



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Clarification on actions taken in respect of Ithala SOC Limited

The South African Reserve Bank (SARB) has received several media queries relating to the Prudential Authority's (PA) decision to apply for the liquidation of Ithala SOC Limited (Ithala). In addition to the media queries, the SARB has noted, with concern, several instances of misleading and/or incorrect information surfacing in the media, which warrants the clarifications below.

SARB is not able to respond to some of the queries as the matters are before the courts.

Further context on the liquidation proceedings against Ithala can be accessed on the SARB's [website here](#).

1. If Ithala was never a registered bank, why was it allowed to take deposits?

Even though Ithala has never been registered as a bank, it had been permitted to operate the business of a bank (which included accepting deposits from the general public) through various exemptions, which were originally issued by the Registrar of Banks together with the Minister of Finance. Subsequently, these exemptions were issued by the PA (the successor to the Registrar of Banks). All exemptions expressly required Ithala to separate its deposit-taking activities from its other businesses, such as its business as a credit provider advancing loans to the public, which Ithala did not do.

2. Have all Ithala's bank accounts been frozen?

No. The Repayment Administrator (RA), which was appointed by the PA, has instructed Absa Bank Limited (Absa) to freeze only those accounts related to Ithala's deposit-taking business. As a result, from 16 January 2025, Ithala could no longer receive deposits into its deposit-taking accounts, nor could it make payments from those accounts. This also affected depositors.

This action was taken to protect depositors by preventing a run on the entity – a situation where large numbers of depositors try to withdraw their funds at once, potentially causing the institution to collapse. Freezing the accounts and instituting a liquidation process allows for an orderly and fair repayment to all affected depositors.

Note: Absa acted as the intermediary bank, as Ithala is not a licensed bank.

3. Has the RA/PA acted contrary to Judge Ncube's order delivered in the Pietermaritzburg High Court?

No. The PA and RA have not acted contrary to Judge Ncube's order delivered in the Pietermaritzburg High Court. In the judgment, it was confirmed that the RA was entitled to take control of Ithala's deposit-taking activities and that Ithala was not permitted to accept deposits from the public.

The RA has applied for leave to appeal the judgment to the extent that it prevents him from taking control of all of Ithala's assets. The RA deems this necessary because Ithala did not separate its deposit-taking activities from its other businesses, such as its business as a credit provider advancing loans to the public.

While an application for leave to appeal automatically suspends the operation of the judgment, the RA has nevertheless taken all necessary steps to comply with Judge Ncube's order.

In this regard, the RA has only frozen accounts related to Ithala's unlawful deposit-taking, in line with the judgment.

4. Has the RA lied about Ithala's solvency and liquidity in order to place it in liquidation?

No. The RA commissioned independent forensic accountants to assess Ithala's solvency and liquidity. Their report found that Ithala is technically insolvent, meaning its liabilities exceed its assets. Specifically, Ithala's liabilities amount to R2.79 billion, while its total assets stand at R2.35 billion, resulting in a shortfall of R441.63 million.

This insolvency report has been submitted to the court as part of the liquidation proceedings and is now a matter of public record.

The PA had previously reported that, between 31 March 2008 and 31 March 2024, Ithala incurred losses totalling R520 million. The institution has, over time, operated with a high-cost structure that is misaligned with its size, complexity and risk profile.

5. When will the outcome of the liquidation application be communicated?

The PA and RA are currently awaiting communication from the court regarding the outcome of the liquidation application.

6. Was it the RA's decision to apply to court for Ithala to be liquidated?

No. The RA does not act independently of the PA. The PA appointed the RA in terms of section 84 of the Banks Act 94 of 1990 (Banks Act), which defines the powers and duties of the RA. The RA executes his mandate under the direction of the PA. At no stage has the RA taken any steps in relation to Ithala without the express consent of the PA.

The application for the liquidation of Ithala was instituted by the PA, as it is entitled to do in terms of the Banks Act. The PA is therefore the only applicant in the liquidation application. The RA is, in fact, a respondent in the application.

The ultimate purpose of the RA's appointment is to safeguard Ithala's assets and repay its depositors.

7. Has the RA or PA unlawfully transferred Ithala's client database to another commercial bank?

No. The RA, following the PA's instruction, has engaged with certain registered banks, with the aim of appointing a Repayment Bank. This will enable the repayment of deposits owed to Ithala clients, which were unlawfully taken by the bank. This is a necessary step in terms of the Banks Act.

8. Are the loans by Ithala customers no longer payable?

No. Ithala's clients remain liable for all loans they have taken out. The PA's actions in relation to Ithala do not extend to its loan business. However, the PA is aware that Ithala has sent SMS notifications to all clients informing them that loan repayments must now be made to an alternative Ithala account.

Please refer to the communication below.

ITHALA: Dear Client. Please make all loan payments to the alternative account: Ithala SOC Ltd. ABSA Bank, Account: 4067762302, Br Code: 630305. Use your Ithala Loan Account Number as the reference. Note these banking details are to be used until further notice. Enq. 031 3662744, 2586,2633, 2555, 2648.

For queries, contact SARB Media at media@resbank.co.za.