker 2010: 217). The purpose of this Act is, among other things, to promote fairness, openness, and respectable business

practices between the suppliers of goods or services and the consumers of such goods and services (Stoop and Chürr 2013; Van Schalkwyk 2014: 24; Reddy 2012: 587). The Act applies to every transaction occurring within the Republic, unless it is exempted (Republic of South Africa, 2008; Consumer Protection Act No. 68 of 2008; Marcus 2011: 36).

There can be little question that consumer protection laws are a potent instrument that can be utilised to address at least some of the numerous consumer issues that are now present in South Africa, claims Woker (2010: 220). The CPA does this, among other things, by developing a legislative framework that promotes an accessible, fair, and efficient market for consumers and reduces the barriers that vulnerable consumers face when attempting to obtain products and services. Furthermore, it is instrumental in protecting consumers from unfair commercial practices; advocating responsible consumer behaviour; advancing consumer empowerment and establishing an efficient system of recourse for consumers, and consolidating and replacing existing consumer protection.

#### **2.13.1.1 Whether students are viewed as consumers in terms of the CPA**

In terms of the CPA, a consumer' includes the person to whom goods or services are advertised to or rendered. In Section 1, "service provider" refers to the person or organisation that promotes, supplies or offers to supply any service for consideration (Republic of South Africa, 2008. consumer Protection Act No. 68 of 2008 Section 5(8)(b); Scott 2018: 156). Consequently, it can be deduced that the student as a consumer of the services rendered by credit providers will be protected under the CPA (Reddy 2012). Tait and Tait (2010: 435; Van Schalkwyk 2014: 23) mention that the preamble to the CPA recognises the need to protect the interests of all consumers, which includes students. However, loans, including student loans, are not regulated under the CPA, as they constitute a credit agreement under the NCA (Republic of South Africa, 2008. Consumer Protection Act No. 68 of 2008; Fitzroy 2011: 22).

#### **2.13.1.2 Rights afforded to students in terms of the CPA**

The CPA affords all consumers (students included) several rights, including the following: the right to privacy, which, according to Van Schalkwyk (2014: 26) protects the consumer from unsolicited and unwanted marketing; the right to fair and honest

dealin, which emphasizes that consumers should not be misled (Telicka 2004:2); “the right to fair, just and reasonable T’s and C’s, which requires that the content of a contract be fair to consumers (Van Schalkwyk 2014: 35), and the right to disclosure and information as consumers can only use information they understand (Reddy 2012: 596). An explanation of each of these rights and their relevance to students and student loan debt is presented below.

#### **2.13.1.2.1 The right to privacy**

Section 11, the right to restrict unwanted direct marketing, and Section 12, the regulation of time for contacting consumers, of the CPA pertains to unsolicited and unwanted marketing as well as specifying the times, which a supplier may not engage in any direct marketing directed to a consumer at home for any promotional purpose. These provisions are based on Section 14 of the Constitution of South Africa, which protects the right to privacy (Constitution of the Republic of South Africa 1996). Van Schalkwyk (2014: 26) is of the opinion that this section protects the consumer from unsolicited and unwanted marketing. In South Africa, this provision gives the consumer the right to restrict unwanted direct marketing (Van Schalkwyk 2014: 27; Reddy 2012: 597; Kirby 2009:28; Govender 2017: 58). Furthermore, in order to protect consumers by restricting unwanted direct marketing specifies a forbidden period of direct marketing. During a forbidden time specified in this section, a supplier may not participate in any direct marketing directed towards a customer at home for any promotional reason, unless the consumer has explicitly or tacitly asked or consented to otherwise (Section 12 (1) and (2)). Unwanted marketing will lead to students being tempted to take out loans they do not need (Mogaji, Czarnecka, Danbury and Farquhar 2019; Van Reenen 2007: 28) and are unable to pay back. This will in turn result in student debt (Anon. 2020; Kuchar 2020). This claim is supported by Govender (2017: 58), who explains that with the revision of consumer protection laws in South Africa, direct marketing was recognised as a serious consumer issue because consumers are more likely to be ambushed or misled by dishonest salespeople and marketing representatives if they are more vulnerable. The provider, not the customer, generally starts the transaction. Consumers may be overburdened by emails, telemarketing, the distribution of promotional materials, and other activities (Fouché 2015: 340); leading them to take out unneeded loans.



#### **2.13.1.2.2The right to fair and honest dealing**

Section 41 of the right to fair and honest dealing stipulates that the supplier is prohibited from using exaggeration, innuendo, or ambiguity in relation to a material fact. Furthermore, failing to disclose a material fact would amount to deception, failing to correct an apparent consumer misperception, or otherwise engaging in conduct that would constitute a false, misleading, or deceptive representation regarding a material fact to a consumer. This right deals mainly with false, misleading, deceptive or fraudulent schemes and representations, emphasizing that consumers should not be misled (Telicka 2004:2). According to Jacobs, Stoop and Van Niekerk (2010:347), the obligation remains on suppliers to ensure that consumers comprehend agreements, especially when they are more “vulnerable due to disability, ignorance, illiteracy or do not understand the contract”. Malibi (2017) observes that the Sunday Independent spoke to several former students, which revealed dishonest dealings on behalf of NSFAS. A graduate stated that when he signed the contract, it was agreed that the loan would only be paid back once he started working, yet despite that, NSFAS handed his debt over to debt collectors. The graduate expressed shock at the drastic handover of his loan to debt collectors despite being unemployed. Another graduate stated that she was employed as an intern, earning a mere R2 500 a month, and despite this, she was asked to repay her loan.

In case of Everfresh Market Virginia (Pty) Ltd v Shoprite Checkers (Pty) Ltd (2012), Shoprite had a renewal clause in the lease contract. When Everfresh intended on renewing the contract Shoprite claimed that the clause that was relied upon was not a legally binding and enforceable right of renewal, and sought to have Everfresh evicted. The courts ruled in favour of Shoprite; however, it should be noted that Shoprite behaved dishonestly.

#### **2.13.1.2.3The right to fair, just and reasonable terms and conditions**

In terms of the CPA (Section 48), it is against the law for the provider to offer, provide, or promise to provide products or services at a cost or under conditions that are unfair, unreasonable, or unjust. It is also against the law to promote products or services in an unjust, unreasonable, or unfair way (Naudé 2009: 514–519 cited in Reddy 2012: 599; Fitzroy 2011: 27). This implies then, that creditors are prohibited from requiring

payment of student loans that are unreasonable or setting terms in agreements concluded with students that are not reasonable, just or fair. Furthermore, Section 48 provides that a supplier cannot impose such terms as a prerequisite to entering into a transaction or force a customer to waive any rights, accept any obligations, or release the supplier from any liability on terms that are unfair, unreasonable or unjust (Reddy 2012: 599; Fitzroy 2011: 27; Kanamugire 2013: 349). From this provision, it becomes clear that, not only the content of the contract, but also the conduct by which the contract is negotiated and concluded, has to be fair, reasonable and just.

Reddy (2012: 586 cited in Govender 2017: 48) expresses the view that all over the world, customers become victims of unfair business practices and unreasonable contractual terms. Kanamugire (2013: 349) elaborates that the same obligation applies to standard form contracts. Standard terms are incorporated into contracts without the customer's participation or negotiation and typically work in the company's best interest (Sharrock 2010: 295). Additionally, such a contract might be contested on the grounds that it favours any third party other than the customer in an unduly one-sided manner (Kanamugire 2013: 349). This section (Section 51) has a significant impact on standard form contracts typically favour the provider and operate against the interests of the consumer.

Hence, this right requires that the content of a contract must be fair to consumers (Van Schalkwyk 2014: 35). Courts can now be approached if consumers feel that a contract is to their detriment (Rampersad and Reddy 2012: 7407; Reddy 2012: 601-602). It is virtually hard to keep up with the interest, much alone pay the principle amount, because many predatory lenders charge interest rates that are far higher than the agreed upon sum. Additionally, they could increase the student loan's extra charges or use variable interest rates (Rayner 2019). To avoid being taken advantage of or incurring further debt, students need to be aware of this right.

#### **2.13.1.2.4The right to disclosure and information**

Almost all consumer legislation includes the right to information. Retailers are obliged to provide customers with information, such as the name or description of any goods or services that is provided or to be provided. In addition, the total price of the transaction, excluding any applicable taxes must also be provided to the customer.

Furthermore, a provider is required to draft contracts that are concisely written and simple to understand (Van Schalkwyk 2014: 30). The right to information in plain and understandable language (Section 22) forms part of the CPAs' right to disclosure and information. Section 22 of the Act stipulates that all information should be in a plain and understandable language. The phrase plain and understandable for the purposes of consumer contracts can be equated to clear; understandable and user-friendly. This means that the utilisation of complex legal jargon must be minimised and all legal documents provided to the customer should be simplified so that it is plain, understandable, clear, and user-friendly (Stoop and Chürr 2013: 515). Consumers can only utilise information they understand; therefore, Section 22 requires retailers to provide information in plain and understandable language (Republic of South Africa. 2008. Consumer Protection Act No. 68 of 2008; Reddy 2012: 596). Stoop and Chürr (2013: 542) argue that the effect of T's & C's or a contract not being in plain and understandable language, remains unclear. The authors add that one may argue that an agreement, provision, term, or condition will be null and invalid under Section 51 if it is not expressed in plain and understandable language as required by Section 50(2)(b)(i) (3). The court may sever any portion of an agreement or provision that is invalid, change it to the extent necessary to make it valid, or declare the entire agreement or provision invalid as of the day it was supposed to take effect. In relation to the agreement, the court may also issue any additional orders it deems just and appropriate under the circumstances. However, one may contend that that determining whether a contract or agreement is unfair under Section 48 only takes into account whether or not it is written in plain and understandable language. The presence or absence of plain language is just mentioned as a consideration in Section 52. Therefore, a contract or agreement may still be valid even if it does not adhere to the plain language criteria.

The Dangers of Non-compliance of the Consumer Protection Act (2016: para.3 line 8-9), however, states that if businesses commit offences by failing to adhere to the consumer protection laws, it will result in a violation of the consumers' rights and harsh penalties will ensue, in the form of extensive fines or imprisonment. The reason for that is that many consumers are semi-literate and easily misled or deceived by complex wording (Van Schalkwyk 2014: 30; Newman 2010: 745). It is implied that this right is awarded to consumers, (including students) to ensure that they understand all the

necessary information to enable them to make informed decisions (Newman 2010: 737). Failure to do so could result in students becoming over indebted and having a student loan debt they did not require (February 2018; Mogaji, Czarnecka, Danbury and Farquhar 2019; Van Reenen 2007: 28). From the above, the implication is that in order for a supplier to not be in violation of a student's rights as a consumer, they are required by the CPA to ensure the contract is in a plain and understandable language and to ensure that the student understands the T's & C's included in the contract. Furthermore, in the HEI context, the rules, policies and terms of agreement binding the student and the institution must be set out in plain and understandable language.

### **2.13.2 The National Credit Act (NCA)**

The National Credit Act, according to Van Heerden (2008:28), allows all credit transactions to be administered and regulated by a single Act. The NCA's objectives are to encourage the social and economic well-being of South Africans and to facilitate a competitive, equitable, clear, viable, dependable, efficient and accessible credit market. The Act also aims to protect consumers by prohibiting reckless credit granting (Republic of South Africa, 2006, National Credit Act No. 34 of 2005; Sewnunan 2014: 11; Naude 2014: 11).

According to the South African Law Centre (2022), the NCA is aimed largely at protecting the consumer. From this statement, it can be deduced that the NCA would apply to students as consumers. It provides customers a plethora of rights to attain this objective. By finding a balance between the rights and obligations of credit providers and that of customers, these rights seek to improve the fairness and accessibility in the credit market, particularly for historically disadvantaged consumers. This type of credit market requires extensive protection in the form of a diverse range of consumer rights. This is due to the considerable number of illiterate and uneducated consumers in the South African credit industry. The NCA applies to every credit agreement between parties dealing at arm's length and made within or having an effect within the Republic, except those agreements that are exempted (Sewnunan 2014: 27).

#### **2.13.2.1 Who constitutes a consumer according to the NCA?**

According to Eiselen (2015: 10-17), a "consumer", as defined by the NCA, refers to the party to whom credit is granted under a credit facility; the borrower under a secured

loan; the party to whom or at whose direction money is advanced, or credit granted under any other credit agreement. Using plain language, the author explains that the NCA aims at protecting consumers who lease or buy durable consumer goods; enter into money loans, and to whom credit services are rendered. The inference is therefore that students who are granted credit are protected by the Act. The author further adds that the NCA is a consumer credit legislation that focusses on levelling the playing field between credit providers and consumers as the majority of the South African population consists of low-income consumers who do not have cash readily available. It is for this reason that many often make use of credit for their essential needs. It can therefore be understood that a student (consumer) within the Republic will be protected by the NCA, and the student loan agreement concluded between the student and the credit provider will be regulated by the NCA. Before entering into a credit agreement with a customer (student), credit providers are required by the NCA to complete a thorough credit assessment. This includes taking reasonable measures to ensure that the customer is aware of his or her rights and obligations, as well as the costs and risks involved in the credit agreement and that the customer is capable of repaying the loan (Stoop and Kelly-Louw 2011: 86).

#### **2.13.2.2 Rights afforded to students in terms of the NCA**

The NCA affords the student, as a credit consumer, various rights, including the following: The right to apply for credit, which means that every adult person has a right to apply to a credit provider for credit; the right to receive information in an official language, more specifically an official language that they can read and understand; the right to information in a plain and understandable language, which emphasizes that an ordinary consumer with average literacy skills should be able to understand the contract, and the right to confidentiality, which means that the information provided by the prospective consumer must be protected (Naude 2014: 11; Sewnunan 2014: 27; Eiselen 2015: 29-30). An explanation of each of these rights and their relevance to students and student loan debt is presented below.

##### **2.13.2.2.1 The right to apply for credit**

According to Section 60(1) of the NCA, every adult person has a right to apply to a credit provider for credit. Notwithstanding, receiving the credit is not a guarantee (Arde

2017; Republic of South Africa, 2006, National Credit Act No. 34 of 2005). This provision reinstates the idea that a student, being a consumer, has the right to apply for credit (student loan) from any registered credit provider (loan provider). However, in order for a student to qualify, they need to be an adult person, i.e. over the age of 18, and furthermore, just because a student has the right to apply for a student loan does not mean they should be granted credit. Furthermore, there is the risk of borrowing too much (Van Reenen 2007: 28) and not being able to pay it back. This will result in further student debt (Anon. 2020; Kuchar 2020). In addition to the above, subject to Sections 61 and 66, a credit provider is allowed to decline any potential customer on the basis of justifiable business considerations. No provision of the NCA gives anybody the authority to demand that a credit provider engage into a credit arrangement with him or her.

#### **2.13.2.2.1.1 Reckless credit granting**

Mulder (2015: 39-43) explains that reckless credit granting is the granting of credit disregarding the consequences of danger. The author continues by stating that if the consumer obtained the credit agreement documentation without possessing a general knowledge and understanding of the risk and expenses of the proposed credit as well as of their rights and responsibilities under that specific credit agreement, the credit agreement could be deemed reckless by South African courts. The credit provider has a responsibility to analyse and prohibit lending that is reckless and must make sure that sufficient precautions are in place to avoid the issuance of reckless credit. If the evidence demonstrates that the credit provider did not perform an accurate evaluation at the time of application and/or the consumer did not fully comprehend the risk, expense, and obligations incurred as a result of the credit agreement, the court may impose the sanction where that particular credit agreement will be partially or completely denied or dissolved. From the above discussion, it is implied that if a student were to be granted a student loan without the credit provider conducting the necessary assessments or should the students not understand the material terms of the contract, the agreement can be challenged in a court of law.

In an unreported magistrate's court proceeding in Port Elizabeth, the applicant, Mr. De Kock, asked the court to deem the credit agreement's lending reckless. The magistrate determined that ABSA Bank Ltd. gave the first and second respondents a mortgage

on a residence in a recklessly and that the loan should be "discarded." Mr. LJJ Gerber, the borrower, was released from his duty to repay the debt and allowed to keep the immovable property (De Kock v Gerber and Others 2010). From this case, it is implied that should a student be granted a student loan recklessly, the court can release the student from the loan, by not requiring the student to repay their student loan debt.

#### **2.13.2.2.2The right to receive information in an official language**

According to section 63(1), customers have the right to receive any document in an official language that they can read and understand. Many consumers who do not fluent in English are ignorant of this right, according to the Ombudsman. Consequently, they do not require that the documentation be in their preferred language (Arde 2017; Republic of South Africa, 2006, National Credit Act No. 34 of 2005). This infers that students who are unaware of this right will not request the translations and as such not completely understand the loan agreement they are signing. February (2018) reinforces this statement by expressing the view that students are unaware of their right to request documents to be translated or to have them in plain language and as such, do not fully comprehend their student loan contracts, which leads to an increase in student loan debts. According to Harrison (2016), people whose first language was not, English have the worst understanding of contracts. These issues would be equally challenging for students as well and will result in them not comprehending the T's & C's and put themselves at risk for becoming indebted or defaulting on their student loans.

#### **2.13.2.2.3The right to information in a plain and understandable language**

In terms of the NCA, Section 64 (Republic of South Africa, 2006), the producer of a document must provide that document in plain language. If it is fair to assume that a typical consumer with average reading and comprehension skills and no credit experience may be expected to grasp the document's content without unreasonable difficulty, then the document is considered to be written in plain English for the purposes of the Act. The abovementioned provision implies that this right to information in plain and understandable language is afforded to students that can utilise it when applying for a student loan. Newman (2010: 737) explains that consumers have a right to information in plain and understandable language. By implication, students also

have a right to information in plain and understandable language. If utilised, student loan providers need to ensure all necessary information is understood by the student, to enable them to make informed decisions. Failure to do so could result in students becoming over-indebted, and having a student loan debt they did not require (Mogaji, Czarnecka, Danbury and Farquhar 2019; Van Reenen 2007: 28).

In the case of *Standard Bank v Dlamini* (2013), Dlamini bought a second-hand motor vehicle from Standard Bank, which eventually had a mechanical failure, due to which he asked for a refund. However, the bank claimed for multiple costs, and referred to the NCA to support their case. Dlamini was unaware of these provisions in the contract. The court held that Dlamini was not liable as he was functionally illiterate and that the bank's standard agreement was unscrupulous. The judge further added that the consumer has a right to documents in their official language and in plain language, in addition to being informed by reasonable means of material terms. The case offers support for the right to plain and understandable language. An article by Arde (2020) clearly illustrates that, despite having the right to information in an official language, the borrower was unaware of this right, and as such, the Zulu-speaking consumer, signed a quotation that was in English and was based on the misconception that the loan was to be repaid in 12 months. Furthermore, the author comments that, in addition to the contract not being in a plain and understandable language, the credit provider failed to ensure that the consumer properly understood all the T's & C's of the contract.

#### **2.13.2.2.4 The right to confidentiality**

According to the NCA, Section 68 (Republic of South Africa 2006), any credit provider, who receives any confidential information pertaining to a consumer or prospective consumer, must protect the confidentiality of that information and must use that information only for a purpose permitted or required. Failure by a credit bureau to comply will result in an offence (Naude 2014: 11). Hence, as a consumer, students have a right to have their information protected. When signing a student loan agreement, information such as identity numbers and bank account details of the student are requested. This right then implies that the credit provider should only use the information provided for the purpose it was permitted (Naude 2014: 17). Failure to do so could result in fraud, identity theft, and many other problems, which could provide dangerous consequences for the student. Victims of identity theft have been known to



lose their jobs, which will make paying back student loans difficult (Napier 2014). In relation to this study, the researcher asks the question “Does this right protect students who have been blacklisted because of their student loan debt?”

### **2.13.2.3 Credit bureau information and blacklisting**

Consumer credit information in terms of Section 70 of the NCA refers to information concerning a person’s credit history, financial history, including past and current income, assets and debts, education, employment, a person’s personal information such as identity information and related matters. The NCA allows for and permits the collection of credit information, history, or records from various sources for retention, maintenance, or removal, including sharing, so it follows that if a student defaults on their student loan and ends up being blacklisted or having a low credit score, their information is still protected under the NCA. The consumer often gives permission for credit bureaus to verify his or her personal information when asking for credit. In accordance with Section 18(4) of the NCA, third parties are permitted access to the data if they need it for a legitimate reason, such as an inquiry into fraud, corruption, theft, employment, for credit ratings, or to gather specialised consumer data (Mitole 2021: para.4 line 3-6).

### **2.13.3 Conclusion**

The goal of this study was to close the knowledge gap about the contractual difficulties that students experience and determine if these difficulties are a factor in the high levels of student loan debt. This study sought to shed light on the difficulties students have when it comes to student loan agreements and the degree of protection provided by consumer protection laws. Therefore, it aimed to contribute to the discourse that will help create a future for this nation free of student debt, which will be advantageous to both society and the nation as a whole. Less debt among the nation's youth will result in lower stress levels and a healthier country. This chapter presented pertinent literature in relation to the topic under study and has discussed an interesting selection of local and global literature with diverse scenarios accessible in monographic forms, journal articles and online websites. It has revealed that there is a multitude of consequences for the failure to repay student loan debt as well as the challenges faced by students when concluding a student loan contract. From the discussion, it can be

ascertained that the consumer protection legislation plays an integral role in addressing student loan contractual challenges by ensuring that the consumer (student) is protected, should they enter into a student loan contract. However, the literature has revealed instances in which consumers were not properly equipped with knowledge to protect themselves from predatory lenders. Darley and Johnson (1993: 37 cited in Govender 2017: 42) argue that while consumer protection is heralded in countries like the US and the UK, many African and Asian countries still lag behind in terms of consumer protection. The following chapter presents the research methodology used in undertaking the study.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

Chapter 2 reviewed the literature pertaining to student loan debt and the effect of consumer protection legislation on such challenges. The current chapter describes the research paradigm that served to guide the study and focuses on the research methodology, with emphasis on the research methods that were used in the study, the research design, population, sampling, data collection, data analysis, reliability and validity of the study.

### **3.2 Research Methodology**

Research methodology is the comprehensive approach that brings together philosophical principles, investigative techniques, and the particular techniques used to carry out the research process (Brink, Van de Walt, Van Rensburg 2012: 201; Creswell 2009: 5). According to Bryman and Bell (2015), research methodology is the systematic, deliberate, and organised collecting of information with the objective of learning more in order to address a specific research issue or problem. Therefore, research methodology refers to a process, in this case, a strategy, for carrying out research on a particular topic of interest.

Research methodology is essentially a way for gathering the data required for a study (Maphazi 2012:160). Quantitative or qualitative research methods are a few of the often-employed techniques. The two approaches come together to create a triangulation paradigm, commonly referred to as Mixed Methods.

### **3.3 Methodological Approaches**

There are three different types of methodological approaches, including quantitative research, which is a type of educational research that Fischler (2019) defines as one in which the researcher selects the topic of study, develops specific, targeted questions, collects quantifiable data from respondents, uses statistics to analyse these numbers, and conducts the investigation in an impartial, objective manner. The second approach is the qualitative research approach. Sekaran and Bougie (2016:332) summarise qualitative data as data that is in the form of words and it seeks to get a

deeper comprehension of the phenomena being researched (Gupta and Gupta 2011: 5). The mixed technique approach is the final method. The investigator obtains both quantitative (closed-ended) and qualitative (open-ended) data, incorporates the two, and thereafter makes conclusions utilising the combined capabilities of both sets of data to comprehend research problems, according to Creswell (2015: 2).

The quantitative research technique was deemed to be the most appropriate for this research in terms of gathering the required data. This approach was chosen because it is effective in describing the characteristics of a big population while allowing for rigid analysis of the survey data, and ensuring that the findings are valid, trustworthy, and applicable to a broader group. The survey was carried out by the researcher using quantitative research methods. Because it best serves to address the issues and aims of the study, the questionnaire that was to be used as a data-collecting tool was mostly of a quantitative type. Below is a more detailed discussion of the research methodology used in this study.

### **3.3.1 Quantitative Research**

Quantitative research, according to Bless *et al.* (2013:16), depends largely on numbers and statistics for the analysis of the findings. Data expressed as numbers are related to quantitative or empirical research methodologies (Hittleman and Simon 1997: 31; Neuman 2007: 7). One of its most popular fields is the use of statistics to summarise the results, analyse, and explain data. When collecting quantitative data, it is typically necessary to analyse the data using a tool like SPSS (Henn 2006: 203).

