



SOUTH AFRICAN RESERVE BANK
Prudential Authority

Media Release

16 January 2025

The Prudential Authority has applied to the Pietermaritzburg High Court for the provisional liquidation of Ithala SOC Limited

The Prudential Authority has filed papers in the Pietermaritzburg High Court for the provisional liquidation of Ithala SOC Limited (Ithala). The Prudential Authority believes this action is in the best interests of the approximately 257 000 depositors of Ithala, as the appointed liquidator will be able to utilise insolvency legislation to recover and distribute their funds to the extent possible.

The Prudential Authority, responsible for the prudential regulation of banks and insurance companies within the South African Reserve Bank (SARB), appointed a Repayment Administrator responsible for the repayment of deposits. The appointment of the Repayment Administrator was confirmed by the Pretoria High Court in December 2023 and Ithala was ordered to cooperate with the Repayment Administrator.

Although commonly referred to as a bank, Ithala was never granted a banking licence. However, the Minister of Finance granted an exemption to Ithala, as per the Banks Act 94 of 1990 (Banks Act), allowing the entity to receive deposits while it regularised its operations.

On 22 July 2022, the Prudential Authority issued a final exemption notice, which afforded Ithala a final opportunity to regularise its deposit-taking activities, warning that non-compliance would lead to the withdrawal of the exemption.

The final exemption notice lapsed on 15 December 2023, with Ithala failing to meet all the conditions outlined in it.

It has been common knowledge to all parties that the granting of an exemption to Ithala was temporary and subject to certain conditions. Ithala had to ultimately obtain a banking licence in terms of the Banks Act or cease all its deposit-taking activities.

The Repayment Administrator, appointed by the SARB, has established that Ithala is technically and legally insolvent, exposing depositors to potential loss of their deposits or parts thereof.

Moreover, Ithala did not provide sufficient capital commitments or secure a legally binding renewal of the guarantee over its deposits from its shareholder, the Provincial Government of KwaZulu-Natal.

The liquidation application means that depositors' accounts will have to be closed to allow for the pending court processes. This measure will avoid a run on the institution and allow for a fair and orderly distribution of available funds. We understand the inconvenience and hardship this may cause. However, this is the necessary step to protect depositors.

Depositors must note that the National Treasury has written to the Prudential Authority, advising that the government will guarantee their funds.

In the interim, depositors must urgently make alternative arrangements to address their banking needs.

The Prudential Authority will communicate further details following the court hearing.

We have provided a document containing some frequently asked questions to accompany this media release with the necessary background on this matter.

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