



**HEAD OFFICE: PAARL**

+27 (0) 21 871 1171

+27 (0) 21 871 1989

admin@christophergroup.co.za

3rd floor • Newlink Centre • 1 New street • Paarl • 7646  
PO Box 3733, Paarl 7620

Dear Client

In our Newsletter dated the 12th of April we referred to Rule 3.3 of Notice 525 of 2019 by the LPC regarding the Contingency Fee Agreement reading as follows:

“If the legal practitioner has undertaken to pay or incur disbursements on behalf of the client pending the conclusion of the proceedings the legal practitioner shall be entitled to charge interest on monies so disbursed, provided that this is done lawfully by the legal practitioner, in particular in accordance with the provisions of the Prescribed Rate of Interest Act, 55 of 1975, and/or in compliance with the provisions of the National Credit Act, 34 of 2005”

This new provision in the Contingency Fee Act allows an Attorney to charge interest on disbursements paid on behalf of the Client. It is a game-changer for Attorneys.

The questions that remained were:

- What interest rate is the Attorney allowed to charge to the Client?
- Will the Attorney need to register as a credit provider in terms of the National Credit Act?

In our previous Newsletter, we shared an article written by Darius Zeederberg, that made the argument that this type of loan agreement constitutes an Incidental Credit Agreement in terms of the National Credit Act. We thought that the article made compelling legal arguments which lead to us getting our own opinion from Adv GW Woodland SC attached hereto.

Adv Woodland SC specified the terms of an Incidental Credit Agreement in Par 13 and 14.1.1. – 14.1.6. of his opinion. In summary, he found that the construction of the agreement complies with the structure of an Incidental Credit Agreement. It means that, if these terms are specifically agreed upon between Attorney and Client, it will constitute an Incidental Credit Agreement. This Incidental Credit Agreement has huge, game-changing benefits for the attorney in that:

- The Attorney will be allowed to charge the maximum interest rate in terms of section 105 of the National Credit Act for an incidental credit agreement namely 2% per month. (24% per annum)
- The Attorney will be exempt from compliance with the provisions dealing with certain matters such as registration as a credit provider, statutory reporting, reckless credit, the agreement disclosures, and the like.



Please take this opinion under serious consideration. Discuss it with your colleagues and counsel to form your own opinion.

We believe that this is so important that we will make appointments to discuss this opinion and the benefits with you in person or via video link during the next month.

We always endeavour to create innovative legal-financial solutions.

Kind regards

STOFFEL VAN ZYL

CEO – Christopher Finance