Unlike qualitative research, quantitative research is more concentrated and attempts to test assumptions (Makhathini 2015: 31). Quantitative research includes analysing and quantifying the phenomena being investigated, and it is thought to be objective in nature. It entails gathering and analysing numerical data as well as using statistical tests (Tonono 2008:40). A quantitative study's conclusions must be reached purposefully, logically, systematically, and scientifically (Leedy and Ormrod 2013:100). The goal of positivism, according to Swain (2017: 57), is to find generalizable hypotheses or explanations that are based on the natural science laws.

According to Miller (2020: para. 5-7), a quantitative research approach has many advantages, some of which include:

- **The quantitative approach allows the researcher to reach a higher sample size** - It is simpler for the researcher to conjure dependable generalisations from a bigger sample size. The additional data obtained for this project offers the results more validity because the statistical analysis can examine them in more depth.
- **Information is collected more quickly when using quantitative research** - Under real-time circumstances, investigators are capable of gathering information for the quantitative research process, enabling virtually immediate statistical analysis. A data-focused approach generates quick, beneficial results. If there are fewer delays in gathering the data, it is easier to find connections that eventually lead to a useful conclusion.
- **The research performed with the quantitative approach is anonymous** - Provided researchers can verify that respondents fit the study group's demographic description, no personal information is required. Since quantitative research is anonymous, it is a good method for gathering data since individuals are more willing to offer their honest opinions when there is an assurance that their comments will not be linked back to them.

### 3.4 Research Design

Research design, according to Bryman, Hirschsohn, Santos, Toit, Masenge, Aardt, Wagner and Bell (2015:372), is the comprehensive strategy that the researcher can choose to incorporate the various mechanisms of the research in a clear and logical way. This will ensure that the study that is being investigated will successfully address, establish the plan for gathering data, measuring the data, and the data analysis and the research design. According to a concise definition provided by Bless, Higson-Smith, and Sithole (2013: 130), the research design is directly related to addressing the research questions. Research design is crucial since it affects how reliable the findings are and serves as a solid basis for the entire study (Bryman *et al.* 2015:372). There are multiple types of research designs available. A few of these designs include descriptive research design, explorative, correlational, experimental (Best 2012), causal-comparative/quasi-experimental, survey and case study research designs. The research designs used in this study include the descriptive and explorative design, as well as survey research design and case study design. These research designs were

selected as they are the most appropriate for the research purpose. Each type of research design selected is briefly explained below.

#### **3.4.1 Descriptive research design**

This method of research design, which depicts phenomena as they are, is also referred to as statistical research. It is used to research the present state of affairs, and to determine a particular issue's features; it gathers data about them. In other words, the researcher makes observations and then discusses their findings. Descriptive research provides answers to the what, who, where, how, and when questions (Akhtar 2016: 75). The purpose of descriptive research is to provide a detailed account of a situation, individual, or event or to show how multiple components are interconnected and naturally occur (Blumberg, Cooper and Schindler 2005 cited in Boru 2018). However, since they can only explain what happened, descriptive studies are far more suitable for a freshly created or unexplored area of investigation (Punch 2005 cited in Boru 2018). A descriptive research design was chosen as this study was conducted to identify and obtain information on current student loan debt situation and selected consumer protection laws in South Africa. Furthermore, such a research design is suitable for a relatively new or unexplored research area, such as the effects of consumer protection legislation on challenges pertaining to student loan debt in South Africa. The kind of data obtained in this study included the students' knowledge of the amount of their student loan debt, their awareness of their rights under the selected consumer protection legislation and the challenges they have faced, amongst other things.

#### **3.4.2 Explorative design**

Akhtar (2016: 73) defines an explorative research design as one with the purpose of achieving new insights into a phenomenon. The author goes on to explain that this research aims to outline an issue for a more precise examination or to establish a hypothesis. When there are little or no prior research or studies to which references may be made for information, this is used. According to Akhtar, exploratory investigations are typically more acceptable when an issue has a limited amount of research knowledge (Saunders Lewis and Thornhill 2007). An explorative research design was also chosen as there are limited studies related to the above topic. In

addition, this study provides new insights into a phenomenon that is student loan debt. That data will be collected from students using a survey, pertaining to their student loan debt amount, challenges faced by them when completing a student loan contract, awareness of their rights in terms of the CPA and NCA, etc.

### **3.4.3 Survey research design**

Survey research is defined by Check and Schutt (2012: 160) as the collection of information from a sample of individuals through their responses to questionnaires. The survey research method is a methodology used in research that presents a sample of respondents' questions via a questionnaire or by conducting an interview, according to Fowler (2013). Fink (2012) states that conducting surveys is done for three fundamental reasons: description (what questions), explanation (why questions), and exploration (initial search). A survey research design was utilised and the questionnaire as the tool for obtaining information from respondents relating to their awareness of the consequences of unpaid student loan debt, student challenges in respect of student loan contracts that they may have experienced, and their awareness of their rights.

### **3.4.4 Case study research design**

According to McCombes (2020; 1-5; Yin 2009: 3), a case study is an in-depth examination of a particular subject, such as a person, group, place, occasion, business, or phenomena. In social, educational, clinical, and commercial research, case studies are frequently employed.

A case study research design can involve qualitative methods or quantitative methods. It is an appropriate research strategy when you want to acquire concrete, contextual, and in-depth information about a certain real-world topic. You can investigate the main characteristics, significances, and ramifications of the case. Case studies are typically a useful choice for a thesis or dissertation. When the researcher lacks the time or resources to undertake comprehensive research, this particular design can assist in keeping the project targeted and controllable.

A case study research design was applied as there was very little time and resources available to conduct the research. Furthermore, the real-world subject chosen for this study is student loan debt in higher education, so it is only logical to choose a HEI as

the research site. The researcher chose The Durban University of Technology as it was easily accessible to her.

### **3.5 Pilot Study**

According to Brink, Van der Walt and Van Rensburg (2012:56), a pilot study is a trial run, conducted with a small sample group, to test the data collection instruments that will be utilised. A pilot study is conducted to identify and resolve some of the issues that might occur when collecting pertinent data in the main study. The purpose, therefore, is to allow the researcher to modify, make changes and refine questions for the main research study, to ensure the data collected is accurate, by minimising a respondent's confusion and misinterpretation. The Centre for Evaluation and Research (2011: 1; Hassan, Schattner and Mazza 2006: 1) states that a pilot study refers to finding out if, in the "real world", your research or survey would work, by testing it out on a small number of people. The aim of a pilot study is to make sure that the participants know and answer the questions in the similar manner. The author adds that the researcher can also check if any questions make the respondents uncomfortable and find out how much time is required to complete the questionnaire. The data collection instrument is tested on people that represent the intended sample.

In considering these aspects, the researcher piloted the data collection instrument using 15 students at the four different Durban campuses, of the Durban University of Technology. These 15 respondents were not used for the main study.

### **3.6 Population**

This sub-section defines "population", describes the target population for this study and the reason they were chosen.

A population is the research population and includes persons, groups, organisations, events, or the circumstances to which they are exposed, according to Bless, Higson-Smith, and Sithole (2013: 162). A population also refers to the whole group of individuals that satisfy the requirements for the study that the researcher is interested in (De Vos *et al.* 2011:223). A study population, according to Brink, Van der Walt, and Van Rensburg (2012), is the group of people to which the researcher has access and who are essential to the investigation. It is typically difficult and expensive



to include every member of the population in a research endeavour due to the size of the population.

### **3.7 Sample**

Taherdoost (2016: 20) states that taking a portion from a chosen population is called sampling. Sampling makes research more accurate and economical (Showkat and Parveen 2017: 2). Sampling can be used to make inference about a population or to generalise in relation to existing theory. A sample, according to Sekaran (2003: 266), is the process of choosing a sufficient number of units from the target population, allowing us to generalise its characteristics or attributes to the rest of the population's components through a study of the sample. According to Remler and Van Ryzin (2011: 139), sampling assists the researcher when the target population is enormous and unmanageable.

Due to the size of the population for this study, the researcher decided to use a subset of the entire population by selecting a sample of the student population at DUT. In addition, the inclusion criteria for this study are that the respondents must be full-time students at the Durban University of Technology, who have student loans granted to them, while the exclusion criteria were that respondents were excluded if they are not full-time students or if they do not have a student loan.

#### **3.7.1 Sample selection method**

Probability sampling and non-probability sampling are the two main categories of sampling. According to probability sampling, each component of the population has an equal chance of being included in the sample (Taherdoost 2016: 20). Non-probability sampling methodology employs non-randomised ways to draw the sample, in contrast to probability sampling method. The non-probability sampling approach will be applied in this investigation. The non-probability sampling approach mostly requires discretion. Participants were chosen due to their accessibility rather than randomness (Showkat and Parveen 2017: 6). Non-probability sampling, according to Yin (2003), is frequently used in qualitative research and case study research design. With regard to the latter, the author notes that case studies frequently concentrate on small samples and are meant to explore a real-world occurrence rather than draw conclusions about the general population based on statistics. Convenience sampling, judgemental sampling

(purposive sampling), snowball sampling, and quota sampling are examples of non-probability sampling techniques.

Given the COVID-19 and lockdown restrictions that were in place, the researcher had felt it imperative to consider and use alternative data collection methods, e.g. online methods, which involved emailing participants the questionnaire, consent letter and letter of information, requesting their participation. Therefore, the following two sampling techniques were used:

1. The first technique this study adopted is a **non-probability sampling technique**, viz. the **judgemental sampling method (Purposive sampling technique)**. When using this type of sampling, the researcher makes his or her own judgments about the participants while bearing in mind the objective of the research. It chooses cases with the assistance of an expert's judgment or with a particular objective in mind (Showkat and Parveen 2017: 7). In addition to being less expensive, easier to reach, and more convenient, purposive sampling allows the researcher to choose only those subjects who are pertinent to the study's design. Despite some of the benefits of this strategy including convenience, Maxwell (1996 cited in Taherdoost 2016: 22) explains that this technique is highly effective and important as it provides important information that cannot be obtained from other choices.

The judgemental or purposive sampling method was used in this study. This sampling method was chosen as it was considered most appropriate to choose all textual components that facilitate answering the provided research questions, fulfil the study's aims, and guarantee the collection of precise or trustworthy data (Krippendorff 2013: 485). This technique was chosen as the study is intended for a specific group of students, viz. students who have student loan debts from DUT. Students with loans from other entities will not be included (a filter question to this effect was asked before commencing). The target population for this study consisted of all full-time students from all of the Durban University of Technology campuses, viz. M.L. Sultan, Steve Biko, Ritson, Brickfield, City campus and the Pietermaritzburg campuses. The total population of this study is approximately 33 000 students. These students were targeted for participation, as the study was limited to just the Durban University of

Technology. Therefore, the researcher was best positioned to reach out to these students, and they were easily accessible to the researcher.

2. The second technique that was used in this study is also a **non-probability sampling technique**, viz. the **convenience sampling method**. Researchers choose people for this sample based on their own convenience (Taherdoost 2016: 22; Showkat and Parveen 2017: 7). This means that the researcher chooses the nearest living individuals as participants.

The researcher requested a list of students with a student loan from the ITSS Department at DUT and sent the questionnaire to respondents. A filter question was asked to separate those who have student loans from those who do not.

### **3.7.2 Sample size**

According to Sekaran (2013), sample sizes more than 30 and fewer than 500 are suitable for the majority of studies. A sample in this study is a smaller group that was selected from the target population, which consisted of students, using the purposive method. The total population size is approximately 33 000. The sample size was therefore calculated using Sekaran and Bougie's (2016: 263) sample size table for population size and it was determined that the appropriate sample size for a target population of approximately 33 000 is 380. The sample included students from all of the Durban University of Technology campuses, namely: ML Sultan, Steve Biko, Ritson, Brickfield and City campus, and the Pietermaritzburg campus. A proportional representation from each faculty was not needed, as it is not envisaged that student challenges with respect to student loan debt will differ across disciplines.

### **3.8 Data collection method and research instruments**

Establishing a methodology for documenting information is part of the data collection process, which involves gathering information from many sources including unstructured or semi-structured interviews and observations, papers, and visual resources (Creswell 2009: 178). Primary data, as defined by Swain (2017: 141), is defined as initial data that has been gathered under the direction and control of the researcher. Primary data collection, according to Srivastava and Rego (2011: 5), entails gathering information directly from research participants via in-person or

telephonic interviews, postal surveys, or questionnaires in order to answer a certain topic or hypothesis. In contrast, secondary data collecting involves doing an empirical study on information that has previously been obtained or collated in some way (Coe, Waring, Hedges 2017: 122). This study utilised a survey to collect data from students and a literature review was assembled of pre-existing data.

Mtembu (2018:27) explains that data may be gathered using a wide range of devices, including surveys, interviews, and observations. The author further explained that depending on the field of research, each of these techniques has benefits and drawbacks. Questionnaires were employed in this study to gather data.

According to Bless *et al.* (2013: 394), a questionnaire is a tool for gathering data that consists of a set of uniform questions about the subject of the study that people who participated must respond to in writing. A questionnaire is a structured set of questions to which respondents must respond, typically with a limited number of options (Mtembu 2018:27). Since they can be administered in person, mailed to participants, or distributed online, questionnaires are an efficient method of gathering data (Blasius and Thiessen 2012: 27). Accordingly, Leedy and Ormrod (2010) and Bless *et al.* (2013) state that employing questionnaires as a technique for data gathering has numerous benefits, such as:

- **Anonymity** - From the perspective of survey participants, anonymity is retained when using questionnaires. Participants are afforded the assurance that should they decide to participate in the study their responses are confidential and will not be associated with them (Mtembu 2018:28). Thus, they could be more forthcoming and truthful with their answers, than they would have been had it been a personal interview, particularly when discussing delicate subject matters (Leedy and Ormrod 2013: 191).
- **Inexpensiveness and convenience for both researcher and participant** - A significant number of people, including those who reside thousands of miles away, can be surveyed through email, saving the researcher the cost of traveling. Given the COVID-19 epidemic, this is very important for this study. Participants, at their own pace, can also complete the questions. A computer

program can be employed to input the data and record answers for each category.

Since questionnaires constitute the most efficient tool when the researcher is clear on what is needed and how to assess values of interest, this study employed them to gather data. A questionnaire was a useful tool for this study since it was conducted during a pandemic and adhered to the COVID-19 requirements as it could be emailed to respondents who lived far away and physically presented to participants who lived nearby. Utilising questionnaires in research has benefits, but there are drawbacks as well. Bless *et al.* (2013: 199 cited in Mtembu 2018:28) assert that questionnaire response rates are often quite low, particularly when sent through mail or email to unidentified recipients. Additionally, there is little incentive for prospective participants since they have nothing to gain by responding to and submitting the questionnaire, which is why a large number of them choose to not (Leedy and Ormrod 2013: 202). Even when participants are voluntarily participating in a questionnaire study, "their replies will reflect their reading and writing abilities", and as a result, one or more questions may be misunderstood (Leedy and Ormrod 2010: 189).

The researcher also took various steps in order to combat the disadvantages with questionnaires. In the case of a low response rate, follow-up emails and reminders were sent to respondents. In order to motivate potential respondents, it was highlighted that they will become better informed about student loan debt and related challenges that could benefit them. Lastly, help was offered to respondents should they have any problems in reading or understanding questions.

Originally, the researcher had planned on respondents being approached face-to-face at the Durban University of Technology campuses. However, since the COVID-19 threat restricted such a method of data collection and there was no certainty as to when it will abate, an alternate method of data collection was used. Hence, an online questionnaire was administered to students. An online questionnaire is a web-based survey that organisations utilise to communicate with their target demographic and get information from them. This method is highly beneficial as it is simple and cost-effective (Anon. 2020). With this in mind, and to facilitate easy collection of the data, the researcher opted to use Microsoft Forms as the data collection tool. Microsoft Forms is a fast, lightweight application that allows one to easily create a form, gather

responses as speedily as possible and display automated charts to show the information gathered. A form can be created in minutes, no training is needed, and participants can fill everything out on the browser without downloading a different device (Govender 2020: 42).

The researcher chose to transfer the questionnaire into the Microsoft Forms format, which was then be emailed with the consent letter and letter of information to each of the selected respondents.

### **3.9 Data Analysis**

Following a thorough identification and definition of the study topic, the data gathering procedure is started. Researchers acquire data for their study using one of two approaches. These are also referred to as primary and secondary data. Primary data are those that are gathered by the researcher for the first time. These types of data may be gathered via surveys and are in their original format (Kothari, 2004:95). The latter involves researchers using or gathering data that has previously been obtained by other researchers (Bless, Smith and Kagee, 2006:112). The formulation of pertinent conclusions regarding the subject or issue under investigation is the main goal of data collection during research. Therefore, it is necessary to analyse and understand the data in order to extrapolate the most useful and relevant information from it (Wagner, Kawulich and Garner 2012: 176). Blumberg, Cooper, and Schindler (2005: 70 cited in Govender 2017: 99) describe data analysis as a procedure that includes reducing the volume of obtained data to a reasonable level, creating summaries, identifying patterns, and utilising statistical methods.

The researcher next utilised suitable computer software—in this instance, SPSS version 27.0, the most popular program for the analysis of quantitative data—to analyse the data once the procedure of gathering and collecting the data was complete (Bryman and Bell 2011: 312). The participants' responses to open-ended questions in the survey were gathered and examined using a thematic method. The researcher observed similar themes and summarised them.

Depending on the industry and the objective of the study, there are several approaches and procedures to utilise (Calzon 2021). Following that, descriptive and inferential statistics were derived for the information from the study's closed-ended questions.

The quantitative data for this study was analysed using the techniques listed below:

- The information was gathered, coded and allocated numerical values;
- Any patterns or trends in the data were discovered;
- The data were analysed using SPSS, a statistical tool;
- Tables, graphs, and cross tabulations were used to present the results, and
- Comprehensive analysis of the findings testing the validity and dependability of the data.

### **3.9.1 Descriptive analysis**

The aim of descriptive research is to answer specific research questions. Descriptive statistics was used to illustrate the fundamental elements from the quantitative data that emerged from this study. Bertram and Christiansen (2014:138 cited in Govender 2016: 46) explain that descriptive statistics summarise the data set to a graphical analysis such as a graph or table. For this study, statistical analysis was used to analyse the obtained data in the form of Chi-square tests. Descriptive statistics are used to gather meaning from quantitative data. Furthermore, frequencies were used and the analysis was presented in graphs and tables where applicable.

### **3.9.2 Inferential statistical analysis**

Inferential statistical analyses were also used in this study. When presenting inferential statistics, Omair (2012: 1255) advises that the researcher should only include findings—both positive and negative—that are pertinent to the particular objectives of the research study. The researcher might draw conclusions for the study questions in this manner (Creswell 2014: 209). A few types of inferential analysis are correlation, regression and analysis of variance (Your Guide to Qualitative and Quantitative Data Analysis Methods 2018). The types of inferential analysis techniques utilised in this study are discussed below.

#### **3.9.2.1 Cronbach's Alpha coefficient technique**

Internal reliability is frequently assessed using the Cronbach's alpha test. It computes the average of all potential split-half reliability coefficients but is not a statistical test. The coefficient can range from 0 (denotes no internal reliability) to 1 (which signifies

perfect internal dependability). In most research projects, an acceptable degree of internal dependability is considered to be 0.60 or above (Bryman 2012: 170). A Cronbach's Alpha test was conducted to test the internal reliability of the data collection tool (questionnaire).

### **3.9.2.2 Factor analysis**

The main goal of the statistical methodology referred to as factor analysis is to reduce the amount of data. Factor analysis is frequently used in survey research when a researcher needs to provide answers to a series of questions using a small number of hypothetical factors. Additionally, factor analysis may be performed to check whether the three procedures produced the same result (Cerny and Kaiser 1977: 43-47 cited in Govender 2020: 50). This study uses factor analysis, especially to ensure validity.

### **3.9.2.3 Kaiser-Meyer-Olkin (KMO) and Bartlett's test**

The Kaiser-Meyer-Olkin (KMO) Test is utilised to assess the appropriateness of the data for a factor analysis. The test evaluates the model's sampling effectiveness overall and for each variable independently. The statistic depicts the proportion of possible shared variation among the variables. The fraction decreases as your data becomes more suited for factor analysis. KMO returns values between 0 and 1 (Glen 2016). Numbers around 1.0 typically suggest that a factor analysis of the data could be beneficial. The findings of the factor analysis are probably not very informative if the value is less than 0.50.

In order to determine if the variables are unrelated and consequently inappropriate for structure detection, Bartlett's test of sphericity is used to test the hypothesis that the correlation matrix is an identity matrix. Small values (less than 0.05) of the significance level suggest that the data may benefit from a factor analysis. A KMO and Bartlett's Test was conducted to determine if the data would benefit from a factor analysis.

### **3.9.2.4 Rotated component matrix**

Comprehension of the analysis's findings requires an understanding of the Rotated Factor Matrix table. Rotating the factors makes them simpler to understand. Rotation makes it feasible for various objects to be anticipated or explained by several



underlying causes, and each underlying element can explain more than one item. This is a condition called simple structure. Although this is the intended outcome of rotation, it is not always accomplished. The degree to which simple structure is accomplished in the Rotated Matrix of Factor Loadings is one thing to look for (Allen 2017: 2). A Rotated component matrix was used as it simplifies the interpretation of the factors.

#### **3.9.2.5 Cross Tabulations**

By means of a table known as a two-way frequency table or contingency table, the results resulting from conclusions drawn on two separate linked categorical variables (bivariate) can be outlined. The word 'contingency' can be used to assess if there is a relationship between the variables where the appropriate cross-tabulations have been generated (Walliman 2006: 281). Cross-tabulations have been generated in this study to determine the relationships between variables.

#### **3.9.2.6 Correlation**

Correlation and regression are two methods, which enable us to determine the correlation amongst two or more independent variables in actual dimensions. The research examined areas where there was any correlation between variables (Walliman 2006: 281). Correlation analysis was performed on the ordinal data and SPSS version 27.0 for Windows was used to determine the bivariate correlations related to the study.

#### **3.9.2.7 Chi-square test**

Chi-square testing, according to Welman, Kruger, and Mitchell (2005: 231), determines if the different classes that an interval or ratio variable is divided into are statistically or substantially related to another variable and that the relationship is not just the result of chance. In order to determine if there is indeed a link or correlation between two nominal variables, the chi-square test was utilised. This estimate is based on contingency or cross-tabulations of the two relevant variables (Bryman and Bell 2011: 327; Sharpe 2015 cited in Govender 2018: 89).

### **3.10 Validity**

Validity is concerned with whether the research methods, approaches and techniques chosen by the researcher actually relate to or measure the issues the researcher intended to explore (Erasmus, Loedolff, Mda and Nel 2010: 208; MacMillan and Schumacher 2001:407).

Face and content validity were used to acquire validity for the study's purposes. The degree to which a measuring method "on its face" seems to measure the target construct is referred to as face validity. Using an expert can increase face validity. The degree to which a measure "covers" the concept of interest is known as content validity (Jhangiani, Chiang, Cuttler and Leighton 2019). Pre-testing was done to look for potential measurement errors, identify poorly written items, and, more crucially, monitor for non-verbal behaviours (Moser and Kalton 2017). Fifteen students from the sampling population took the pre-test. Additionally, validity was evaluated using factor analysis.

### **3.11 Reliability**

Bernard (2013: 46) states that reliability is about consistency. When consistent findings are attained, the author argues, an evaluation or test is dependable. He continues by defining dependability as whether or not you obtain the same result while using the same equipment to measure the same item several times. According to Bless *et al.* (2013: 157), test-retest reliability is a measuring technique that should be used on the same population when evaluating an instrument's dependability. Reliability is defined as dependability with repeatable results (Neuman 2006: 188; Van der Riet and Durrheim 2006: 92).

For the purposes of this study, reliability was obtained by conducting a pre-test of the questionnaire. Participants of the pre-test was requested to give feedback regarding appropriateness, language and ability to understand the questions. It is important to note that the participants of the pre-test did not participate in the study. For the pre-test, participants were selected from the Department of Entrepreneurial Studies and Management with assistance via lecturers. Reliability was further established by computing Cronbach's Coefficient (Alpha, Cho and Kim 2015 cited by Govender 2017: 67). A Cronbach's Alpha test was used to determine the reliability and consistency of each question.

### **3.12 Ethical considerations**

The standard of research techniques in terms of adherence to legal, professional, and social duties to persons or participants is referred to as ethics (Brink, Van de Walt and van Rensburg 2012: 32). According to Clough and Nutbrown (2002:84), researchers need to be more than just technically proficient. They must engage in chattered intimacies and expose themselves to their subject's emotions and world, whether or not they are agreeable to them. They must confront the duality of represented and experienced selves simultaneously, both conflicted and real. In light of Clough and Nutbrown's position, it follows that the researcher had to preserve the rights, welfare, and sentiments of the participants when designing this study. Several ethical issues were taken into consideration throughout the research process in accordance with the policies and guidelines provided by the Durban University of Technology regarding the use of human subjects in research.

