

**DATED: 13 DECEMBER 2024**

**TO: ALL PARTICIPANTS IN THE MOTOR INDUSTRY**

**NOTICE: MANDATORY REQUIREMENT FOR MIBCO TO ADJUST  
THE LATE PAYMENT INTEREST FOR PROVIDENT FUNDS  
ACCORDING TO THE PRESCRIBED FINANCIAL SECTOR  
CONDUCT AUTHORITY (FSCA) STANDARDS**

The recent developments regarding the application of the In-Duplum Rule with respect to provident fund contributions have significant implications for pension fund administrators and their operations.

### **Understanding the In-Duplum Rule**

The In-Duplum Rule is a common law principle that limits the amount of interest that can be charged on a debt. Specifically, it stipulates that once the total amount of interest accrued equals the principal debt, no further interest can be charged. This rule has traditionally provided protection to debtors by capping the total liability they face due to interest accumulation.

### **Recent Court Ruling**

On August 10, 2023, the Kwa-Zulu Natal Division of the High Court addressed this issue in the case of Municipal Workers Retirement Fund v uMzimkhulu Local Municipality and others. The court ruled that the In-Duplum Rule does not apply to interest arising from short or non-payment of provident fund contributions. This ruling indicates that pension fund administrators can claim interest on overdue contributions without being limited by the In-Duplum cap.

### **Mandatory Requirement for Adjustment**

MIBCO is mandated to adjust its policies regarding late payment interest on provident funds. This adjustment aligns with the guidelines set forth by the FSCA and ensures compliance with current legal standards.

In summary, pension fund administrators are now able to pursue full recovery of overdue contributions along with applicable interest without being limited by previous common law constraints. This change is crucial for maintaining financial stability within retirement funds and ensuring that they can meet their obligations to beneficiaries.

Employers registered with MIBCO must ensure that contributions are paid by the 10th of the month following the contribution period to avoid interest charges. Interest on overdue debt will be charged at a rate of 2% plus Prime, starting from the 1<sup>st</sup> of the month after the payment due date. The In-Duplum Rule is no longer applicable to Pension and Provident Funds.

**Applicable Legislation:**

The FSCA Conduct Standard 1 of 2022