#### **3.12.1 Permission**

The University granted written consent for the study to be conducted. The letters of permission are provided in Appendix E.

#### **3.12.2 Voluntary participation and informed consent**

Throughout the research study, ethical rules were maintained and utilised. The study's respondents were asked to take part on a voluntary basis. The importance of voluntary cooperation and the opportunity to leave the research at any moment were made clear to the respondents. The surveys contained a copy of the informed consent principal letter, which the participants were cognizant of. Both principles required that participants be informed about the research's process and aims. The researcher gave consent forms and information sheets to the potential subjects. The participants selected whether to participate in the study after reading and understanding the consent form.

#### **3.12.3 Anonymity and confidentiality**

Confidentiality is the act of processing and storing the respondents' information in a discreet manner (Lubbe 2003:41 cited in Mafuwane 2011: 89). The researcher notified

the participants that participation was anonymous. Making data 'anonymous' means removing the contributor's name and that is important. The researcher also notified the participants that the responses provided by the participants would be kept confidential and utilised by the researcher, for the academic purposes of this study only. The participants were also informed that anonymity would be maintained during the write up of the research.

### **3.13 Limitations**

Hutchinson (2013:5) defines limitations as the factors outside of the researchers' control. The conclusions generated by the non-probability sampling approach are not generally applicable, which is one of its greatest disadvantages. It may be incorrect to generalise these findings outside of that specific sample because the results acquired via this approach predominantly pertain to the population that has been researched. Generalisation is the process of applying the results from a study to a broader target population. The findings of this study cannot be generalised to all Universities of Technology or other HEI in general. The accuracy of this research finding depends on the honesty of the respondents. The researcher may face the issue of respondents being unresponsive. There were also time and financial constraints.

### **3.14 Delimitations of the study**

Hutchinson (2013: 4) defined delimitations as the choices that the researcher makes. These choices define the restrictions that the researcher has set for the study. This study focused on students at the Durban University of Technology. The study was limited to only one HEI (DUT). Therefore, the findings from the study cannot be generalised to all Universities of Technology or other HEIs in general.

### **3.15 Conclusion**

Chapter 3 has highlighted the research methodology used in this study. A discussion was presented on the research instruments that were employed. Questionnaires were administered to the participants. The chapter detailed the research method utilised by the researcher. A quantitative research method was used to conduct this research because it is the most appropriate approach for this study. The targeted population comprised the student population of the Durban University of Technology. The

researcher applied two criteria, which she used to select the participants; this assisted in finding those students who have a student loan and in drawing up correct survey questions. Chapter 4 will present the analysis of results and discussion of the findings based on the data obtained from the questionnaires.

# **CHAPTER FOUR: DATA ANALYSIS AND FINDINGS**

## **4.1 Introduction**

The methodology and data collection techniques employed in this study were covered in the preceding chapter. This chapter commences with a comprehensive data analysis that provides an overview of the study's findings from the questionnaires. The questionnaire, which was administered to 384 respondents, served as the main instrument for data collection. Three hundred and six (or 80%) of the 384 questionnaires that were distributed were returned to the researcher. The data received from the participants was analysed using SPSS version 27.0. The results will provide the descriptive statistics as graphs, cross tabulations, and other figures for the quantitative data that was collected. Correlations and chi square test results, which are interpreted utilising p-values, are examples of inferential approaches. The conventional method of reporting a result necessitates a statistical significance statement. Inferred from a test statistic is a p-value. A finding that is significant is denoted by " $p < 0.05$ ". To ascertain the questionnaire's reliability, Cronbach's Alpha was utilised.

## **4.2 The Sample**

In total, 384 questionnaires were despatched and 306 were returned which implied an 80% response rate. All the respondents were university students who had loans.

## **4.3 The Research Instrument**

The study instrument comprised 50 items and could be measured on a nominal or ordinal scale. The questionnaire was divided into five sections to measure different topics:

1. Biographical data
2. Consequences of Unpaid Student Loan Debt and Contracts
3. Student Challenges in Respect of Student Loan Debt
4. Implications of the Consumer Protection Act 68 of 2008 (CPA)
5. Implications of the National Credit Act 34 of 2005 (NCA)

## **Presentation of results**

### **4.4 Filter questions**

Two filter questions were asked to ensure that all respondents were registered students at the Durban University of Technology as well as to separate those who have student loans from those who do not.

#### **4.4.1 Whether respondents were DUT students**

The respondents were asked to indicate whether they were students at the Durban University of Technology. The results are presented in Table 4.1:

**Table 4.1: Number of respondents**

<b>Yes</b>	<b>No</b>
306	0

All 306 respondents were DUT students. This was the expected result as the questionnaire was only distributed to students at DUT.

According to Bless et al. (2013: 199), the response rate for surveys is typically relatively low, especially when they are mailed or emailed to persons with whom the researcher is unfamiliar. Potential respondents have nothing to gain by responding to and returning the survey; thus many of them do not (Leedy and Ormrod 2013: 202). However, this was not the case for this study.

#### **4.4.2 Whether respondents had a student loan**

The respondents were asked whether they have a student loan. The results are reflected in Table 4.2:

**Table 4.2: Student Loans**

<b>Yes</b>	<b>No</b>
306	0

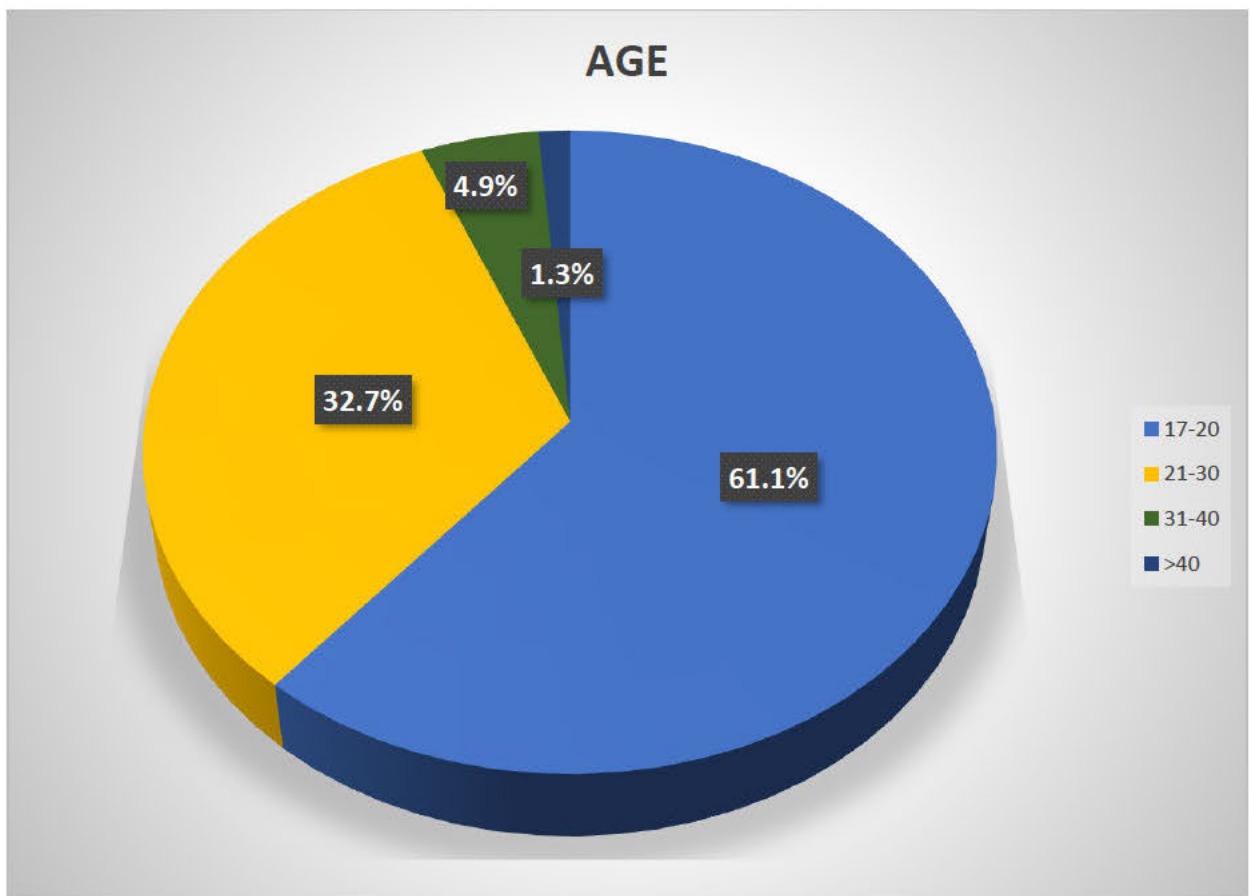
Table 4.2 reveals that all 306 respondents had student loans.

## 4.5 Section A: Biographical Data

The respondents' biographical details are compiled in this section. The distribution is shown in Figure 4.1 by age.

### 4.5.1 Age of respondents

The respondents were asked to indicate their age, using the age categories provided. Figure 4.1 reflects the age composition of the population.



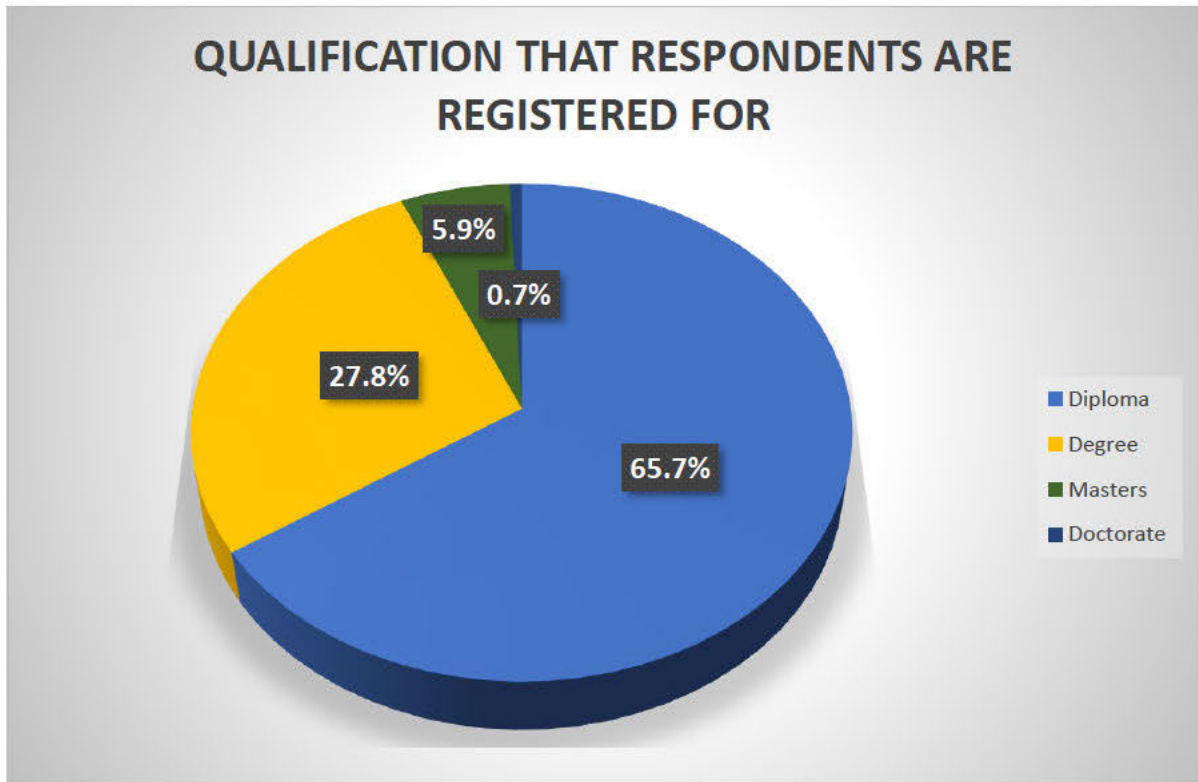
**Figure 4.1: Age composition of sample**

As reflected in Figure 4.1, of the 306 respondents, 61.1% were between the ages of 17-20, 32.7% were between the ages of 21-30, 4.9% were between the ages 31-40, and 1.3% were over the age of 40. Hence, the findings show that the majority of the respondents were between the ages of 17-20.



#### 4.5.2 Qualification that the respondents are registered for

Respondents were requested to indicate the qualification they are currently registered for. Figure 4.2 depicts the results obtained.

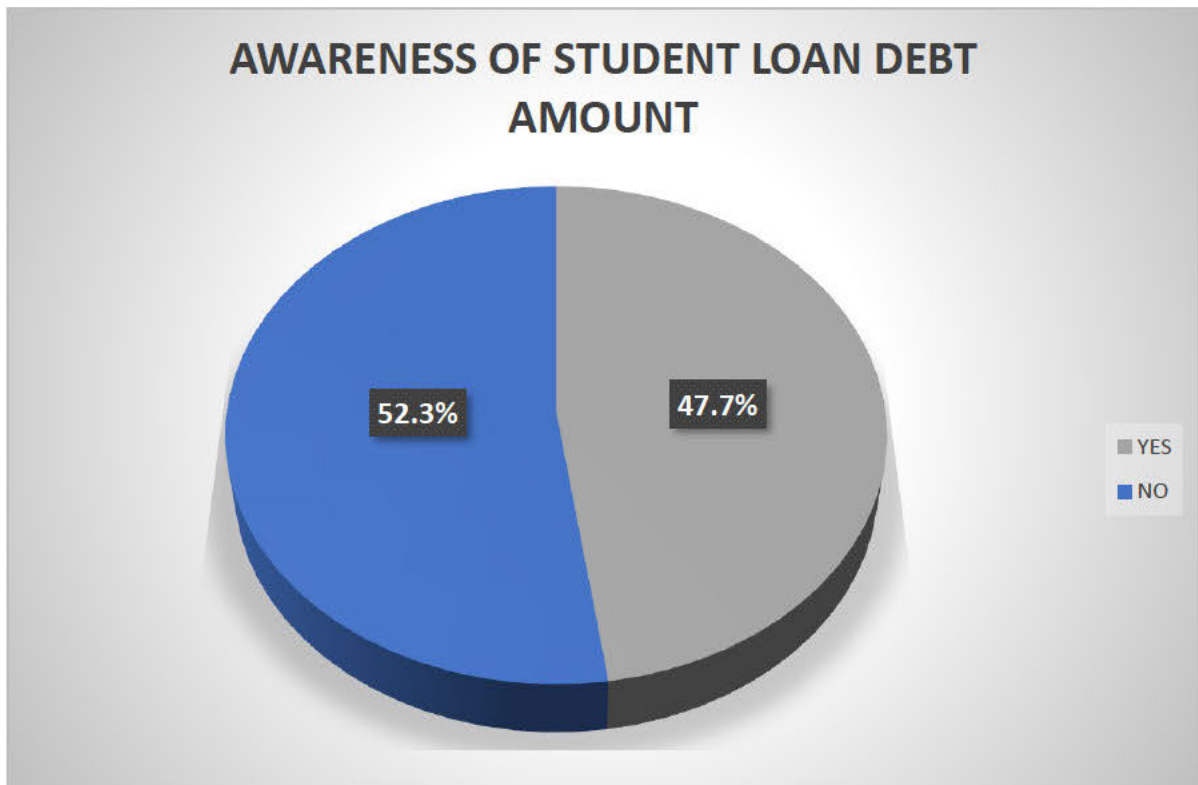


**Figure 4.2: Qualification that respondents are registered for**

Figure 4.2 illustrates the qualification the respondents are currently registered for. Figure 4.2 shows that 65.7% of the respondents were registered for their Diploma, 27.8% were registered for their Degree, 5.9% were registered for their Masters and 0.7% were registered for their Doctorate. The findings show that the majority of the respondents were registered for their Diploma.

#### 4.5.3 Respondents' awareness of the amount of the student loan debt that was owed

The respondents were asked whether they were aware of the amount of student loan debt they presently owe. The results are illustrated in Figure 4.3.



**Figure 4.3: Student Loan debt amount**

As shown in Figure 4.3, 47.7% of the respondents were aware of the amount they owed in student loans, while 52.3% were not aware, indicating that the majority were unaware of the amount they owed.

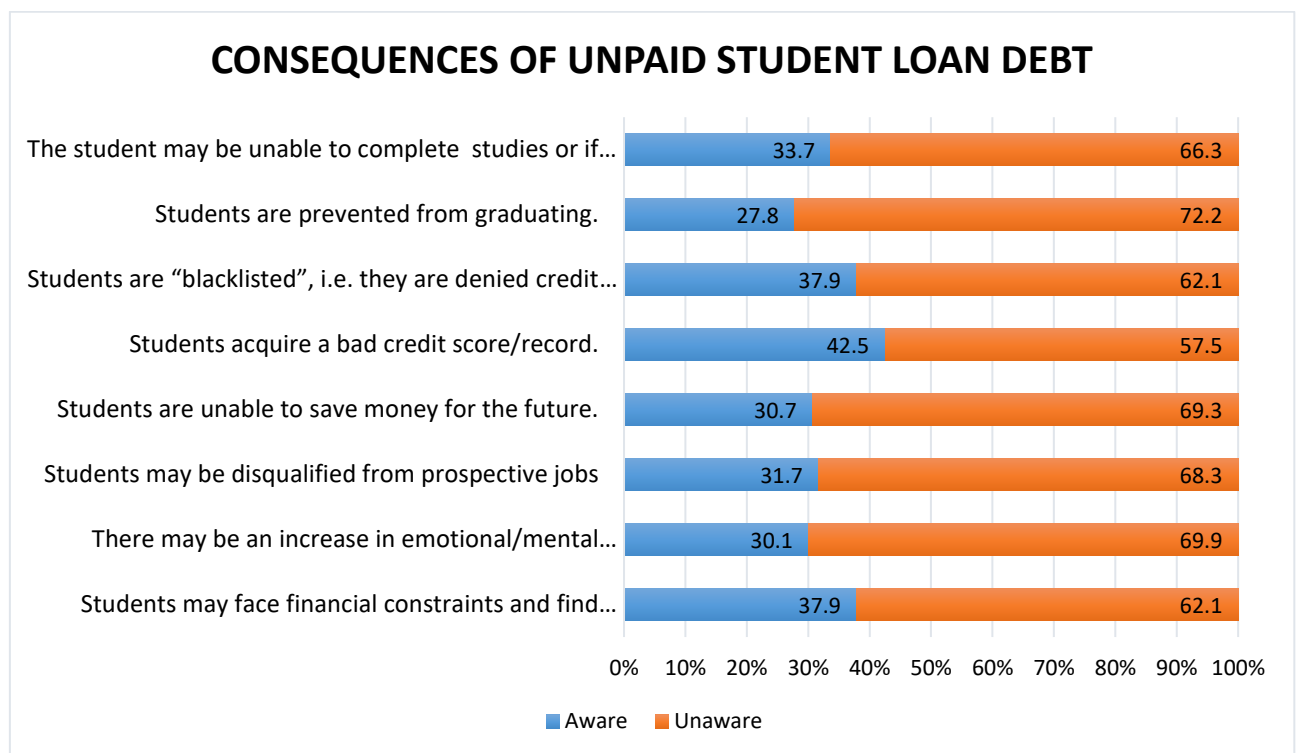
These results are consistent with research by Fletcher (2014: 134), which found that about 37.4% of students underestimated the amount of debt they were owing in student loans. According to a 2018 poll by Student Loan Hero, some students may not be aware of this because they believe they would not be required to return their loans if they are unable to find employment after graduation (Safier 2018: para. 3 line 1-2). According to the survey, up to 52% of students believed their student loans did not accumulate interest (Safier 2018: para. 6 line 1-2); an even higher percentage, 72% of students, believed their student loans would ultimately qualify for forgiveness. Furthermore, in certain countries, receivers of student loans erroneously assume that they are government grants because they believe that higher education should be free, which discourages them from making loan repayments (Kossey and Ishengoma 2017: 4). The results of a research by Ishengoma (2006), which revealed that students felt postsecondary education was a right and should be paid for by the government,

corroborate this point of view. As a result, they do not have to repay the loan, according to the study's conclusions.

## **SECTION B: CONSEQUENCES OF UNPAID STUDENT LOAN DEBT AND CONTRACTS**

### **4.6 Awareness of the consequences of unpaid student loan debt**

Student loan debts generally have certain consequences for students. Students were asked to indicate whether they were aware of eight areas pertaining to the consequences to unpaid student loans. The results are indicated in Figure 4.4.



**Figure 4.4: Consequences of unpaid student loan debt**

The following patterns are observed:

- Every statement exhibits (substantially) greater levels of unawareness, with some being higher than others; and
- There are no statements with higher levels of awareness.

The results presented in Figure 4.4 are discussed below for the respective sub-themes:

#### **4.6.1 The student may not be able to complete his/her studies or if the studies have been completed, the university will withhold the certification**

As shown in Figure 4.4, 66.3% of respondents were unaware of the consequence, while 33.7% of respondents indicated that they were aware of such a consequence, should they not pay their student loan debt. The findings show that the majority of the respondents were unaware that they may not be able to complete their studies or that if the studies have been completed, the university will withhold the certification.

These findings are supported by literature, where Cabana (2019), Head (2019), and Bozalek and Boughey (2012) all expressed the opinion that students are prohibited from continuing their education or pursuing postgraduate degrees because the institution refused to release their results. Five of the 10 participants in an empirical study by Sekhukhune (2008; cited in Johnson 2019) had to discontinue their studies since NSFAS did not cover all of their unpaid fees. According to research by Jones, Coetzee, Bailey, and Wickham (2008: 7), students who were unable to pay their tuition were prevented from registering for the next year. This finding is in line with this viewpoint. Universities are known to withhold certification from students who have finished their studies but have not paid their tuition, in addition to withholding results. Over the years 2010 to 2020, more than 100,000 degrees or certificates were withheld due to a lack of payment (Africa News 2022). Business Insider (2021) reports that at least 120,000 students have finished their courses since 2010, but they have not yet received their degrees and transcripts due to unpaid payments.

#### **4.6.2 Students are prevented from graduating**

Figure 4.4 indicates that 72.2% of respondents were unaware that they could be prevented from graduating should they not pay their student loan debt, while 27.8% of respondents were aware. Hence, the findings reveal that a majority of the respondents were unaware that not paying their student loan could prevent them from graduating.

Despite being registered with NSFAS, thousands of students, according to the Walter Sisulu University's deputy chairperson of the student representative council (SRC), did not obtain their diplomas (Sobuwa 2020: 10). This is only one of numerous instances that show how frequently universities withhold certification owing to unpaid costs. According to Macupe (2013), who backs up these assertions, students who fail to pay

their university fees can anticipate having their certificates or degrees delayed until their debt is paid in full.

#### **4.6.3 Students are “blacklisted”, i.e. they are denied credit because they have a poor credit record**

As illustrated in Figure 4.4, 62.1% of respondents were unaware of the consequence while 37.9% of respondents indicated that they were aware of such a consequence, should they not pay their student loan debt. The findings thus indicate that majority of respondents were unaware that they could be blacklisted due to their student loan debt.

It is commonplace for students to be blacklisted because of unpaid college loans. Khanyile (2017) asserts that the National Student Financial Aid Scheme had warned its former recipients to make plans to repay their student loans or risk being blacklisted.

#### **4.6.4 Students acquire a bad credit score/record**

As depicted in Figure 4.4, 57.5% of the 306 respondents surveyed, indicated that they were not aware that they could acquire a bad credit score/record, while 42.5% were aware. Hence, the findings show that the majority of the respondents were unaware that not paying their student loan debt could result in them acquiring a bad credit record.

Blacklisting will result in students being unable obtain credit on their name or get a job (Hamza 2017: 1). According to Morgan and Halpin (2005) and Williams (2019), this phrase might be interpreted to mean that students will not be able to obtain credit cards, purchase a house, drive a car, or do other tasks that need a good credit score.

#### **4.6.5 Students are unable to save money for the future**

As evidenced in Figure 4.4, 69.3% of the 306 respondents stated that they were unaware that they may not be able to save money for their future, whereas 30.7% of respondents were aware of this statement. Therefore, the findings revealed that the majority of the respondents were unaware that having a student loan debt may hinder their plans to save for the future.

Student loan debt has reportedly grown to be a major issue for borrowers who are plagued with loans, according to Farrington (2019). Those who fail to honour their student loan repayments will be barred from obtaining mortgages, personal loans or credit cards until they have made good on their debts and restored their creditworthiness (Morgan and Halpin 2005; Williams 2019). Graduates find it difficult to save for the future because of their student loan burden (Farrington 2019). Williams (2019) emphasizes that because student loans demand the money for the minimal down payment needed by many lenders, they might prevent a person from saving money for their future.

#### **4.6.6 Students may be disqualified from prospective jobs, as some employers are reluctant to hire staff with an unfavourable debt record**

Figure 4.4 shows that 68.3% of respondents were unaware that being disqualified from prospective jobs were a possibility and 31.7% of the respondents indicated that they were aware. Thus, the findings have revealed that the majority of the respondents were unaware that they may be disqualified from prospective jobs, as some employers are reluctant to hire staff with an unfavourable debt record.

The NCA 34 of 2005 (South Africa 2015), according to the National Credit Regulator, permits prospective employers to perform a credit check after obtaining consent from a candidate. Additionally, it can only be requested when an applicant is being considered for a job in a position that demands honesty while handling money or funds (Arde 2012: 1-2; Fisher-French 2016; Kumok 2018; Blumberg 2018). Kumok (2018) argues that an employer has the right to investigate a candidate's credit and decide not to hire them as a consequence of their results. The author defends this claim by stating that the purpose of an employer's credit check is to look for financial issues that can cause issues at work.

#### **4.6.7 There may be an increase in emotional/mental health problems**

Figure 4.4 reveals that of the 306 students surveyed, 69.9% were unaware that a student loan debt could result in an increase in emotional and mental health problems, while 30.1% were aware of such a consequence. Accordingly, the findings suggest that majority of the respondents were unaware of the consequence.

Smith (2019) claims that many students take out student loans without giving it much attention in the hopes that their degrees will help them secure lucrative employment. However, a person's mental and emotional health may suffer if they spend their whole lives repaying thousands of pounds in student loan debt (Nissen, Hayward and McManus 2019: 248). Lockert (2019: 4) reveals that many participants in a research study by the Student Loan Planner in the US had contemplated committing suicide as a result of their student loan debt. The article states that even more people have reported feeling anxious as a result of their student loan debt. According to the study's further findings, 53% of the respondents had gone through student loan depression as a result of their debt.

Those between the ages of 25 and 31 who had student loan debt had poorer levels of psychological wellness, according to a UCLA study from 2015. (Smith 2019). For people who already experience stress, anxiety, depression, and other mental health issues, debt may also be a significant influence, feeding a vicious cycle in which the issues exacerbate one another (Smith 2019; Kuchar 2019; Gravier 2019; Stewart 2020). Furthermore, it is normal to accuse your spouse of bringing debt into the relationship (Kuchar 2019). A survey by insider.com found that 36.1 percent of divorces were brought on by money problems (Stewart 2020).

#### **4.6.8 Students may face financial constraints and find themselves drowning in student loan debt**

As reflected in Figure 4.4, 62.1% of the respondents stated that they unaware of the above statement and 37.9 were aware. Therefore, it can be understood that majority of students were unaware that students may face financial constraints and find themselves drowning in student loan debt.

According to Shange (2015: 2), students from underprivileged backgrounds have difficulty adjusting to a demanding and varied multi-cultural educational institutional setting. The author goes on to say that, these students endure significant financial difficulties as a result of their underprivileged upbringings, which negatively affects their academic performance. According to data from research by Mzindle (2015: 81), the majority of the selected participants had a history of failure, which contributed to their decision to leave school. The author asserted that it is to be expected that students



who continuously fail will not be able to move further without institutional approval. According to several studies, students from less affluent homes are more likely to drop out of college than students from more affluent families because of financial difficulties (Garwe and Maganga 2015: 323). Similar to this, a survey conducted in East Africa found that the biggest obstacle to finishing a university education was money (Griffin 2007 cited in Garwe and Maganga 2015: 323). According to Letseka and Maile (2008 cited in Garwe and Maganga 2015: 323), 70 percent of university dropouts in South Africa were due to financial hardships. As a result, there is compelling evidence that students are finding it more and harder to pay for their higher education, leaving them with no other option than to drop out.

The results presented show that for each of the consequences presented, while a decent percentage were aware of these consequences, the majority of the respondents were unaware of them.

#### **4.7 Other consequences experienced as a result of unpaid student loan debt**

Respondents were prompted to provide further information concerning any other consequences that they or others around them may have experienced as a result of unpaid student loan debt. The comments were collated and are presented below. While each respondent expressed his/her comments in specific terms, the various comments are grouped under common themes:

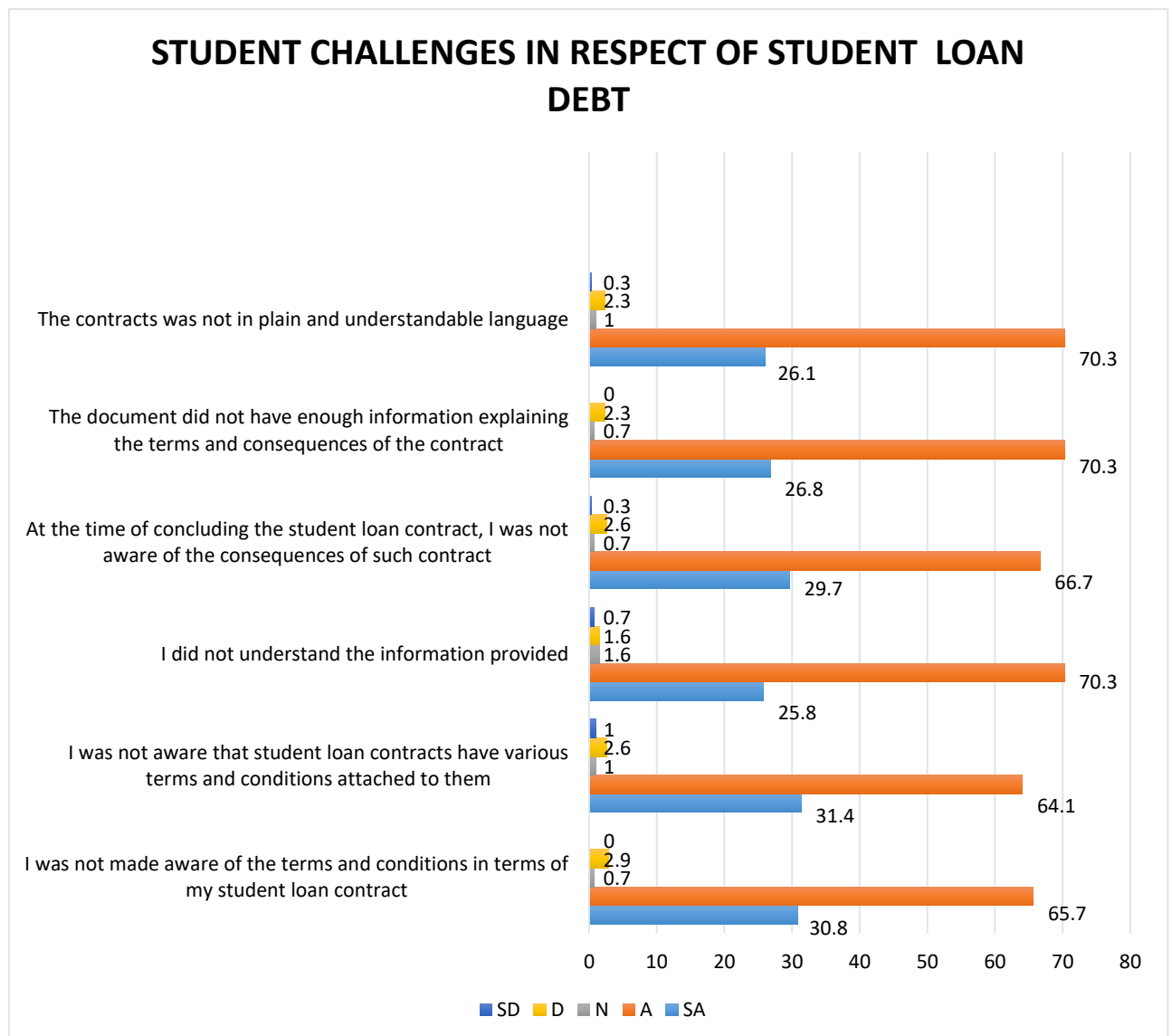
- Respondents indicated that they had become depressed and stressed out as a result of the student loan debt owing by them;
- Respondents had to drop out before finishing studies and were required to make a payment plan which made things financially difficult when they started again, and
- The reputation of respondents was damaged as a result of them being questioned about outstanding student loan debt.

### **SECTION C: STUDENT CHALLENGES IN RESPECT OF STUDENT LOAN DEBT**



#### 4.8 Student challenges in respect of student loan debt

The respondents were requested to respond on a multitude of areas regarding their level of agreement with each of the following statements relating to challenges that they may have experienced in respect of student loan debt. Figures 4.5 and 4.6 graphically represent the data captured.



**Figure 4.5: Student challenges in respect of student loan debt (a)**

The following patterns are observed:

- Every statement exhibits (substantially) higher levels of agreement;
- There are no statements with higher levels of disagreement;

- There are significantly low levels of disagreement, and
- There were neutral responses to all statements.

The results presented in Figure 4.5 are discussed below for the respective sub-themes:

#### **4.8.1 The contracts were not in plain and understandable language**

As shown in Figure 4.5, collectively 96.4% of respondents agreed that the student loan contracts signed by them were not in a plain and understandable language, while 1% remained neutral and 2.6% either disagreed or strongly disagreed with the above statement. Hence, the majority of the respondents agreed that the contracts were not in a plain and understandable language.

It has always been difficult to define the term "simple language," according to Cornelius (2015:1). Despite the CPA's requirement that contracts be written in plain and understandable language, this is not often the case. The author of a document is obligated under consumer legislation to provide it in plain language. Students have the right to request for documents to be translated or to be written in plain language as consumers, but many are ignorant of this right and as a result do not fully understand their student loan arrangements, which causes student loan debt to rise (February 2018).

#### **4.8.2 The document did not have enough information explaining the terms and consequences of the contract**

Figure 4.5 indicates that, collectively, 97% of the respondents stated that they either agree (70.3%) or strongly agree (26.8%) that the document did not have enough information explaining the terms and consequences of the contract, while 0.7% remained neutral and 2.3% disagreed with the statement. None of the respondents strongly disagreed. Hence, the findings show that the vast majority of the respondents agreed that the document did not have enough information explaining the terms and consequences of the contract.

According to Jayiya (2017: 12), the objective of seeking to inform customers of the terms, conditions, and information made available to them is often defeated since it is frequently hidden in small print. The significant majority of respondents to an empirical

study conducted by Vijayakumar and Subburaj (2010: 12) signed a loan contract without having read it. From the aforementioned remark, it follows that respondents were not aware of the loan contracts' implications since they had not read them.

#### **4.8.3 Not aware of the consequences of such contract at the time of conclusion**

As shown in Figure 4.5, collectively, 96.4% of the 306 respondents stated that they either agree (66.7%) or strongly agree (29.7%) that at the time of conclusion of the student loan contract, they were not aware of the consequences of such contract. Approximately 1% of the respondents remained neutral and collectively, 2.9% either strongly disagreed (0.3%) or disagreed (2.6%). The findings reveal that the majority of the respondents agreed that they were not aware of the consequences of such contract when they concluded it.

#### **4.8.4 Not understanding the information provided**

As to whether respondents understood the information provided, collectively, 96.1% of respondents stated that they either strongly agree (25.8%) or agree (70.3%) that they did not understand the information provided to them. Almost 2% of the respondents remained neutral and 2.3% either disagreed (1.6%) or strongly disagreed (0.7%) with the statement. These results indicate that the majority of respondents agreed that they did not understand the information provided.

Although there are laws requiring transparency and information disclosure, many consumers still find it difficult to understand and use the information that is offered, making these laws ineffective (Stoop 2013). Barnes (2012: 661) endorses this claim by emphasizing that just because consumers are aware of particular T's and C's, it does not follow that they comprehend them. The T's and C's of student loan contracts frequently utilise very intricate and technical jargon that not all students are familiar with. Companies may take advantage of the fact that students are disempowered by their lack of knowledge of the conditions to which they are committing by including unfavourable clauses in their contracts (European Commission 2016: 14). This may be due to consumers' inadequate level of awareness of their rights as consumers (Mason 2007: 2). According to Roser and Ortiz-Ospina (2016), there are still certain countries, mostly in sub-Saharan Africa, with youth literacy rates below 50%.

#### **4.8.5 Unaware that student loan contracts have various terms and conditions attached to them**

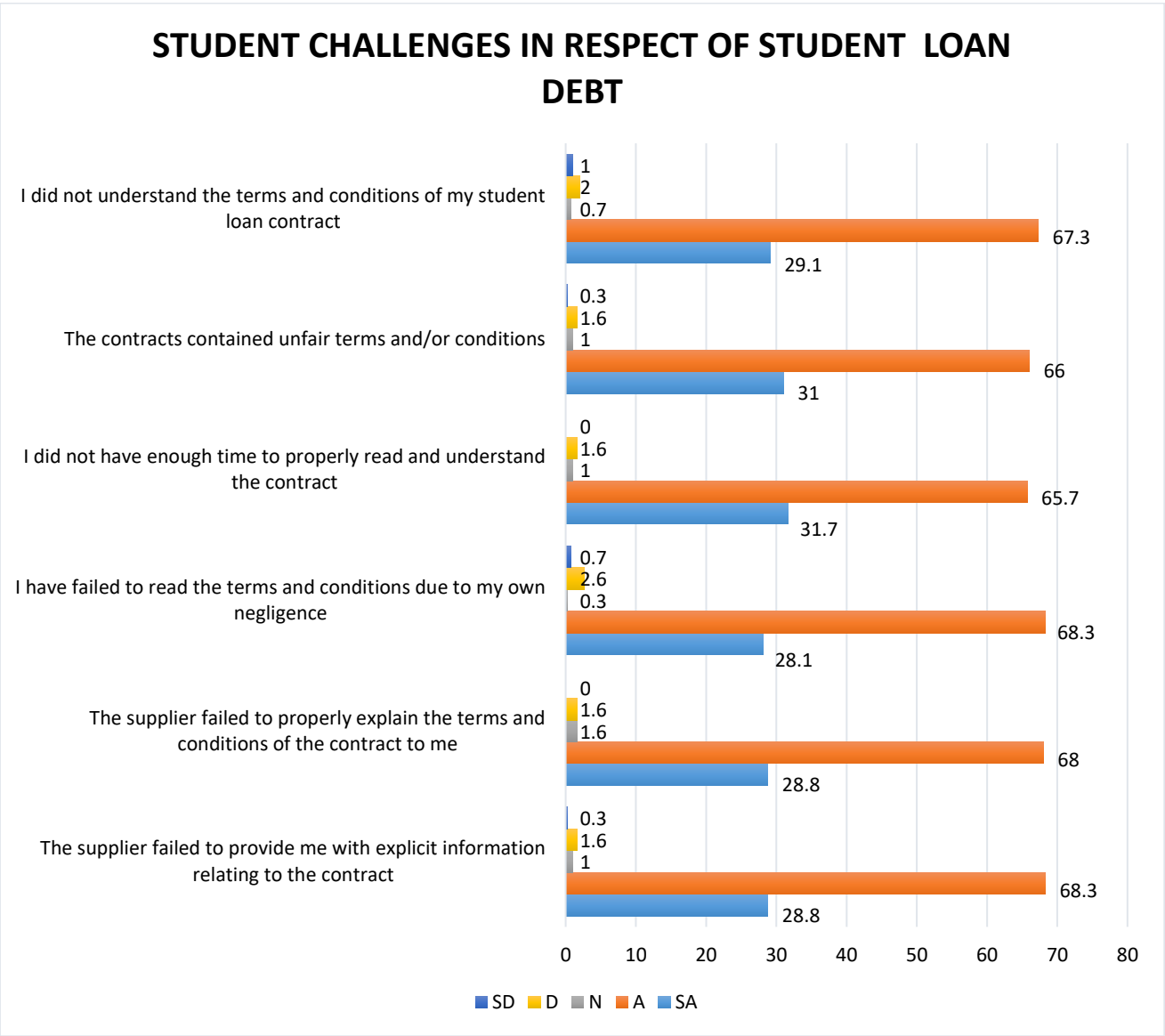
A collective 95.5% of respondents stated that they either strongly agreed (31.4%) or agreed (64.1%) that they were not aware that student loan contracts have various T's and C's attached to them. One percent of the respondents remained neutral and 3.6% either disagreed (2.6%) or strongly disagreed (1%) with the statement. These results denote that the majority of respondents were unaware that student loan contracts have various T's and C's attached to them.

Barnes (2012: 661) emphasizes that, in most cases, standard form contracts are used by consumers to enter into agreements. Consumers frequently lack the opportunity to negotiate the specific terms of form contracts, and as a result, they are unable to bargain with the business over onerous clauses like liability restrictions, warranty exclusions, breaches, and similar clauses. The T's and C's are normally not subject to negotiation (Elshout, Elsen, Leenheer, Loos, Luzak 2016: 17). Barnes (2012: 661) highlights that even if consumers had the ability to negotiate better contractual terms at the time of contract formation, they would often not be able to comprehend the many legal implications at stake. Therefore, it is reasonable to infer that students encounter comparable consumer issues when it comes to student loans. Conceptually, the notion that customers may give valid consent to create contracts is flawed. Consumers typically consent to contractual terms after having little to no input into the process, other than the simple decision of whether to purchase the company's goods or services, and are then bound by the conditions set out by the seller. There are many clauses in form contracts that are beneficial to the businesses who wrote them but detrimental to the customers who are presumed to have agreed to them. Woker (2010: 230) asserts that customers must trust the information they are given.

#### **4.8.6 Unaware of the terms and conditions of the respondents' student loan contract**

A collective 96.5% of respondents stated that they either strongly agreed (30.8%) or agreed (65.7%) that they were not made aware of the T's and C's that were included in their student loan contract. Less than 1% of the respondents remained neutral and

2.9% disagreed with the statement. These results denote that the majority of respondents were unaware of the T's and C's in their student loan contracts.



**Figure 4.6: Student challenges in respect of student loan debt (b)**

The results presented in Figure 4.6 are discussed below for the respective sub-themes:

**4.8.7 Not understanding the terms and conditions of the student loan contract**

As shown in Figure 4.6, collectively 94.4% agreed that they did not understand the T's and C's of their student loan contract, while 0.7% chose to remain neutral and 3% disagreed. Hence, the findings suggest that the majority of the respondents agreed

that a challenge they faced was that they did not understand the T's and C's of their student loan contract.

The addition of burdensome provisions that the student did not bargain for would come from the use of standard form contracts, and consumers won't be able to comprehend the complex legal issues involved to seek more advantageous contractual terms, as was discovered (Barnes 2012: 661). Woker (2010: 227) further emphasizes that contracts are frequently signed without consumers reading or comprehending the legal significance of the document, therefore holding consumers to the deal.

Consumer illiteracy is a significant concern as well. Many customers, according to Stoop (2013) and Barnes (2012: 661), are still unable to completely understand and make use of the information since just because a consumer is aware of particular T's and C's does not mean they understand them. Students sometimes may not comprehend the complicated and technical terminology used in student loan arrangements.

#### **4.8.8 The contracts contained unfair terms and/or conditions**

Collectively, 97% of the respondents either agreed (66%) or strongly agreed (31%) that the contracts contained unfair terms and/or conditions. One percent of the respondents remained neutral and a collective of 1.9% either strongly disagreed (0.3) or disagreed (1.6%). It can therefore be deduced that the majority of the respondents agreed that their student loan contracts contained unfair terms and/or conditions.

Contracts may have unfair provisions, conditions, and terms. According to Jayiya (2017: 13) and Kanamugire (2013: 343), one of the primary risks of standard form contracts is that they frequently include unjust terms and/or conditions that the average consumer is not typically aware of. While lending regulations set down the T's and C's that may be included in a contract, including one for a student loan, it is conceivable that lenders may incorporate additional, illogical T's and C's such as additional fees for the loan or variable interest rates (Rayner 2019).

#### **4.8.9 Insufficient time to properly read and understand the contract**

As shown in Figure 4.6, collectively, 97.4% agreed (65.7%) or strongly agreed (31.7%) that they did not have enough time to properly read and understand the contract, while 1% of the respondents remained neutral and 1.6% collectively either disagreed (1.6%) or strongly disagreed (0%) with the statement. Hence, the results indicate that the majority of the respondents agreed that they had insufficient time to properly read and understand the contract.

According to Kanamugire (2013: 336), the student loan contract is sometimes extremely extensive. From the statement it could be assumed that a lengthy contract will be time consuming to read, something many students do not have.

#### **4.8.10 Failure to read the terms and conditions due to negligence**

Collectively, almost 97% of the respondents either agreed (68.3%) or strongly agreed (28.1%) that they have failed to read the T's and C's due to the respondents' own negligence, while 0.3% remained neutral and a collective of 3.3% either strongly disagreed (0.7%) or disagreed (2.6%). Hence, the findings show that the majority of the respondents agreed that, due to their own negligence, they had failed to read the T's and C's of the student loan contract.

According to February (2018), it is essential to read the T's and C's of student loans in order to understand what the borrower has agreed to. The student will better understand their alternatives for default and grace periods as a result of this. A failure to do so will result in an increase in the loan (provisions that require the student to pay a penalty), student loan default, etc. According to research by Vijayakumar and Subburaj (2010: 12), 89% of participants signed a loan contract without having read it. Further research revealed that 35% of respondents had not read the loan agreement because they were not aware of its significance at the time, and 31% were not reading out of fear of rejection.

#### **4.8.11 The supplier failed to properly explain the terms and conditions of the contract**

As evident in Figure 4.6, 96.8% of respondents either agreed (68%) or strongly agreed (28.8%) with the statement, while 1.6 remained neutral and 1.6% of respondents disagreed. Thus, the results reveal that the majority of the respondents have agreed that the supplier had failed to properly explain the T's and C's of the contract to the respondent.

#### **4.8.12 The supplier failed to provide explicit information relating to the contract**

As shown in Figure 4.6, collectively 97.1% of the respondents agreed with the above statement, while 1% of the respondents remained neutral and the collective respondents for disagreed or strongly disagreed was 1.9%. Hence, the results show that the majority of respondents agreed that the supplier had failed to provide them with explicit information relating to the contract.

Therefore, it is evident from the results presented, that for each of the challenges presented above, a significant percentage of the respondents have experienced them.

#### **4.9 Other challenges experienced when concluding a student loan contract**

The respondents were granted an opportunity to provide details on any other challenges they may have experienced when concluding a student loan contract, which were not indicated in the question above. The following opinion was captured:

- Respondents indicated that NSFAS takes a long to get back to students regarding their application status.

### **SECTION D: IMPLICATIONS OF THE CONSUMER PROTECTION ACT 68 of 2008 (CPA)**

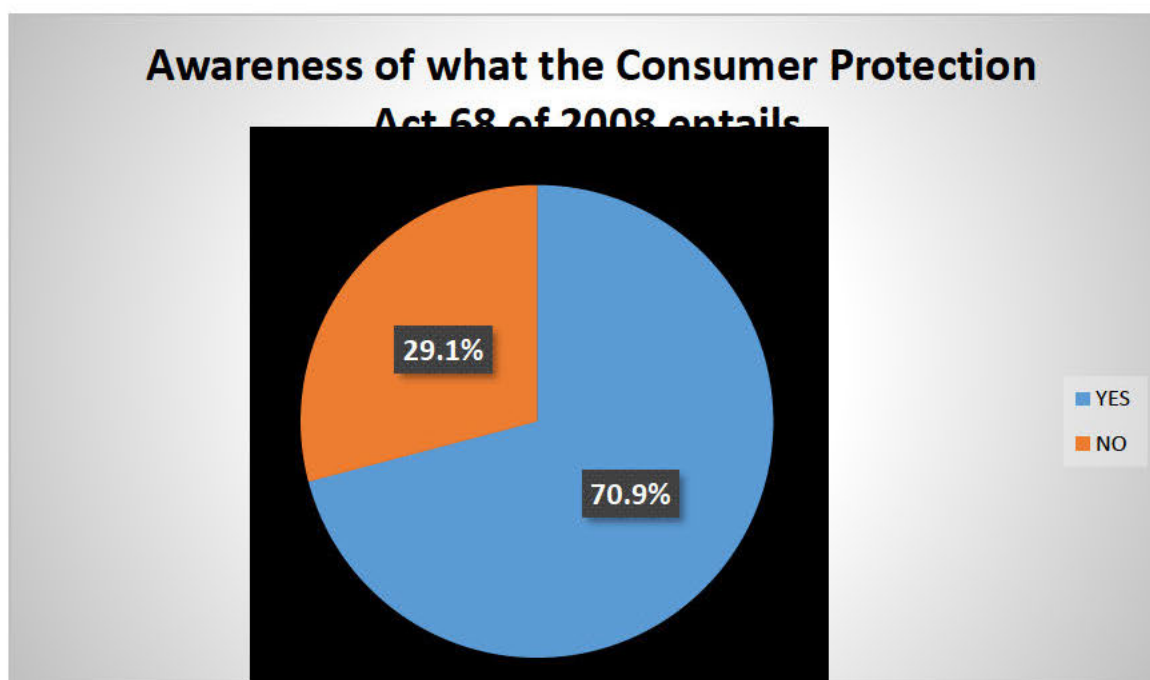
The respondents were urged to respond on a multitude of areas regarding the implications of the CPA. They were asked to indicate their awareness of the CPA as well as their awareness of the rights contained in the CPA. Respondents were further requested to indicate their level of agreement with each of the following statements



relating to the rights available in the CPA. Figures 4.7, 4.8 and 4.9 as well as Table 4.5 below graphically represents the data captured.

#### **4.10 Awareness of what the Consumer Protection Act 68 of 2008 entails**

The respondents were requested to indicate if they were aware of what the Consumer Protection Act 68 of 2008 entails. The results captured are depicted in Figure 4.7.



**Figure 4.7: Awareness of what the CPA entails**

As illustrated in Figure 4.7, of the 306 respondents, 70.9% were aware of what the CPA entailed, whereas 29.1% were unaware. The findings therefore show that the majority of the respondents were aware as to what the CPA entailed.

#### **4.11 Awareness of rights and protection that the Consumer Protection Act 68 of 2008 affords consumers**

The respondents were asked to indicate if they were aware that, as consumers, they have certain consumer rights and protection in terms of the Consumer Protection Act 68 of 2008. The data was captured and the results are presented in Table 4.3.

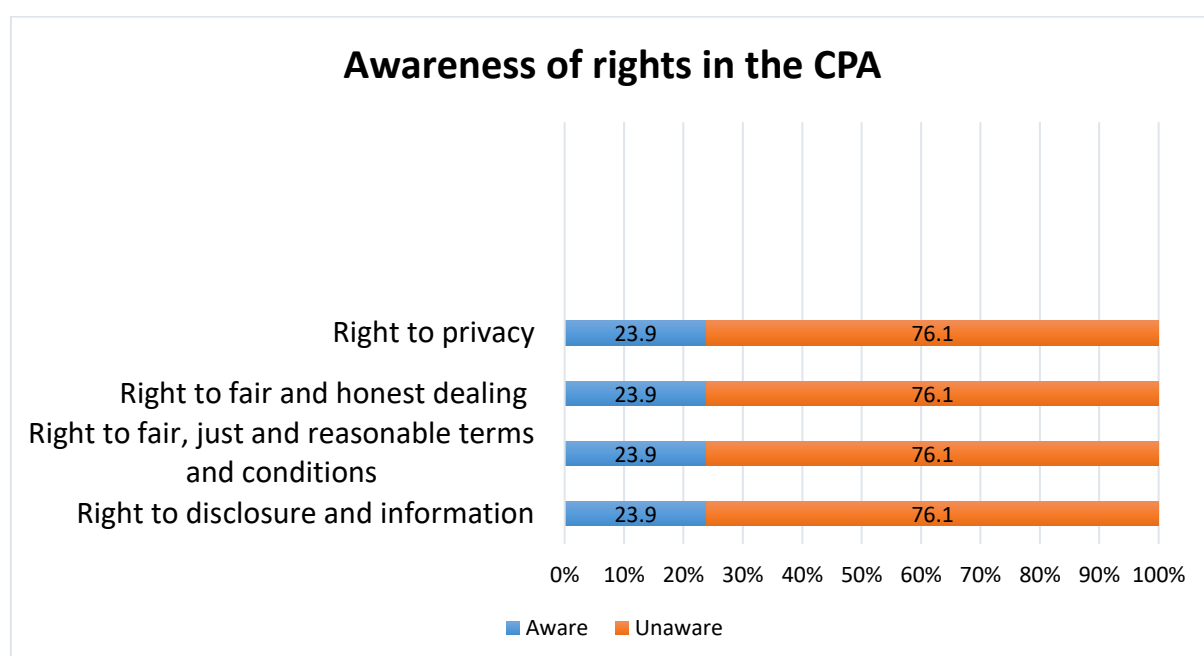
**Table 4.3: Awareness of rights in terms of the CPA**

	Frequency	Percent
<b>Yes</b>	221	72.2
<b>No</b>	85	27.8
<b>Total</b>	306	100.0

As reflected in Table 4.3, 72.2% of the respondents were aware that as consumers, they have certain consumer rights and protection afforded to them in terms of the Consumer Protection Act 68 of 2008, while 27.8% were unaware of this fact. The findings therefore indicate that the majority of the respondents were aware that they have rights in terms of the CPA.

#### **4.12 Awareness of selected rights in the CPA**

The respondents were requested to indicate their awareness of four rights found in the CPA. These rights were the right to privacy; the right to fair and honest dealing; the right to fair, just and reasonable T's and C's, and the right to disclosure and information. The results are shown in Figure 4.8.



**Figure 4.8: Awareness of rights in the CPA**

From Figure 4.8, the following patterns are observed:

- All statements show (significantly) higher levels of “unaware”, and
- There are no statements with higher levels of “aware”.

The results presented in Figure 4.8 are discussed below for the respective sub-themes:

#### **4.12.1 The right to privacy**

As shown by Figure 4.8, the majority of 76.1% of respondents were, unaware that consumers have the right to privacy in terms of the CPA, whereas the minority of 23.9% of respondents were aware. Therefore, as per these results, the findings show that the majority of the respondents were unaware that consumers have the right to privacy, awarded to them by the CPA.

According to Van Schalkwyk (2014: 26), the clause of right to privacy shields consumers against unwanted and unsolicited marketing. This clause grants the customer the ability to limit unwanted direct marketing in South Africa (Van Schalkwyk 2014: 27; Reddy 2012: 597; Kirby 2009:28). Unwanted marketing may entice students to take out loans they do not need and cannot afford (Mogaji, Czarnecka, Danbury, and Farquhar 2019; Van Reenen 2007: 28). Student debt will arise from this (Anon. 2020; Kuchar 2020). In South Africa, the right to privacy has received minimal attention as a component of consumer protection (McQuoid-Mason 1982). It is clear from this assertion that most customers are not aware of this entitlement and do not use it.

#### **4.12.2 The right to fair and honest dealing**

As shown in Figure 4.8, 76.1% of respondents were unaware of the right to fair and honest dealing, while 23.9% indicated that they were aware. The findings show that the majority of the respondents were unaware that consumers have the right to fair and honest dealing.

The right to fair and honest dealing emphasizes that customers should not be duped by false, misleading, deceptive, or fraudulent schemes and statements (Telicka 2004:2). It lays a responsibility on suppliers to make sure customers understand contracts, particularly when they are more susceptible because of a handicap, ignorance, illiteracy, or inability to grasp the contract, according to Jacobs, Stoop, and

Van Niekerk (2010:347). Malibi (2017) claims that the Sunday Independent interviewed a number of former students who disclosed dishonest business practices on behalf of NSFAS. A graduate said that even though it was agreed that the loan would only be repaid after she began working when she signed the contract, NSFAS has now turned over her debt to debt collectors. Another graduate said that despite working as an intern and making only R2, 500 per month, she was still required to pay back her loan.

#### **4.12.3 The right to fair, just and reasonable terms and conditions**

Figure 4.8 shows that 76.1% of respondents were unaware that consumers have the right to fair, just and reasonable T's and C's and 23.9% were aware. Thus, the findings reveal that the majority of respondents were unaware that consumers have the right to fair, just and reasonable T's and C's, as granted to them by the CPA.

It is against the law for the provider to offer, provide, or promise to provide products or services at a cost or under conditions that are unfair, unreasonable, or unjust. Even the unfair, illogical, or unjust promotion of products or services is forbidden (Section 48; Naudé 2009: 514-519 cited in Reddy 2012: 599; Fitzroy 2011: 27). This suggests that lenders are forbidden from imposing unreasonable restrictions on student loan repayment or imposing terms on agreements made with students that are unfair, unreasonable, or unjust. Because many predatory lenders charge interest rates that are far greater than the agreed-upon amounts, it is practically impossible to keep up with the interest, let alone pay the original amount. They might also raise the additional fees for the student loan or employ variable interest rates (Rayner 2019). Students must be aware of this entitlement in order to prevent being exploited or accruing further debt.

#### **4.12.4 The right to disclosure and information**

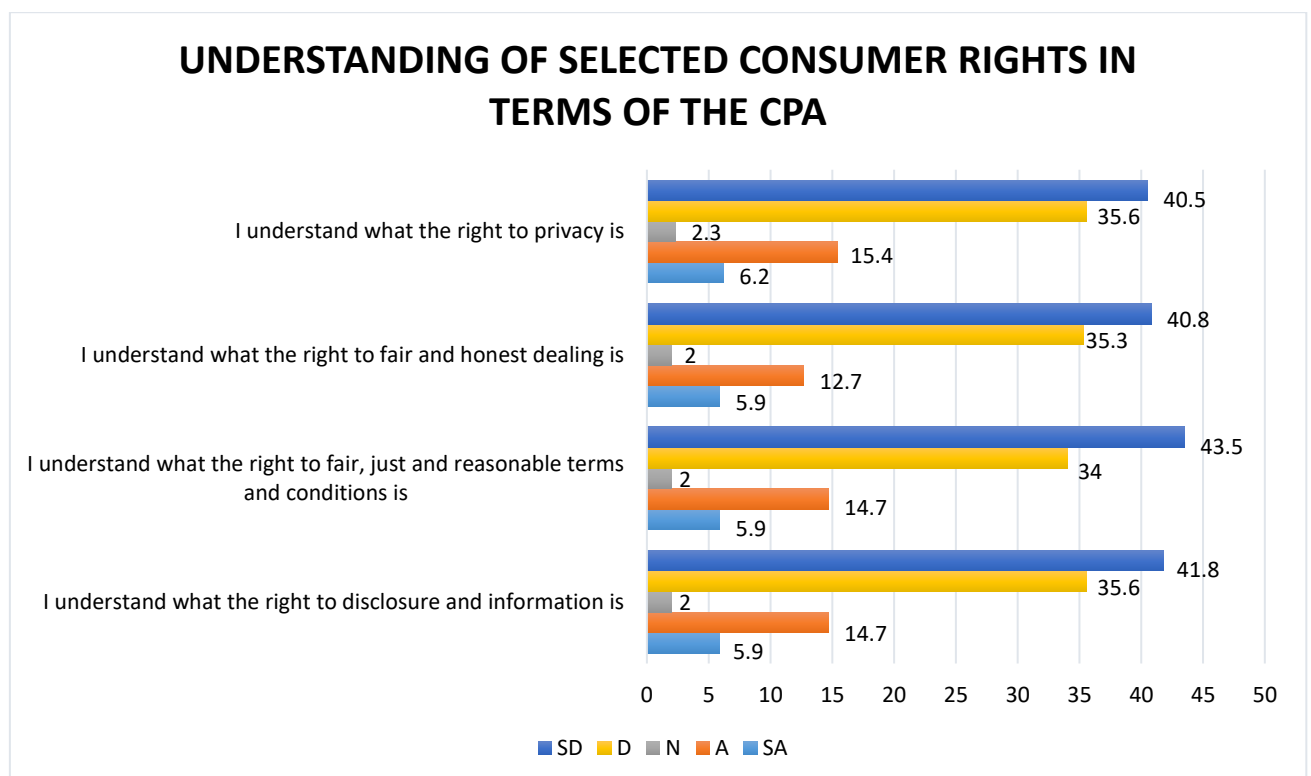
Figure 4.8 reveals that, of the 306 students surveyed, 76.1% were unaware that a consumer has the right to disclosure and information, while 23.9% were aware of such a right. Accordingly, the findings suggest that the majority of the respondents were unaware of the right to disclosure and information.

Almost all consumer legislation includes the right to information. Retailers are required to provide customers with information and contracts that are concisely worded and

simple to grasp (Van Schalkwyk 2014: 30). Retailers are required under Section 22 to present information in a clear and intelligible manner since consumers can only utilise information they can understand (Republic of South Africa. 2008. Consumer Protection Act No. 68 of 2008; Reddy 2012: 596). Due to their limited literacy, many customers are susceptible to being duped by language that is difficult to understand (Van Schalkwyk 2014: 30; Newman 2010: 745). It is emphasized that students have the right to disclosure and information ensuring they comprehend all pertinent facts in order to make well-informed choices (Newman 2010: 737). Failure to do so can cause students to incur unnecessary debt from student loans and become too burdened (February 2018; Mogaji, Czarnecka, Danbury and Farquhar 2019; Van Reenen 2007: 28).

#### 4.13 Understanding of selected consumer rights in terms of the CPA

The respondents were asked to respond on four areas regarding their understanding of certain consumer rights set out in the CPA. These rights were the right to privacy, the right to fair and honest dealing, the right to fair, just and reasonable T's and C's and the right to disclosure and information. The results are shown in Figure 4.9.



**Figure 4.9: Understanding of selected consumer rights in terms of the CPA**

From Figure 4.9, the following trends are noticed:

- There were high levels of disagreement for all the statements;
- Statement 3 shows a higher level of agreement when compared to the rest;
- There were neutral responses to all statements, and
- There was no statement with a higher level of agreement.

The results for the respondents' understanding of provisions relating to the various rights are presented:

#### **4.13.1 The right to privacy**

As shown in Figure 4.9, 76.1% collectively, disagreed or strongly disagreed that they understood what the right to privacy was, collectively, 21.6% of respondents agreed, while 2.3% of the respondents remained neutral and. Hence, it was found that the majority of the respondents did not understand what the right to privacy was.

#### **4.13.2 The right to fair and honest dealing**

Figure 4.9 indicates that, 76.1% strongly disagreed (40.8%) or disagreed (35.3%) that they understood what the right to fair and honest dealing was. Collectively 18.6% of the respondents stated that they either agreed (12.7%) or strongly agreed (5.9%) and 2% remained neutral. Hence, the findings reveal that the majority of the respondents did not understand the right to fair and honest dealing.

#### **4.13.3 The right to fair, just and reasonable terms and conditions**

Collectively, 77.5% of respondents either disagreed (34%) or strongly disagreed (43.5%) that they understood the right to fair, just and reasonable T's and C's and 20.6% of the respondents strongly agreed (5.9%) or agreed (14.7%) with the statement. Two percent of the respondents remained neutral. These results indicate that the majority of respondents did not understand the right to fair, just and reasonable T's and C's.

#### **4.13.4 The right to disclosure and information**

A collective total 77.4% of the 306 respondents either disagreed (35.6%) or strongly disagreed (41.8%) that they understood what the right to disclosure and information is

and 20.6% either strongly agreed (5.9%) or agreed (14.7%) with the statement, while 2 % remained neutral. These results show that the majority of did not understand the right to disclosure and information.

These results indicate that there was only a small percentage of respondents that had a reasonable amount of knowledge of the CPA, as there seem to be the significant majority that do not have basic knowledge and are unaware of the provisions present in the CPA.

## **SECTION E: IMPLICATIONS OF THE NATIONAL CREDIT ACT 34 of 2005 (NCA)**

The respondents were urged to respond on a multitude of areas regarding the implications of the NCA. They were asked to indicate their awareness of the NCA as well as their awareness of the rights contained in the NCA. Respondents were further requested to indicate their level of agreement with each of the following statements relating to the rights available in the NCA. Figures 4.10 and 4.11 as well as Table 4.6 and 4.7 graphically represent the data captured.

### **4.14 Awareness of what the National Credit Act 34 of 2005 entails**

The respondents were asked to disclose if they were aware of what the National Credit Act 34 of 2005 entails. The findings collected are represented in Table 4.4.

**Table 4.4: Awareness of NCA**

	<b>Frequency</b>	<b>Percent</b>
<b>Yes</b>	116	37.9
<b>No</b>	190	62.1
<b>Total</b>	306	100.0

As evident in Table 4.4, of the 306 respondents, 37.9% were aware of what the NCA entailed, whereas 62.1% were unaware. Hence, the findings indicated that the majority of the respondents were unaware of what the NCA entailed.

#### **4.15 Awareness of rights and protection that the National Credit Act 34 of 2005 affords consumers**

The respondents were asked to indicate if they were aware that, as consumers, they have certain consumer rights and protection in terms of the National Credit Act 34 of 2005. The results were captured and represented in Table 4.5.

**Table 4.5: Awareness of rights in the NCA**

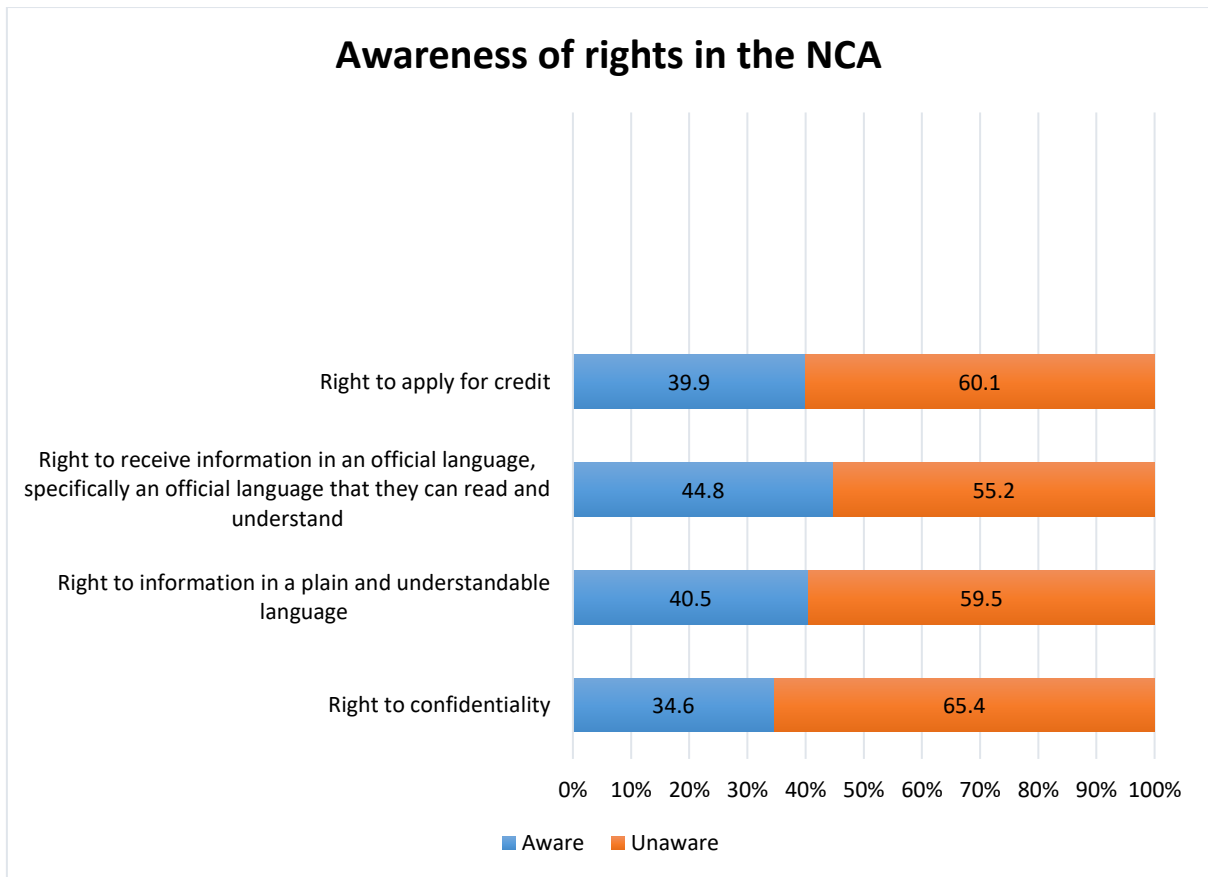
	<b>Frequency</b>	<b>Percent</b>
<b>Yes</b>	116	37.9
<b>No</b>	190	62.1
<b>Total</b>	306	100.0

As reflected in Table 4.5, 37.8% of the respondents were aware that they have certain consumer rights and protection afforded to them in terms of the National Credit Act 34 of 2005, while 62.1% were unaware. The findings therefore indicate that the majority of the respondents were unaware that they have certain rights in terms of the NCA.

#### **4.16 Awareness of rights in the NCA**

The respondents were asked to indicate their awareness of four selected rights in terms of the NCA. These rights were the right to apply for credit; the right to receive information in an official language, specifically an official language that they can read and understand the right to information in a plain and understandable language, and the right to confidentiality. The results are show in Figure 4.10.





**Figure 4.10: Awareness of rights in the NCA**

The following patterns are observed:

- All statements show higher levels of “unaware”;
- There are no statements with higher levels of “aware”, and
- While there are no statements with higher levels of “aware”, the difference is not significantly higher.

The results presented in Figure 4.10 are discussed below for the respective sub-themes:

#### **4.16.1 The right to apply for credit**

As reflected in Figure 4.10, 60.1% were unaware and nearly four in every ten respondents (39.9%) stated that they were aware of the right to apply for credit. Hence, the findings show that the majority of respondents were unaware that consumers have the right to apply for credit as set out in the NCA.

Every adult has the right to submit a credit application to a credit provider, as stated in section 60(1). However, receiving the credit is not a guarantee of future entitlement (Arde 2017; Republic of South Africa, 2006, National Credit Act No. 34 of 2005). The principle that a student, as a consumer, has the right to apply for credit (student loans) from any licensed credit provider is reinstated by this clause (loan provider). A student does not necessarily need to apply for a student loan even though they have the legal authority to do so. Additionally, there is a chance of taking on too much debt and being unable to repay it (Van Reenen 2007: 28). Additional student debt will arise from this (Anon. 2020; Kuchar 2020).

#### **4.16.2 The right to receive information in an official language, specifically an official language that they can read and understand**

As indicated in Figure 4.10, 55.2% of respondents indicated that they were unaware of the right to receive information in an official language, specifically an official language that consumers can read and understand, and 44.8% stated that they were aware. Ergo, the findings reveal that the majority of the respondents were unaware of the right to receive information in an official language that they understand.

Customers have the right to obtain any document that is necessary under the NCA in an official language that they can read and comprehend, as stated in section 63(1). Many customers who do not speak English well are unaware of this entitlement, according to the ombudsman, and do not obtain documentation in their preferred language as a result (Arde 2017; Republic of South Africa, 2006, National Credit Act No. 34 of 2005). This suggests that students who are ignorant of their access to translations will not ask for them and, as a result, may not fully comprehend the loan deal they are signing. Students do not completely understand their student loan contracts because they are ignorant of their right to ask for documents to be translated, which results in a rise in student loan indebtedness, according to February's (2018) article that supports this claim. People whose primary language is not English have the weakest contract comprehension, claims Harrison (2016). They will not understand the T's and C's consequently, putting themselves at danger of going into debt or missing payments on their student loans.

#### **4.16.3 The right to information in a plain and understandable language**

Further, 59.5% of the respondents stated that they were unaware of the right to information in a plain and understandable language, while 40.5% were aware. These results are shown in Figure 4.10. Accordingly, these findings indicate that, despite a large percentage of respondents being aware of the above right, the majority of respondents were unaware that consumers have the right to information in a plain and understandable language.

A document must be written in plain English by its creator. If it is realistic to assume that a typical consumer with average literacy abilities and no credit experience may be expected to grasp the document's content without unreasonable effort, then the document is written in simple English (Republic of South Africa, 2006, National Credit Act No. 34 of 2005). The aforementioned suggests that this privilege is granted to students who can use it while deciding whether to take out a student loan. Students have a right to information that is presented to them in a clear and intelligible manner as consumers, according to Newman (2010: 737). In order for the student to use the loan effectively, the lender must make sure they have all the information they need. Failure to do so might lead to over-indebtedness and unnecessary student loan debt for the students (Mogaji, Czarnecka, Danbury and Farquhar 2019; Van Reenen 2007: 28).

#### **4.16.4 The right to confidentiality**

Regarding the right to confidentiality, 65.4% of respondents reported that they were unaware of the above right, while 34.6% claimed that they were aware. These results show that the majority of respondents were unaware of the right to confidentiality.

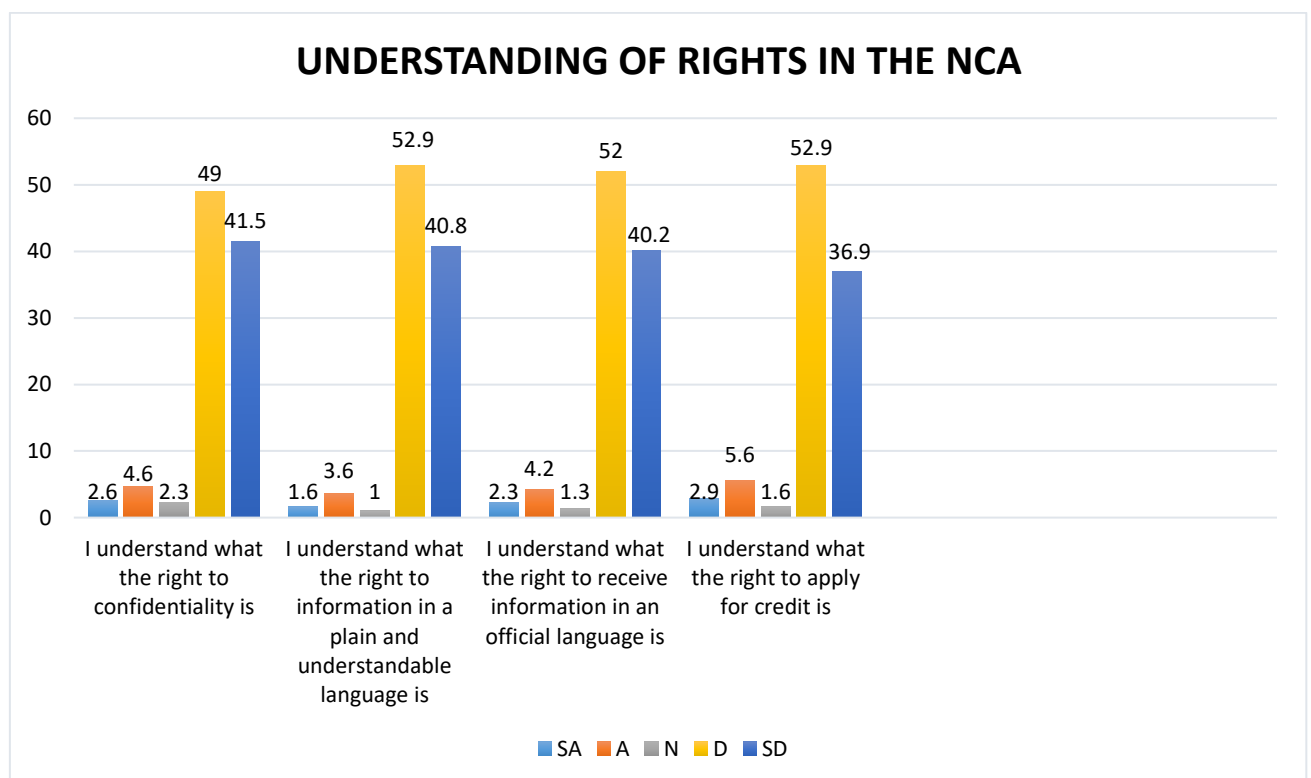
Any credit provider who obtains private information about a customer or potential customer is obligated to keep such information private and to use it only as necessary or allowed. A credit bureau will commit a crime if it disobeys (Republic of South Africa, 2006, National Credit Act No. 34 of 2005; Naude 2014: 11). A student has the right to have their personal information safeguarded as a consumer. Information like the student's personal information and bank account information are needed while completing a student loan arrangement. The credit provider should only use the supplied information for the approved purposes (Naude 2014: 17). If this is not done,

fraud, identity theft, and many other issues might arise and pose a threat to the student. It has been known for identity theft victims to lose their employment, which will make paying back student debts challenging (Napier 2014).

These findings indicate that, despite a fair proportion of respondents being aware of the selected rights in terms of the NCA, there were some individuals that were unaware of the rights present in the NCA. This ignorance could lead to severe consequences for the student.

#### 4.17 Understanding of rights in the NCA

The respondents were asked to respond on four areas regarding their understanding of certain rights found in the NCA. These rights were the right to apply for credit; the right to receive information in an official language, specifically an official language that they can read and understand; the right to information in a plain and understandable language and the right to confidentiality. The results are illustrated in Figure 4.11.



**Figure 4.11: NCA rights**

From Figure 4.11, the following trends are noticed:

- There were high levels of disagreement for all the statements;
- There were neutral responses to all statements, and
- There are extremely low levels of agreement for all statements.

The results presented in Figure 4.10 are discussed below for the respective sub-themes:

#### **4.17.1 The right to apply for credit**

Figure 4.11 shows that the majority of respondents (90.5%) indicated that they disagreed that they have an understanding of the right to apply for credit, while 7.2% agreed. Almost 5% of respondents chose to remain neutral. This indicates that a substantially large proportion of the respondents did not have an understanding of the right to apply for credit.

#### **4.17.2 The right to information in a plain and understandable language**

Figure 4.11 shows that 93.7% of respondents have indicated that they disagreed (52.9%) or strongly disagreed (40.8%) that they understand the right to information in a plain and understandable language. One percent maintained a neutral position and 5.2% agreed with the above statement. Thus, the findings suggest that a large proportion of the respondents did not understand the right to information in a plain and understandable language.

#### **4.17.3 The right to receive information in an official language, specifically an official language that they can read and understand**

As illustrated in Figure 4.11, 92.2% of respondents indicated that they do not have an understanding of the right to receive information in an official language, specifically an official language that the respondents can read and understand. Almost 5% percent remained neutral and 6.5% agreed with the above statement. Thus, the findings suggest that a majority of the respondents did not understand the right to receive information in an official language.

#### **4.17.4 The right to confidentiality**

As evident in Figure 4.11, almost 90% of respondents disagreed, i.e. they indicated that they did not understand what the right to confidentiality was. Approximately 2% held a neutral stance, while 8.5% either agreed (5.6%) or strongly agreed (2.9%) that they had an understanding of the right to confidentiality. Consequently, the findings reveal that the majority of the respondents do not understand what the right to confidentiality was.

Consequently, the findings have indicated that a substantial proportion of the respondents do not have an understanding of the rights presented in the NCA.

#### **4.18 General comments**

##### **4.18.1 Other comments regarding student loan debt challenges**

In an open-ended question, the respondents were provided with an opportunity to provide general comments on any aspect of student loan debt challenges they may have. The comments were collated and are presented below.

The respondents indicated:

- That they received insufficient funding for their studies and they were unaware as to how to increase this amount;
- That the delay in NSFAS payment/approval resulted in them having to borrow money for a long period of time, which added to their indebtedness;
- That having a student loan is too much pressure for them and is one of the reasons why they drop out or even commit suicide;
- That there should be another more efficient system put in place from the DUT perspective, which will allow students access to their transcripts, despite having a student loan debt;
- That not being allowed access to their academic record has hindered their access to student loans and bursaries as these require their academic record, and

- That the challenges brought on by student loan debts is an inconvenience to many students who are trying to get jobs to pay their student loans, or get out of the poverty cycle.

#### **4.18.2 Other comments regarding strategies to address such challenges faced by students**

The respondents shared their opinions as to what strategies should be implemented in order to address such challenges faced by students. The following views were captured:

- Respondents expressed the view that the introduction of campaigns will be highly instrumental in addressing student loan debt challenges faced by students;
- The most frequent response was that institutions should implement a method to quickly approve the selection of students as soon as they pass their matric examination as some students cannot afford to pay the registration fees and this delay in approval presents further obstacles for them;
- Some respondents felt that students should work part time to pay off their debt;
- Another strategy offered by respondents is that students should draw up a proper budget as soon as they graduate so that they are not overwhelmed and are prepared for any delays that they may experience;
- Many respondents stated that students need to become more aware of their rights as they are currently unaware and as such, they should be better educated about such rights.

#### **4.18.3 The areas where further legislation is needed to protect students with respect to student loan contracts**

The respondents shared the following sentiments with regard to areas where further legislation is needed to protect students with respect to student loan contracts. Legislation providing for the following is needed:

- T's and C's should be explained properly to students and should be more flexible;

- Respondents believed that there should be a contract that students sign before they receive approval for a student loan.
- Respondents further explained that in this contract, it should be clear how much is owed by the students to the funding institution, because some students are required to pay more than the amount they are funded, and
- Many respondents would like to see upfront, the arrangement as to how the student loan is going to be paid back when the student is employed.

#### 4.19 Reliability Statistics

Reliability and validity are the two components of precision which are truly important. Numerous measurements on the same subjects are captured in order to calculate reliability. For a recently developed construct, a reliability coefficient of 0.60 or above is regarded as "acceptable."

Table 4.1 reflects the Cronbach's alpha score for all the items that constituted the questionnaire.

**Table 4.6: Cronbach's alpha validity score**

	Section	Number of Items	Cronbach's Alpha
B6	Consequences of Unpaid Debt	8	0.691
C8	Student Challenges in Respect of Student Loan Debt	12	0.946
D12	Consumer Rights in Terms of The Consumer Protection Act - Awareness	4	0.941
D13	Consumer Rights in Terms of The Consumer Protection Act - Agreement	4	0.938
E16	Consumer Rights in Terms of The National Credit Act - Awareness	4	0.605
E17	Consumer Rights in Terms of The National Credit Act - Agreement	4	0.948

Table 4.6 demonstrates that all sections' reliability scores are higher than the required Cronbach's alpha value. This reveals a level of acceptable, consistent scoring for these research areas.



## 4.20 Factor Analysis

Data reduction is the primary objective of the statistical approach known as factor analysis. Factor analysis is widely used in survey research to represent a large number of questions with a limited number of fictitious variables. Three distinct questions regarding environmental policy that consider local, state, and federal concerns may be presented to respondents in a national survey on political attitudes, for example. To evaluate views toward environmental policy, each question would be insufficient on its own, but when combined, they could produce answers that are more reliable. To determine whether the three measures actually measure the same thing, factor analysis might be utilised. In such case, they may be integrated to produce a new variable, a factor score variable, which includes a score for each responder on the factor. Factor techniques can be used in a variety of contexts.

A summarised table that reflects the results of KMO and Bartlett's Test precedes the matrix table/s. Two tests that verify if the data is suitable for structure detection are shown in the KMO and Bartlett's Test table below. A statistic termed the Kaiser-Meyer-Olkin Measure of Sampling Adequacy shows how much of the variance in the variables may be primarily the result of underlying factors. High values (approximately 1.0) typically suggest that a factor analysis may be beneficial to the data. The results of the factor analysis are generally not going to be very relevant if the value is less than 0.50.

The hypothesis that the correlation matrix is an identity matrix, which would suggest that the variables are unrelated and, as a result, inappropriate for structure discovery, is tested by Bartlett's test of Sphericity.

**Table 4.7: KMO and Bartlett's Test**

	Section	Kaiser-Meyer-Olkin Measure of Sampling Adequacy	Bartlett's Test of Sphericity		
			Approx. Chi-Square	df	Sig.
B6	Consequences of Unpaid Debt	0.763	310.038	28	0.000
C8	Student Challenges in Respect of Student Loan Debt	0.948	3494.821	66	0.000
D12	Consumer Rights in Terms of The Consumer Protection Act - Awareness	0.762	486.390	6	0.000
D13	Consumer Rights in Terms of The Consumer Protection Act - Agreement	0.863	2220.750	6	0.000

E16	Consumer Rights in Terms of The National Credit Act - Awareness	0.505	90.329	6	0.000
E17	Consumer Rights in Terms of The National Credit Act - Agreement	0.852	1288.006	6	0.000

The requirements for factor analysis are all met. That is, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy value should be more than 0.500 and the Bartlett's Test of Sphericity sig. value should be less than 0.05. The results obtained from the test revealed acceptable values.

Only the Likert scale items are included for the factor analysis. Finer components are created by dividing certain components. The rotated component matrix is used to further clarify this.

## 4.21 Rotated Component Matrices

### 4.21.1 Rotated Component Matrix

**Table 4.8: Consequences of unpaid student loan debt**

B6	Component		
	1	2	3
The student may not be able to complete his/her studies or if the studies have been completed the university will withhold the certification	0.321	0.720	-0.282
Students are prevented from graduating	0.680	0.313	0.036
Students are "blacklisted", i.e. they are denied credit because they have a poor credit record	0.760	-0.048	0.205
Students acquire a bad credit score/record	-0.013	0.621	0.413
Students are unable to save money for the future	0.343	-0.017	0.637
Students may be disqualified from prospective jobs, as some employers are reluctant to hire staff with an unfavourable debt record	0.069	0.206	0.748
There may be an increase in emotional/mental health problems	0.724	0.166	0.125
Students may face financial constraints and find themselves drowning in student loan debt	0.113	0.665	0.216

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalisation.

a. Rotation converged in 9 iterations.

# Student loan debt results in the inability to graduate, blacklisting or emotional/mental health issues (Theme A)

# Student loan debt results in non-completion of studies and withholding of results, poor credit score and financial constraints (Theme B)



#### # Student loan debt affects future decisions

It is noted that the variables in Table 4.8 that constituted the section on consequences of unpaid student loan debt, loaded along three components (sub-themes). This means that respondents identified different trends within the section. Within the section, the splits are colour coded and can be interpreted as follows:

The trend of component 1 was identified as “Theme A” which reflected the sub-theme “Students are “blacklisted”, i.e. they are denied credit because they have a poor credit record” as having the highest score of **0.760**.

Component 2 was identified as “Theme B” and has reflected the sub-theme “The student may not be able to complete his/her studies or if the studies have been completed the university will withhold the certification”. This sub-theme has the score of **0.720**.

Component 3 was identified as “Student loan debt affects future decisions” and reflected the sub-theme “Students may be disqualified from prospective jobs, as some employers are reluctant to hire staff with an unfavourable debt record” as having the highest score of **0.748**. This implies the respondents identified blacklisting as a significant consequence of student loan debt.

**Table 4.9: Challenges with student loan contracts**

C8	Component
	1
The contracts were not in plain and understandable language	0.866
The document did not have enough information explaining the terms and consequences of the contract	0.812
At the time of concluding the student loan contract, I was not aware of the consequences of such contract	0.848
I did not understand the information provided	0.858
I was not aware that student loan contracts have various terms and conditions attached to them	0.815
I was not made aware of the terms and conditions in terms of my student loan contract	0.859
I did not understand the terms and conditions of my student loan contract	0.858
The contracts contained unfair terms and/or conditions	0.826
I did not have enough time to properly read and understand the contract	0.837
I have failed to read the terms and conditions due to my own negligence	0.788

The supplier failed to properly explain the terms and conditions of the contract to me	0.782
The supplier failed to provide me with explicit information relating to the contract	0.879

Extraction Method: Principal Component Analysis.  
a. 1 components extracted.

**Table 4.10: Rights in the CPA**

D12	Component
	1
Right to privacy: consumers are protected from unsolicited and unwanted marketing from suppliers	0.892
Right to fair and honest dealing: consumers should not be misled about anything regarding the transaction	0.807
Right to fair, just and reasonable terms and conditions: the content of a contract must be fair to consumers	0.729
Right to disclosure and information: suppliers must provide consumers with information as consumers can only use information they understand	0.823

Extraction Method: Principal Component Analysis.  
a. 1 components extracted.

**Table 4.11: Understanding of CPA rights**

D13	Component
	1
I understand what the right to privacy is	0.979
I understand what the right to fair and honest dealing is	0.958
I understand what the right to fair, just and reasonable terms and conditions is	0.986
I understand what the right to disclosure and information is	0.979

Extraction Method: Principal Component Analysis.  
a. 1 components extracted.

**Table 4.12: NCA Rights**

E16	Component	
	1	2
Right to apply for credit: every adult person has a right to apply to a credit provider for credit	0.732	0.018
Right to receive information in an official language, specifically an official language that they can read and understand	0.851	0.096



Right to information in a plain and understandable language: an ordinary consumer with average literacy skills should be able to understand the contract	0.389	0.620
Right to confidentiality: information provided by the prospective consumer must be protected	- 0.118	0.876

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalisation.

a. Rotation converged in 3 iterations.

# Theme A

# Theme B

It is noted that the variable in Table 4.12 that constituted the section on Awareness of rights and protection that the National Credit Act 34 of 2005 affords consumers, loaded along two components (sub-themes). This means that respondents identified different trends within the section. Within the section, the splits are colour coded and can be interpreted as follows:

The trend as indicated on component 1 was identified as “Theme A” which reflected the sub theme “Right to receive information in an official language, specifically an official language that they can read and understand” as having the highest score of **0.851**.

Component 2 was identified as “Theme B” which reflected the sub-theme” Right to confidentiality: information provided by the prospective consumer must be protected” as having the high score of **0.876**. This implies that the “Right to receive information in an official language,” and “Right to confidentiality” are significant rights with the NCA.

**Table 4.13: Understanding of NCA rights**

E17	Component
	1
I understand what the right to apply for credit is	0.935
I understand what the right to receive information in an official language is	0.932
I understand what the right to information in a plain and understandable language is	0.963
I understand what the right to confidentiality is	0.899

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

The statements that constituted the following themes, such as student challenges in respect of student loan debt; implications of the CPA; understanding of selected consumer rights in terms of the CPA and understanding of rights in the NCA, loaded perfectly along a single component. This implies that the statements that constituted these sections perfectly measured what it set out to measure.

It is noted that the variables that constituted the section consequences of unpaid student loan debt and contracts loaded along three components (sub-themes) and variables that constituted the section awareness of selected rights in the NCA loaded along two components. This means that respondents identified different trends within the section. Within the section, the splits are colour coded.

## 4.22 Cross tabulations

In order to report a result using the traditional technique, a statistical significance statement is required. A p-value is calculated from a test statistic. A significant result is indicated by the notation "p 0.05".

A second Chi square test was performed to see whether there was a statistically significant connection between the variables (rows vs columns).

The null hypothesis states that there is no relationship between the two. The alternate theory contends that a connection exists.

### 4.22.1 Cross tabulation between age and highest educational qualification

**Table 4.14: Cross tabulation between age and highest educational qualification**

			Age (in years)				Total
			17 - 20	21 - 30	31 - 40	> 40	
Highest educational qualification	Diploma	Count	158	38	5	0	201
		% within Highest educational qualification	78.6%	18.9%	2.5%	0.0%	100.0%
		% within Age (in years)	84.5%	38.0%	33.3%	0.0%	65.7%
		% of Total	51.6%	12.4%	1.6%	0.0%	65.7%
	Degree	Count	24	58	2	1	85
		% within Highest educational qualification	28.2%	68.2%	2.4%	1.2%	100.0%



		% within Age (in years)	12.8%	58.0%	13.3%	25.0%	27.8%
		% of Total	7.8%	19.0%	0.7%	0.3%	27.8%
	Master's	Count	5	4	8	1	18
		% within Highest educational qualification	27.8%	22.2%	44.4%	5.6%	100.0%
		% within Age (in years)	2.7%	4.0%	53.3%	25.0%	5.9%
		% of Total	1.6%	1.3%	2.6%	0.3%	5.9%
	Doctorate	Count	0	0	0	2	2
		% within Highest educational qualification	0.0%	0.0%	0.0%	100.0%	100.0%
		% within Age (in years)	0.0%	0.0%	0.0%	50.0%	0.7%
		% of Total	0.0%	0.0%	0.0%	0.7%	0.7%
	Total	Count	187	100	15	4	306
		% within Highest educational qualification	61.1%	32.7%	4.9%	1.3%	100.0%
		% within Age (in years)	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	61.1%	32.7%	4.9%	1.3%	100.0%

The P-value between age and highest educational qualification is  $< 0.001$ . The results show that there is a significant relationship between the variables.

The results for the cross tabulation between age and highest educational qualification are shown in Table 4.14. The findings indicate that the respondents who have acquired a diploma as the highest qualification constituted the majority of the population in the age-group 17-20 years.

#### 4.22.2 Cross tabulation between highest educational qualification and awareness of the student loan amount

**Table 4.15: Cross tabulation between highest educational qualification and awareness of the student loan amount**

			Highest educational qualification				Total
			Diploma	Degree	Master's	Doctorate	
Are you aware of the amount of student	Yes	Count	98	44	3	1	146
		% within Are you aware of the amount of student loan debt that you presently owe?	67.1%	30.1%	2.1%	0.7%	100.0%

loan debt that you presently owe?		% within Highest educational qualification	48.8%	51.8%	16.7%	50.0%	47.7%
		% of Total	32.0%	14.4%	1.0%	0.3%	47.7%
	No	Count	103	41	15	1	160
		% within Are you aware of the amount of student loan debt that you presently owe?	64.4%	25.6%	9.4%	0.6%	100.0%
		% within Highest educational qualification	51.2%	48.2%	83.3%	50.0%	52.3%
		% of Total	33.7%	13.4%	4.9%	0.3%	52.3%
Total	Count	201	85	18	2	306	
	% within Are you aware of the amount of student loan debt that you presently owe?	65.7%	27.8%	5.9%	0.7%	100.0%	
	% within Highest educational qualification	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	65.7%	27.8%	5.9%	0.7%	100.0%	

The P-value between highest educational qualification and awareness of the student loan amount is 0.030. The results show that there is a significant relationship between the variables.

The results for the cross tabulation between highest educational qualification and awareness of the student loan amount are shown in Table 4.15. The results show that the respondents who have earned a Diploma as the highest qualification show higher levels of agreement (i.e. that they are aware of the student loan amount) compared to the other groups.

#### 4.23 Correlations

The (ordinal) data was also subjected to bivariate correlation. The results are found in the appendix F. The outcomes point to the following trends.

Positive values indicate a directly proportional relationship between the variables, whereas negative results show an inverse relationship. A \* or \*\* denotes the existence of all significant relationships.

For example, the correlation value between “The contracts contained unfair terms and/or conditions” and “The contract was not in plain and understandable language” is **0.732**. This is a directly related proportionality. Respondents indicated that the more



confusing terms used were, the more difficult it was to understand the language, and vice versa.

For correlational reasons, an analysis was undertaken on the following statements, which are listed below.

#### **4.23.1 Directly proportional relationships**

The following is a list of the significant correlations that showed a directly proportional relationship:

**Analysis 1:** The correlation value between “I was not made aware of the terms and conditions in terms of my student loan contract” and “I did not understand the information provided”, is **0.767**. This is a strong and significant directly proportional relationship. That is, as one increases, so does the other, and vice versa. The lower the respondents’ awareness of the terms and conditions in the student loan contract, the less likely it was that they understood the information provided, and vice versa.

**Analysis 2:** The correlation value between “At the time of concluding the student loan contract, I was not aware of the consequences of such contract” and “The contracts was not in plain and understandable language” is **0.743**. This is a strong and significant directly proportional relationship. That is, as one increases, so does the other, and vice versa. Hence, the more plain and understandable language was used in contracts, the more likely it was that the respondents were aware of the consequences of such a contract at the time they concluded it, and vice versa.

**Analysis 3:** The correlation value between “I did not understand the information provided” and “The contracts was not in plain and understandable language” is **0.786**. This is a strong and significant directly proportional relationship. That is, as one increases, so does the other, and vice versa. The respondents indicated that, the more contracts are written using complex language, the more likely it was that the respondent would not be able to understand the information therein, and vice versa.

**Analysis 4:** The correlation value between “I did not understand the information provided” and “At the time of concluding the student loan contract, I was not aware of the consequences of such contract” is **0.735**. This is a strong and significant directly

proportional relationship. That is, as one increases, so does the other, and vice versa. Hence, the lower the respondents' awareness of the consequences of the contract, the less their understanding of the information provided.

**Analysis 5:** The correlation value between "I did not understand the information provided" and "The document did not have enough information explaining the terms and consequences of the contract" is **0.783**. This is a strong and significant directly proportional relationship. That is, as one increases, so does the other, and vice versa. The lower the adequacy of information explaining the terms and consequences of the contract, the less likely it is that the respondents understood the information that was provided, and vice versa.

**Analysis 6:** The correlation value between "I was not aware that student loan contracts have various terms and conditions attached to them" and "The document did not have enough information explaining the terms and consequences of the contract", is **0.640**. This is a strong and significant directly proportional relationship. That is, as one increases, so does the other, and vice versa. Hence, the lower the adequacy of the information explaining the terms and consequences of the contract, the less likely it was that the respondents were aware that the contracts had various terms and conditions attached to them, and vice versa.

**Analysis 7:** The correlation value between "I did not understand the terms and conditions of my student loan contract" and "The contracts was not in plain and understandable language" is **0.745**. This is a strong and significant directly proportional relationship. That is, as one increases, so does the other, and vice versa. The respondents indicated that, the more they did not understand the terms and conditions of their student loan contract, the more likely it was that the contract contained complex language.

**Analysis 8:** The correlation value between "I did not understand the terms and conditions of my student loan contract" and "The contracts contained unfair terms and/or conditions" is **0.715**. This is a strong and significant directly proportional relationship. That is, as one increases, so does the other, and vice versa. The respondents indicated that, the more the contract contained unfair terms and/or conditions, the more likely it was that they did not understand the terms and conditions.

**Analysis 9:** The correlation value between “I have failed to read the terms and conditions due to my own negligence” and “I did not understand the terms and conditions of my student loan contract” is **0.763**. This is a strong and significant directly proportional relationship. That is, as one increases, so does the other, and vice versa. Hence, the respondents indicated that, the more they failed to read the terms and conditions of the student loan contract, the more likely it was that they did not understand such provisions.

**Analysis 10:** The correlation value between “The supplier failed to provide me with explicit information relating to the contract” and “I did not understand the terms and conditions of my student loan contract” is **0.799**. This is a strong and significant directly proportional relationship. That is, as one increases, so does the other, and vice versa. The respondents indicated that, the less the explicit information provided by the supplier, the less likely it was that they understood such terms and conditions, and vice versa.

#### **4.23.2 Inverse relationships**

Negative values imply an inverse relationship, that is, the variables have an opposite effect on each other that is, as one increases, the other decreases. For example, the correlation value between “I understand what the right to privacy is” and “The contracts were not in plain and understandable language” is **-0.016**. In other words, the more the contracts were in plain and understandable language, the more likely it was that the respondents understood what the right to privacy related to.

The results have indicated the following patterns of inverse relationships:

**Analysis 11:** The correlation value between “I understand what the right to fair, just and reasonable terms and conditions is” and “I have failed to read the terms and conditions due to my own negligence” is **-0.022**. This is a strong and significant indirectly proportional relationship. That is, as one increases, the other decreases, and vice versa. The respondents indicated that, the more they read the terms and conditions of the contract, the less likely it was that they did not understand the right to fair, just and reasonable terms and conditions.

**Analysis 12:** The correlation value between “I understand what the right to disclosure and information is” and “I did not understand the terms and conditions of my student loan contract” is **-0.007**. This is a strong and significant indirectly proportional relationship. That is, as one increases, the other decreases, and vice versa. The respondents indicated that the more their lack of understanding of the terms and conditions, the less likely it was that they understood what the right to disclosure and information was.

**Analysis 13:** The correlation value between “I understand what the right to apply for credit is” and “I did not understand the information provided” is **-0.015**. This is a strong and significant indirectly proportional relationship. That is, as one increases, the other decreases, and vice versa. The respondents indicated that the more their lack of understanding of the information was, the less likely it was that they understood what the right to apply for credit was.

#### **4.24 Hypothesis testing**

A Chi square test of independence was performed to see if there was a statistically significant correlation between the variables (rows vs columns). The null hypothesis states that there is no correlation between two variables. The alternate theory suggests that there is a connection.

For all values with an \*, a significant result is indicated with " $p < 0.05$ ". For all values with an \*\*, a significant result is indicated with " $p < 0.01$ ".

A Chi-square test was conducted and the results are indicated below:

##### **4.24.1 “The document did not have enough information explaining the terms and consequences of the contract” versus “At the time of concluding the student loan contract, I was not aware of the consequences of such contract”**

This section examines the relationship between “The document did not have enough information explaining the terms and consequences of the contract” and “At the time of concluding the student loan contract, I was not aware of the consequences of such contract”. According to Table 4.16 below, the p-value is 0.000. This demonstrates that

the variables have a significant relationship. This indicates that the lack of adequate information in the student loan contract explaining the terms and consequences plays a significant role in contributing to the student's lack of awareness of the consequences of such contract at the time of concluding the contract.

**Table 4.16: Chi-square test: The document did not have enough information explaining the terms and consequences of the contract versus At the time of concluding the student loan contract, I was not aware of the consequences of such contract**

	<b>The document did not have enough information explaining the terms and consequences of the contract</b>	
	Correlation Co-efficient	P-Value
<b>At the time of concluding the student loan contract, I was not aware of the consequences of such contract</b>	.666**	0.000
**. Correlation is significant at the 0.01 level (2-tailed).		

#### **4.24.2 “The document did not have enough information explaining the terms and consequences of the contract” versus “The contracts were not in plain and understandable language”**

This section looks at the association between “The document did not have enough information explaining the terms and consequences of the contract” and “The contracts were not in plain and understandable language”. According to Table 4.17 below, the p-value is 0.000. This reveals that the variables have a significant connection. This means that the student loan contract not being in plain and understandable language

does play a significant role in contributing to the lack of adequate information explaining the terms and consequences of the contract.

**Table 4.17: Chi-square test: The document did not have enough information explaining the terms and consequences of the contract versus The contracts were not in plain and understandable language**

	The document did not have enough information explaining the terms and consequences of the contract	
	Correlation Co-efficient	P-Value
<b>The contracts were not in plain and understandable language</b>	.773**	0.000
**. Correlation is significant at the 0.01 level (2-tailed).		

#### **4.24.3 “The supplier failed to properly explain the terms and conditions of the contract to me” versus “I did not understand the terms and conditions of my student loan contract”**

This section examines the connection between "The supplier failed to properly explain the terms and conditions of the contract to me" and "I did not understand the terms and conditions of my student loan contract". According to Table 4.18 below, the p-value is 0.000. This demonstrates that the variables have a significant relationship. This means that the supplier failing to adequately explain the terms and conditions of the student loan contract to the student plays a significant role in contributing to a student's comprehension of the terms and conditions of the contract.

**Table 4.18: Chi-square test: The supplier failed to properly explain the terms and conditions of the contract to me versus I did not understand the terms and conditions of my student loan contract**

	<b>The supplier failed to properly explain the terms and conditions of the contract to me</b>	
	Correlation Co-efficient	P-Value
<b>I did not understand the terms and conditions of my student loan contract</b>	.646**	0.000
**. Correlation is significant at the 0.01 level (2-tailed).		

#### 4.25 Conclusion

This chapter presented a detailed interpretation and discussion on the findings of the study. The primary aim of the study was to investigate the effects of consumer protection legislation on the challenges pertaining to student loan debt in the South African Higher Education sector. The findings were captured and both descriptive and inferential analyses were presented using graphs and tables. The findings were also supported by relevant literature. The following chapter will provide the conclusions and recommendation drawn from the current research and the researcher will provide suggestions for future research.

# **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

## **5.1 Introduction**

This empirical study was conducted to investigate the effects of Consumer protection legislation on the challenges pertaining to student loan debt in the South African HE sector. As part of the empirical study, a survey was conducted by administering a questionnaire to students at the DUT. The previous chapter provided a detailed presentation and interpretation of the results and discussion of findings from the empirical study. The survey was undertaken based on the relevant literature identified in Chapter 2. This chapter presents the conclusions derived from the study, as well as the recommendations for practice. It discusses the main findings of the study against the context of the objectives of the study as well as that of the reviewed literature.

## **5.2 Aims and Objectives**

The primary aim of the study is to investigate the effects of Consumer protection legislation on the challenges pertaining to student loan debt in the South African HE sector.

The objectives of this study were:

- To explore HE student challenges in respect of student loan contracts and the resultant student loan debt;
- To analyse the implications of selected consumer legislation (including the National Credit Act 34 of 2005 and the Consumer Protection Act 68 of 2008) on such challenges faced by HE students;
- To explore measures to protect students, and ensure improvements in the broader South African student loan scheme in HE.

To achieve the above-mentioned objectives, the critical questions that this study sought to answer were:

- What are the challenges facing students concerning the student loan contract?



- What are the consequences of unpaid student loans on students?
- What are the implications of the relevant consumer legislation on such challenges faced by HE students?
- What are possible measures to protect students?
- How can future improvements be made in the broader South African student loan scheme in HE?

### **5.3 SUMMARY OF FINDINGS**

This section presents a summary of findings from the empirical study.

#### **5.3.1 Consequences of unpaid student loan debt**

Unpaid student loan debt has certain consequences for students. Students were asked to indicate whether they were aware of eight areas pertaining to the consequences of unpaid student loans. The findings show that the majority of the respondents were unaware of the following consequences to unpaid student loan debt:

- That they may not be able to complete their studies or that if the studies have been completed, the university will withhold the certification;
- That not paying their student loan could prevent them from graduating;
- That they could be blacklisted due to their student loan debt;
- That not paying their student loan debt could result in a bad credit record;
- That they may be disqualified from prospective jobs, as some employers are reluctant to hire staff with an unfavourable debt record;
- That a student loan debt could result in an increase in emotional and mental health problems, and
- That students may face financial constraints and find themselves drowning in student loan debt.

#### **5.3.2 Other consequences experienced as a result of unpaid debt**

Other consequences experienced as a result of unpaid debt include the following: students became depressed and stressed out as a result of the student loan debt owing by them; they had to drop out before finishing studies and were required to make a payment plan which made things financially difficult when they started again, and their

reputation was damaged as a result of being questioned about outstanding student loan debt.

### **5.3.3 Student challenges in respect of student loan debt**

The respondents were requested to respond on a multitude of areas regarding their level of agreement with statements relating to challenges that they may have experienced in respect of student loan debt. The findings showed that the majority of the respondents agreed that the following challenges were experienced by students in respect of student loan debt:

- The contracts were not in a plain and understandable language;
- The document did not have enough information explaining the terms and consequences of the contract;
- They were not aware of the consequences of such contract when they concluded it;
- They did not understand the information provided;
- The student loan contracts had various T's and C's attached to them which they were unaware of;
- The challenge they faced was that they did not understand the T's and C's in their student loan contract;
- The contracts contained unfair terms and/or conditions;
- They had insufficient time to properly read and understand the contract;
- The supplier had failed to properly explain the T's and C's of the contract to the respondent, and
- The supplier had failed to provide them with explicit information relating to the contract.

### **5.3.4 Other challenges experienced when concluding a student loan contract**

Other challenges experienced when concluding a student loan contract, as identified by students included the fact that NSFAS taking a long time to get back to students regarding their application status.

### **5.3.5 Implications of the Consumer Protection Act 68 of 2008**

The respondents were asked to indicate their awareness of the rights contained in the CPA as well as their level of agreement with statements relating to the rights available in the CPA.

#### **5.3.5.1 Awareness of selected rights in the CPA**

The findings showed that the vast majority of participants were not aware of their legal right to privacy. Further, the majority of them did not know they had a legal right to fair and honest dealing. The majority of the respondents indicated that they were not aware of their right to fair, just and reasonable terms and conditions. The findings also revealed that the majority of the respondents were not aware of the consumer's the right to disclosure and information.

#### **5.3.5.2 Understanding of selected consumer rights in terms of the CPA**

The findings in the preceding chapter revealed that the majority of respondents did not have an understanding of the following rights in the CPA:

- The right to privacy;
- The right to fair and honest dealing;
- The right to fair, just and reasonable terms and conditions, and
- The right to disclosure and information.

This study found that only a small portion of respondents had an adequate knowledge of the CPA, with the vast majority of respondents appearing to lack even a rudimentary understanding of the CPA's provisions.

### **5.3.6 Implications of the National Credit Act 34 of 2005**

The respondents were urged to respond on a multitude of areas regarding the implications of the NCA. They were asked to indicate their awareness of the rights contained in the NCA as well as to indicate their level of agreement with statements relating to the rights available in the NCA.

#### **5.3.6.1 Awareness of selected rights in the NCA**

The findings in Chapter 4 revealed that the vast majority of participants were not aware of the following rights contained in the NCA:

- The right to apply for credit;
- The right to information in an official language, particularly one they can read and comprehend;
- The right to information in plain and understandable language, and
- The right to confidentiality.

#### **5.3.6.2 Understanding of selected consumer rights in terms of the CPA**

The findings in Chapter 4 revealed that the vast majority of participants did not understand the following rights contained in the NCA:

- The majority of respondents felt they did not have an understanding of the right to apply for credit;
- The vast majority of respondents did not understand what the right to information in a plain and understandable language entailed;
- The majority of respondents expressed that they did not have an understanding of the right to receive information in an official language, specifically an official language that they can read and understand, and
- The findings revealed that the majority of respondents did not understand what the right to confidentiality meant.

### **5.4 CONCLUSIONS**

This section presents the conclusions drawn based on the findings from the literature review and the empirical study.

#### **5.4.1 CONCLUSIONS FROM THE LITERATURE REVIEW**

Millions of South Africans endured several injustices throughout apartheid, education being one. Undoubtedly, the old apartheid system's racial practices contributed to social and educational inequality, and the disparities in school finance affected students' access to HE (Ocampo 2004: 638).

The only route to escape poverty in South Africa may be through HE, but in order to continue their study, students need money. Without financial aid, South African students must turn to other means of funding their education. Some students rely on parental or family support, part-time employment, savings, or bank loans to pay for their studies (Callender and Jackson 2008; Richardson, Evans and Gbadamosi 2009).

Based on the findings from the literature review, with respect to the effects of consumer protection legislation on challenges pertaining to student loan debt, the following conclusions can be drawn.

#### **5.4.1.1 Challenges experienced by HE students which resulted in them dropping out**

As highlighted in the literature review, some of the challenges experienced by HE students which resulted in them dropping out, include:

- **Poor programme choice** particularly as a result of lack of career advice prior to entering university;
- **Maladjustment and lack of support**, especially with disadvantaged students;
- **Financial constraints** and the consequent student loan debt, especially with disadvantaged students, which have an adverse impact on their **academic performance**;
- Students with **inadequate financial resources** to pay for escalating student fees, accommodation, meals books and transport, and
- **Escalating student fees** at universities, which have made HE inaccessible for poor (mainly Black) students.

Hence, students who did not qualify for bursaries to fund their studies, often have no option but to seek bank loans or apply to the NSFAS scheme.

#### **5.4.1.2 Consequences of unpaid student loans**

With the growing number of students who rely on student loans to pay for their HE, and the financial constraints that they face, the **consequences of unpaid student loans** in terms of the literature review were found to include:

- **Non-completion** of studies and **withholding of results** by the institution;

- As a result of unpaid fees, students were **unable to register** to continue with their studies;
- Students were **prohibited from graduating** and as a result, they lost prospective jobs as they were unable to produce the required documentation;
- **Blacklisting of students**, which prevents them from obtaining credit on their names or even getting a job;
- **Bad credit score/record**, as a result of which they are prohibited from obtaining mortgages, loans or credit cards until they have paid off their debts;
- Being **disqualified from prospective jobs** as a result of poor credit rating or credit history;
- **Student loan debt and defaulting**, where borrowers who default on student loans may face severe financial repercussions, including but not limited to, credit score damage and possibly exclusion from other aid programs, and
- **Emotional/mental problems**, as students can experience anxiety, depression or other mental challenges over debts they owe.

#### 5.4.1.3 Student loan debt while students were still studying

According to the literature review, the effects of student loan debt on students who were still studying include the following:

- **Lower academic performances**, where student loan debt resulted in academic performances that are generally lower for students who take out loans;
- Students who **decrease** the size of their loan have **higher academic results** in those semesters;
- **Emotional burden/stress**, where increased student loan debt may also place an emotional strain on students as they worry about being able to repay their debts; preoccupation with money impairs mental ability. This could lead to stress or a sense of obligation to work while in school, both of which could harm academic performance, and
- **Redirection of the funding**, where students can sometimes redirect part of their funding to their families, to alleviate the family's living conditions. This can compromise academic performance in that it reduces the amount of funding available for study related expenses.

#### 5.4.1.4 Student loan contractual challenges of HE students

According to the literature review, challenges with student loan contracts comprise the following:

- **Inequality of bargaining power** - The disparity in bargaining power means that consumers are typically not able to negotiate the individual terms of form contracts, and thus cannot negotiate with the company over onerous terms;
- The use of **standard-form contracts** - Organisations use standard-form contracts, which incorporate non-negotiated terms that are generally unfair to the consumer;
- Contracts not being in **plain and understandable language** - Consumers not properly understanding the T's and C's of the contracts results in companies taking advantage of this by putting disadvantageous terms in their contracts;
- Students' **failure to read T's and C's** - Consumers are putting themselves at a disadvantage by not knowing what they are agreeing to, running the risk of the supplier taking advantage of them by including unfair T's and C's into the contract;
- Students have a lack of understanding of legal T's and C's;
- Students have a **misconception about student loans** and the lack of understanding of their responsibility to pay back;
- **Unfair, unreasonable or unjust** provisions, T's and C's in contracts;
- **Lack of awareness** of consequences of default;
- **Lack of notice** regarding assumption of risk;
- Terms that result in the student **waiving his/her rights**;
- Students **not aware of their rights** as consumers;
- The **expensive process** of getting legal assistance to review the contract or seek the court's help, and
- **Lack of explicit information** relating to the contract.

#### 5.4.2 CONCLUSIONS FROM THE EMPIRICAL STUDY

Based on the findings from the empirical study, the following conclusions are reached.

#### 5.4.2.1 HE student challenges in respect of student loan contracts

The respondents were prompted to answer questions that dealt with the student challenges in respect of student loan contracts. The following conclusions were drawn with respect to the challenges that they experienced:

- Student loan contracts were not in a **plain and understandable language**;
- The document **did not have enough information** explaining the terms and consequences of the contract;
- They were **not aware of the consequences** of such contract when they concluded it;
- They **did not understand** the information provided;
- The student loan contracts had various **T's and C's** attached to them, of which they were **unaware**;
- Students **did not understand the T's and C's** in their student loan contract; and that the contracts contained unfair terms and/or conditions;
- They had **insufficient time to properly read** and understand the contract;
- The supplier had **failed to properly explain** the T's and C's of the contract to the respondent, and
- The supplier had **failed to provide** them with **explicit information** relating to the contract.

#### 5.4.2.2 The consequences of unpaid student loans on students

Unpaid student loan debt had some repercussions for the respondents. They were prompted to answer eight questions that dealt with the repercussions of unpaid student loans. The following conclusions were drawn with respect to the consequences of unpaid student loan debt:

- Students were **not able to complete their studies** or where the studies have been completed, the university withholds the certification;
- Students were **prevented from graduating**;
- They were **blacklisted** due to their student loan debt;
- They acquired a **bad credit record**;



- Students were **disqualified from prospective jobs**, as some employers were reluctant to hire staff with an unfavourable debt record;
- Student loan debt resulted in an increase in **emotional and mental health problems**, and
- Students faced **financial constraints** and found themselves drowning in student loan debt.

#### **5.4.2.3 The Implications of the Consumer Protection Act 68 of 2008**

The conclusions relating to the implications of the CPA are set out below in respect of each of the selected sub-themes.

##### **5.4.2.3.1 Awareness of selected rights in the CPA**

The following conclusions were drawn with respect to awareness of selected rights in the CPA. Students were not aware of their legal right to privacy. They did not know they had a legal right to fair and honest dealing. Additionally, they were not aware of their right to fair, just and reasonable T's and C's. It was also concluded that respondents were not aware of the consumer's the right to disclosure and information.

##### **5.4.2.3.2 Understanding of selected consumer rights in terms of the CPA**

The following conclusions were developed with respect to the respondents' understanding of selected rights in the CPA. It was concluded that respondents did not have an understanding of the following rights set out in the Act:

- The right to privacy;
- The right to fair and honest dealing;
- The right to fair, just and reasonable terms and conditions, and
- The right to disclosure and information.

#### **5.4.2.4 Implications of the National Credit Act 34 of 2005**

The conclusions relating to the implications of the NCA are set out below in respect of each of the selected sub-themes.

#### 5.4.2.4.1 Awareness of selected rights in the NCA

The following conclusions were reached with respect to awareness of selected rights in the NCA rights. It was concluded that respondents were not aware of the following rights in the NCA:

- The right to apply for credit;
- The right to information in an official language, particularly one they can read and comprehend;
- The right to information in plain and understandable language, and
- The right to confidentiality.

#### 5.4.2.4.2 Understanding of selected consumer rights in terms of the NCA

The following conclusions were reached with respect to the understanding of selected rights in the NCA. It was concluded that students did not have an understanding of the following rights in the NCA:

- The right to apply for credit;
- The right to information in an official language, particularly one they can read and comprehend;
- The right to information in plain and understandable language, and
- The right to confidentiality.

#### 5.4.2.5 Hypotheses

Regarding the research hypothesis outlined in Chapter 1, the study discovered the following:

- There was a significant relationship between the **lack of information** in the student loan contract explaining the terms and consequences, and the **respondents being unaware** of the consequences when they concluded the contract;
- There is a significant relationship between the **lack of information** in the student loan contract explaining the terms and consequences and the contract not being in **plain and understandable language**, and

- There is a significant relationship between the supplier's **failure to properly explain the term T's and C's** and conditions of the contract to the respondents and their **lack of understanding of the T's and C's** of their student loan contract.

## **5.5 Recommendations on measures to protect students and enhance the overall student loan scheme in South African Higher Education**

Based on the findings and conclusions from the study, the following recommendations are made:

- **Consumer education programmes:** Concern is expressed about the state of consumer awareness in South Africa; it leaves many of the respondents vulnerable to suppliers' unfair business practices since they are unaware of their rights. In order to increase consumer understanding of their rights, it is essential for the government, HEI and regulatory bodies to develop consumer education programmes.
- **Counselling sessions:** Before receiving a student loan, debtors should be required to attend counselling. This is done to make sure that students are informed of the implications of borrowing money and how it can affect their life. Furthermore, borrowers will take the loan with as much knowledge as possible and will not be misled by the advantages of taking it.
- **Financial education workshops/seminars:** Student loan applicants should have easy access to financial education workshops/seminars so they are well-informed about what will be expected of them when it is time to repay their loans.
- **Workshops on consumer protection legislation:** Workshops on consumer protection legislation should be made easily accessible to students who seek to take out a student loan so that they are fully informed on their rights, obligations, and the many remedies open to them in terms of consumer protection legislation.
- **Mandatory reading of contracts:** Credit providers should require customers to read and comprehend the loan contract in its entirety before signing it. This can be accomplished by mandating that customers take the loan contract home and, if they so choose seek legal counsel.

- **Informing them of the right to cancel:** Students should be informed of the opportunity to cancel the credit arrangement within the cooling-off period.
- **Modules to include consumer education:** General education modules in academic programmes should include the fundamentals and basics of consumer protection legislation. This foundational knowledge will help to prepare students for the real world when they graduate.
- **Incentives to understanding:** HEI or businesses should incentivize or reward understanding of consumer protection law.

## **5.6 Diagrammatic representation of the summary of the study**

A summary of the conclusions drawn in this study are represented in the diagram below.

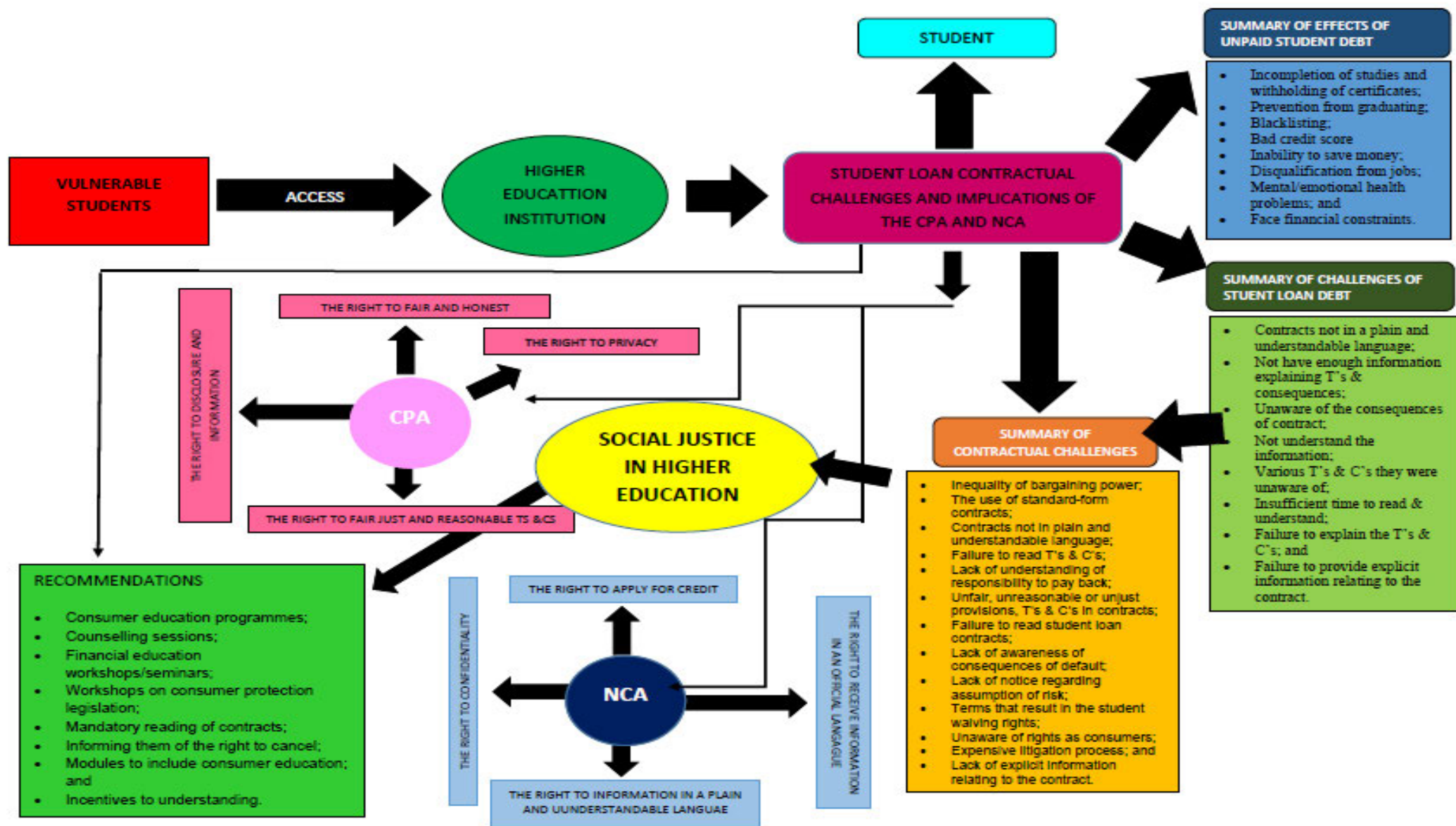


Figure 5.1: Diagrammatic representation of the summary of the study

### **5.7 Limitations**

The data gathering method was limited to the completion of questionnaires sent to the participants. It is understood that interviews and other techniques might be able to provide more useful information about participants' perspectives. The study was limited to one geographic area and only one HEI, and therefore findings cannot be generalised to all University of Technologies or the HE Sector.

### **5.8 Criticism**

The COVID-19 situation offered a number of challenges for the researcher, including the fact that the only way to collect data was by asking participants to complete the questionnaires that were sent to them. The researcher had to wait for responses as a result.

### **5.9 Suggestions for future study**

- A larger scale study must be conducted to produce results that are more accurate regarding the effects of consumer protection legislation on challenges pertaining to student loan debt;
- Many of the aspects surveyed broadly in the current study at the specific institution can be explored in more depth;
- The use of multiple data collection methods to ensure in-depth knowledge of the participants' perspectives would be useful, and
- A comparative study of different Universities of Technology can be undertaken to understand the implications of consumer protection legislation on student loan debt.

### **5.10 Conclusion**

The study's findings, the difficulties the researcher encountered, and suggestions for future researchers are all presented in this concluding chapter. The chapter set out the summary of the study's finding, conclusions and

recommendations from the study. The literature reviewed and the analysis and findings of the research undertaken have indicated that, in order to guarantee that students are properly educated about their rights and the protection that is available to them, significant effort must be made to educate them about such rights to help prevent consumers from being deceived by credit providers. The study has shown that there are multiple challenges facing students concerning the student loan contract, which have not been adequately addressed. It also indicates that unpaid student loans have severe consequences on students and their future, of which students remain unaware. Although it is a common belief that the existing legislation would provide students, as consumers, adequate protection, this study has discovered that just the existence of the selected legislation is not enough. Students remain unaware of the implications these legislations have on student loan and the resulting debt; they need to be educated on the consumer protection legislation and how to utilise it. It is the researcher's hope that the findings and conclusions from this study will allow institutions and students to make informed decisions with regard to student loans and the associated contract.

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# LIST OF APPENDICES

## Appendix A- Gatekeepers letter



The Directorate for Research and Postgraduate Support  
Durban University of Technology  
Tromso Annexe, Steve Biko Campus

1 July 2021

### **RE: Application/Consent to conduct Research at DUT**

I am currently registered for the Masters Programme in the Department of Applied Law. My study focuses on student loan debt challenges and the effects of relevant consumer protection legislation, with particular reference to DUT.

The title of the study is: **The effects of consumer protection legislation on challenges pertaining to student loan debt in the South African HE sector: Case study of the Durban University of Technology.**

**The aim of the study** is to investigate the effects of Consumer protection legislation on the challenges pertaining to student loan debt in the South African HE sector.

#### **The objectives of the study are:**

- To explore HE student challenges in respect of student loan contracts and the resultant student loan debt;
- To analyse the implications of selected consumer legislation (including the National Credit Act 34 of 2005 and the Consumer Protection Act 68 of 2008) on such challenges faced by HE students;
- To explore measures to protect students, and ensure improvements in the broader South African student loan scheme in HE.

Through the research conducted, the study will investigate the challenges pertaining to student loan debt at the Durban University of Technology. The research therefore focuses on obtaining

information from the students at DUT. A sample of 380 full time students who have student loans with DUT will be approached, across all 6 faculties and all campuses will be targeted.

The study will contribute to understanding the impact of student loan debt challenges in HE and, based on the implications of relevant consumer protection legislation, make recommendations on closing the gap of such student challenges.

I therefore request your permission to conduct this study with the students at DUT. The results of the study will be made available to the institution.

The following documents are attached:

- Research proposal (PG2);
- IREC approval, proposal with the research instruments, as well as the
- Letter of information and consent; and the
- Student questionnaire.

Thank you

Kind Regards

*Preleen Govender*

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Preleen Govender (Student)



Prof. K Reddy (Supervisor)  
Department of Applied Law



## Appendix B- Letter of information



### LETTER OF INFORMATION

**Title of the Research Study :** The effects of consumer protection legislation on challenges pertaining to student loan debt in the South African HE sector: Case study of the Durban University of Technology

**Principal Investigator/s/researcher:** Miss Preleen Govender: (B.Tech: Management Sciences: Business Law).

**Co-Investigator/s/supervisor/s:** Prof. K Reddy, Department of Applied Law, DUT (LLD).

#### **Brief Introduction and Purpose of the Study:**

Good Day, How are you?

I am a 5<sup>th</sup> year student at DUT doing research for my Master's degree in Management Science: Business Law. Herewith is a letter of information pertaining to the study that I am undertaking. I would like to invite you to participate in the research.

#### **What is Research**

Research is a systematic search or enquiry for generalised new knowledge. You as a potential participant of the study may ask as many questions as you wish because it is important that you fully understand the study. You are entitled to discuss the study with your family and friends and are under no obligation to commit at this stage. For this purpose, a copy of the Letter of Information document attached for you to take home.

**Outline of the Procedures:** Most of the studies on student loans have focused on the connection between student loans and academic performance. Very limited research has been done on the implications of consumer legislation on students or student loan contracts. Therefore, this study seeks to fill the gap by exploring the issue of HE student loan at the Durban University of Technology thereby adding to the limited existing knowledge on student loans.

The primary aim of the study is to investigate the effects of Consumer protection legislation on the challenges pertaining to student loan debt in the South African HE sector.

#### **Objectives**

The objectives of the study are:

- To explore HE student challenges in respect of student loan contracts and the resultant student loan debt;



- To analyse the implications of selected consumer legislation (including the National Credit Act 34 of 2005 and the Consumer Protection Act 68 of 2008) on such challenges faced by HE students;
- To explore measures to protect students, and ensure improvements in the broader South African student loan scheme in HE.

This study therefore seeks to determine the consumer challenges faced by students, in respect of student loan contracts and the ensuing debt in HE Institutions and the implications of selected consumer legislation on students.

The study will use a quantitative method research because it will use a questionnaire mainly quantitative in nature. The population of the study will be all students of the Durban University of Technology which equals to 33 000 students.

The target population in this study constitutes students of the Durban University of Technology, both part-time and full-time, across all six faculties and campuses, namely, M.L. Sultan, Steve Biko, Ritson, Brickfield, City campus and the Pietermaritzburg campuses. Furthermore, only students who have student loans will be included in the study.

The target population of this study is approximately 33 000 (Anon. 2020). A minimum of 380 students is the recommended sample size. A convenience sampling method will be used.

**Risks or Discomforts to the Participant:** The participants will not face any risks or experience any discomfort from the participation of this study.

**Reasons you may be withdraw from the Study:** A participant may be withdrawn from the study for Non-compliance or upon request. There will be no adverse consequences for the participant should they choose to withdraw.

**Benefits:** The researcher aims to benefit by publishing at least two journal articles in accredited journals.

**Remuneration:** You will not receive any form of remuneration.

**Costs of the Study:** There will be no cost to you.

**Confidentiality:** Data will be collected under strict conditions of anonymity. Your identity will be kept confidential. To ensure confidentiality, all data received will be stored in a safe, located at the researchers residence, for 5 years and will thereafter be destroyed. Questionnaires will be stored in a safe storage for five years and thereafter be shredded. Electronic records will be kept for five years and thereafter be deleted. Only person who will have access to the data collected (both soft and hard copies), will be the researcher.

**Results:** Any and all results from the study will be made available to participants in the form of a leaflet.

**Research-related Injury:** There will be no research related injury.

**Storage of all electronic and hard copies including tape recordings** (How, where, who has access, security measures in place, duration of storage, fate of the data at the end of the study, etc.)

**Persons to contact in the Event of Any Problems or Queries:**

Supervisor and details:

Prof. K Reddy: Work: 031 – 373 5367

Email: [reddyk@dut.ac.za](mailto:reddyk@dut.ac.za)

Cell: 0730966731

Researcher:

Miss Preleen Govender: Cell: 082 324 4993

Email: [Preleengovender@gmail.com](mailto:Preleengovender@gmail.com)

Or the Institutional Research Ethics Administrator on 031 373 2375. Complaints can be reported to the Director: Research and Postgraduate Support Dr L Linganiso on 031 373 2577 or [researchdirector@dut.ac.za](mailto:researchdirector@dut.ac.za).

## Appendix C- Letter of Consent



### CONSENT

**Full Title of the Study:**

**Names of Researcher/s:**

**Statement of Agreement to Participate in the Research Study:**

- I hereby confirm that I have been informed by the researcher, PRELEEN GOVENDER, about the nature, conduct, benefits and risks of this study - Research Ethics Clearance Number: \_\_\_\_\_,
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

\_\_\_\_\_  
**Full Name of Participant**

\_\_\_\_\_  
**Date and Time**

\_\_\_\_\_  
**Signature/Right Thumbprint**

I, PRELEEN GOVENDER, herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

\_\_\_\_\_  
**Full Name of Researcher**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Full Name of Witness**  
(If applicable)

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Full Name of Legal Guardian**  
(If applicable)

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Signature**

***Please note the following:***

Research details must be provided in a clear, simple and culturally appropriate manner and prospective participants should be helped to arrive at an informed decision by use of appropriate language (grade 10 level- use Flesch Reading Ease Scores on Microsoft Word), selecting of a non-threatening environment for interaction and the availability of peer counselling (Department of Health, 2004).

If the potential participant is unable to read/illiterate, then a right thumb print is required and an impartial witness, who is literate and knows the participant e.g. parent, sibling, friend, pastor, etc. should verify in writing, duly signed that informed verbal consent was obtained (Department of Health, 2004).

If anyone makes a mistake completing this document e.g. a wrong date or spelling mistake, a new document has to be completed. The incomplete original document has to be kept in the participant's file and not thrown away, and copies thereof must be issued to the participant.

***References:***

Department of Health: 2004. *Ethics in Health Research: Principles, Structures and Processes* <http://www.doh.gov.za/docs/factsheets/guidelines/ethnics/>

Department of Health. 2006. *South African Good Clinical Practice Guidelines*. 2nd Ed. Available at: [http://www.nhrec.org.za/?page\\_id=14](http://www.nhrec.org.za/?page_id=14)

## Appendix D- Ethics Clearance Letter



**Institutional Research Ethics Committee** Research and Postgraduate Support Directorate 2<sup>nd</sup> Floor, Berwyn Court  
Gate 1, Steve Biko Campus  
Durban University of Technology

P O Box 1334, Durban, South Africa,

4001 Tel: 031 373 2375

Email: lavishad@dut.ac.za

[http://www.dut.ac.za/research/institutional\\_research\\_ethics](http://www.dut.ac.za/research/institutional_research_ethics)

[www.dut.ac.za](http://www.dut.ac.za)

11 November 2021

Ms P Govender

01 Camelthorn

Place Trenance

Park Verulam

4339

Dear Ms Govender

**The effects of consumer protection legislation on challenges pertaining to student loan debt: A case study of the Durban University of Technology.**

**Ethics Clearance Number: 082/21**

The Institutional Research Ethics Committee acknowledges receipt of your final data collection tool for review.

We are pleased to inform you that the data collection tool has been approved. Kindly ensure that participants used for the pilot study are not part of the main study.

In addition, the IREC acknowledges receipt of your gatekeeper permission letter.

Please note that **FULL APPROVAL** is granted to your research proposal. You may proceed with data collection.

Any adverse events [serious or minor] which occur in connection with this study and/or which may alter its ethical consideration must be reported to the IREC according to the IREC Standard Operating Procedures (SOP's).

Please note that any deviations from the approved proposal require the approval of the IREC as outlined in the IREC SOP's.

Yours Sincerely,

Prof J K Adam  
Chairperson: IREC

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## Appendix E

### QUESTIONNAIRE

DURBAN UNIVERSITY OF TECHNOLOGY  
DEPARTMENT OF APPLIED LAW

TOPIC: The effects of consumer protection legislation on challenges pertaining to student loan debt in the South African HE sector: Case study of the Durban University of Technology

This questionnaire has been developed to collect data for the above-mentioned study.

The information provided in the questionnaire will remain confidential and will only be used for the purpose of this study.

Where applicable please place a (x) in the appropriate response.

#### **SECTION A: DEMOGRAPHIC DATA**

1. Are you a student at DUT?

Yes	No

2. Do you have a student loan?

Yes	No

If you answered **No** to Question 2, ignore the rest of the questionnaire.

3. Age (in years)

17-20	21-30	31-40	40+

4. What qualification are you currently registered for?

Diploma	Degree	Masters	Doctorate

5. Are you aware of the amount of student loan debt that you presently owe?

Yes	No

#### **SECTION B: CONSEQUENCES OF UNPAID STUDENT LOAN DEBT AND CONTRACTS**

6. Student loan debts generally have certain consequences for students. Indicate whether you are aware of each of the following consequences pertaining to unpaid student loans.

No	CONSEQUENCES OF UNPAID DEBT. In the event that a student fails to repay a debt in respect of a student loan:	Aware	Not aware
6.1	The student may not be able to complete his/her studies or if the studies have been completed the university will withhold the certification.		
6.2	Students are prevented from graduating.		
6.3	Students are "blacklisted", i.e. they are denied credit because they have a poor credit record.		
6.4	Students acquire a bad credit score/record.		
6.5	Students are unable to save money for the future.		

6.6	Students may be disqualified from prospective jobs, as some employers are reluctant to hire staff with an unfavourable debt record.		
6.7	There may be an increase in emotional/mental health problems.		
6.8	Students may face financial constraints and find themselves drowning in student loan debt.		

7. Indicate any other consequences that you or others around you may have experienced as a result of unpaid student loan debt.

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### SECTION C: STUDENT CHALLENGES IN RESPECT OF STUDENT LOAN DEBT

8. Indicate your level of agreement with each of the following statements relating to challenges that you may have experienced when entering into a student loan contract.

No	CHALLENGES WHEN CONCLUDING A STUDENT LOAN CONTRACT.	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
8.1	The contracts was not in plain and understandable language.					
8.2	The document did not have enough information explaining the terms and consequences of the contract.					
8.3	At the time of concluding the student loan contract, I was not aware of the consequences of such contract.					



8.4	I did not understand the information provided.					
8.5	I was not aware that student loan contracts have various terms and conditions attached to them.					
8.6	I was not made aware of the terms and conditions in terms of my student loan contract.					
8.7	I did not understand the terms and conditions of my student loan contract.					
8.8	The contracts contained unfair terms and/or conditions.					
8.9	I did not have enough time to properly read and understand the contract.					
8.10	I have failed to read the terms and conditions due to my own negligence.					
8.11	The supplier failed to properly explain the terms and conditions of the contract to me.					
8.12	The supplier failed to provide me with explicit information relating to the contract.					

9. Please indicate any other challenge you have experienced, when concluding a student loan contract, which were not indicated in Question 8 above.

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**SECTION D: IMPLICATIONS OF THE CONSUMER PROTECTION ACT 68 of 2008 (CPA)**

10. Are you aware as to what the Consumer Protection Act 68 of 2008 entails?

Yes	No

11. Are you aware that, as a consumer, you have certain consumer rights and protection in terms of the Consumer Protection Act 68 of 2008?

Yes	No

12. Indicate whether you are aware of each of the following rights that a consumer has in terms of the Consumer Protection Act 68 of 2008.

No	CONSUMER RIGHTS IN TERMS OF THE CONSUMER PROTECTION ACT	Aware	Not aware
12.1	<b>Right to privacy:</b> consumers are protected from unsolicited and unwanted marketing from suppliers.		
12.2	<b>Right to fair and honest dealing:</b> consumers should not be misled about anything regarding the transaction.		
12.3	<b>Right to fair, just and reasonable terms and conditions:</b> the content of a contract must be fair to consumers.		
12.4	<b>Right to disclosure and information:</b> suppliers must provide consumers with information as consumers can only use information they understand		

13. Indicate your level of agreement with each of the following statements relating to the following rights that a consumer has in terms of the Consumer Protection Act 68 of 2008.

No	CONSUMER RIGHTS IN TERMS OF THE CONSUMER PROTECTION ACT	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
13.1	I understand what the <b>right to privacy</b> is.					
13.2	I understand what the <b>right to fair and honest dealing</b> is.					

13.3	I understand what the <b>right to fair, just and reasonable terms and conditions</b> is.					
13.4	I understand what the <b>right to disclosure and information</b> is.					

#### **SECTION E: IMPLICATIONS OF THE NATIONAL CREDIT ACT 34 of 2005 (NCA)**

14. Are you aware of what the National Credit Act 34 of 2005 is and what it entails?

<b>Yes</b>	<b>No</b>

15. Are you aware that as a consumer, you have certain consumer rights and protection in terms of the National Credit Act 34 of 2005?

<b>Yes</b>	<b>No</b>

16. Indicate whether you are aware of each of the following rights that a consumer has in terms of the National Credit Act 34 of 2005.

<b>No</b>	<b>CONSUMER RIGHTS IN TERMS OF THE NATIONAL CREDIT ACT</b>	<b>Aware</b>	<b>Not aware</b>
16.1	<b>Right to apply for credit:</b> every adult person has a right to apply to a credit provider for credit.		
16.2	<b>Right to receive information in an official language,</b> specifically an official language that they can read and understand.		
16.3	<b>Right to information in a plain and understandable language:</b> an ordinary consumer with average literacy skills should be able to understand the contract.		
16.4	<b>Right to confidentiality:</b> information provided by the prospective consumer must be protected.		

17. Indicate your level of agreement with each of the following statements relating to the following rights that a consumer has in terms of the National Credit Act 34 of 2005.

<b>No</b>	<b>CONSUMER RIGHTS IN TERMS OF THE NATIONAL CREDIT ACT</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
17.1	I understand what the right to apply for credit is.					
17.2	I understand what the right to receive information in an official language is.					

17.3	I understand what the right to information in a plain and understandable language is.					
17.4	I understand what the right to confidentiality is.					

18. General comments

18.1 Please indicate any other comments that you may have regarding **student loan debt challenges**

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18.2 Please indicate any other comments that you may have regarding **strategies to address such challenges** faced by students.

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18.3 Please indicate the areas where, in your view, further legislation is needed to protect students with respect to student loan contracts.

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**Thank you for your participation in this study.**

## Appendix F- Correlations Table

[illegible]

## Appendix G- Statisticians Certificate



### STATISTICIAN DECLARATION FOR CONSULTATION

This is to confirm that I have given appropriate recommendations relating to the student's research:

Student Name	Preleen Govender
Student number	21606817
Title	The effects of consumer protection legislation on challenges pertaining to student loan debt: A case study of the Durban University of Technology
Department	Applied Law
Faculty	Management Sciences

	3 May 2022
Deepak Singh DUT Panel of Statisticians	Date

## Appendix H- Editors Certificate

**THE WRITING STUDIO**  
*Writing and Editing Practice*

Certificate 21027

TO WHOM IT MAY CONCERN

27 October 2022

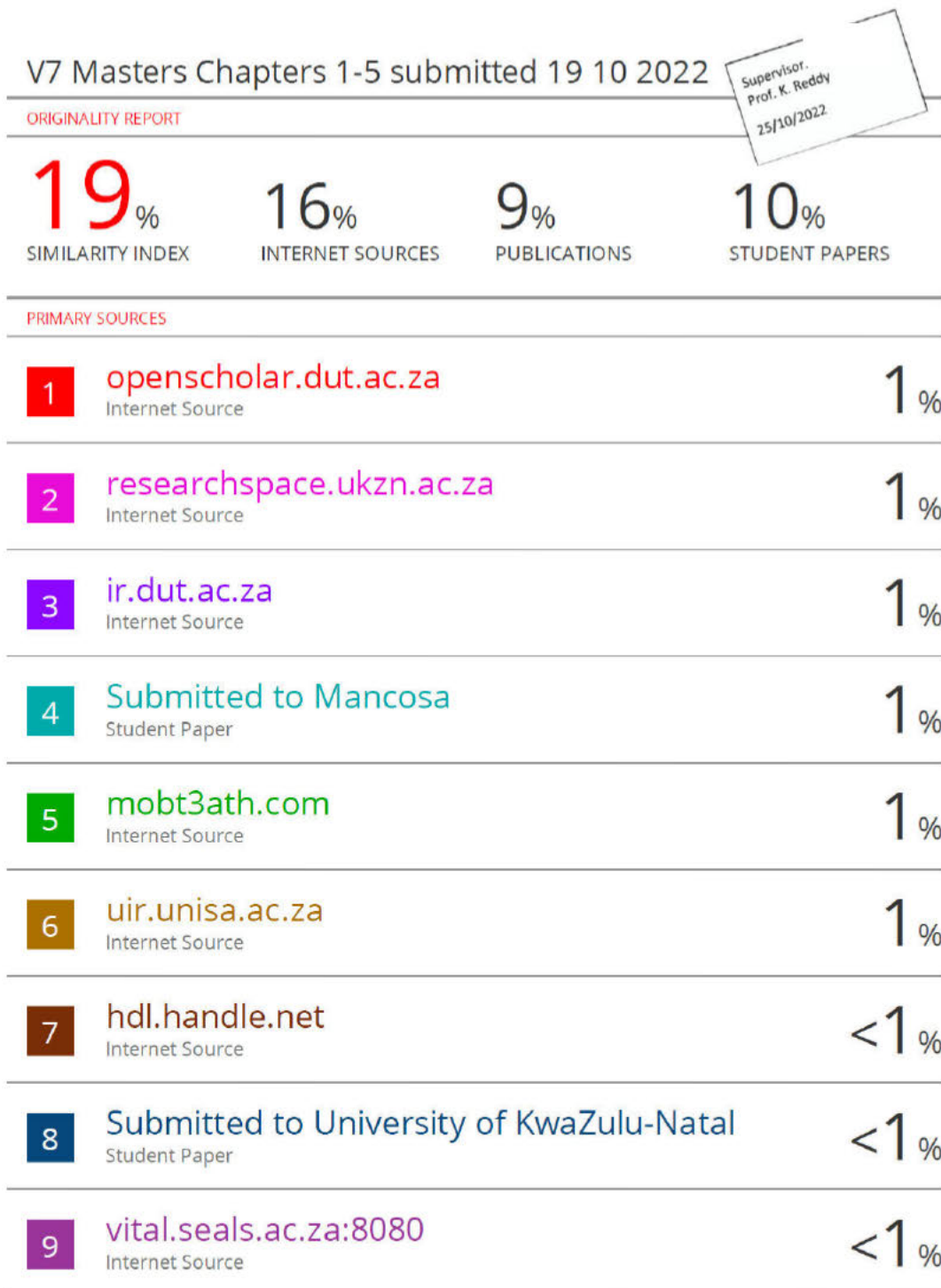
This dissertation, entitled **The effects of consumer protection legislation on challenges pertaining to student loan debt: A case study of the Durban University of Technology** by **Preleen Govender**, has been edited and reviewed to ensure technically accurate and contextually appropriate use of language for research at this level of study.

Yours sincerely

CM ISRAEL, BA Hons (UDW) MA (UND) MA (US) PhD (UNH)  
LANGUAGE EDITOR AND WRITING CONSULTANT  
[Connieisrael90@gmail.com](mailto:Connieisrael90@gmail.com) Mobile 082 4988166



## Appendix I- Turnitin Report





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