

Allegation 1: CPS has prevented SAPO from doing card swaps at pay points.

Extract from panel report:

2.13.1 *SASSA reported to the Panel that employees or agents of CPS have in several instances prevented SAPO from entering the paypoints to carry out the card swaps. All SASSA's regions have reported such incidents of intimidation and attempts to prevent SAPO and SASSA employees from performing their duties at cash paypoints. SASSA correctly points out that the paypoints are not CPS paypoints, but SASSA paypoints, where CPS as the service provider is contracted to provide cash payment service.*

2.13.9 *Based on its own observations, the Panel is extremely concerned that CPS is actively preventing mandated organs of state (SASSA and SAPO) from executing their functions. The Panel will consequently engage CPS, SASSA and SAPO on this matter and report its findings to the Court.*

Response:

When SAPO commenced the card swap programme, there were isolated instances where CPS did not allow teams claiming to be SAPO officials on the pay sites, as no prior arrangements were made with CPS to provide the necessary security clearance and allow unidentified individuals into the pay point environment.

CPS has an obligation towards the beneficiaries as well as its own staff that tight security is maintained at all times, given the high-risk environment around pay points. We attach a copy of our correspondence with SASSA. Given the current security environment, allowing and providing access to any unauthorized individuals into pay points, without prior notification and the necessary security clearance, would have been irresponsible and a breach of security standards and norms. CPS will under no circumstances compromise on the the safety of grant beneficiaries or its staff at pay points.

CPS's obligations under its Service Level Agreement with SASSA, makes it clear that in addition to providing a cash payment service, it is also responsible for the security at paypoints and that no unauthorized persons should/can be allowed access:

- 17.1. The Contractor (CPS) must be responsible for the provision of adequate security for cash in transit, resources and the safety of Beneficiaries and personnel at Pay Points.
- 17.2. A security team for each pay team shall consist of a minimum of 4 armed, registered security guards. Of these four, three must be at least a Grade C status while the remainder must be at least a Grade D status. Any deviation will have to be mutually agreed to.
- 17.3. Each guard used must have successfully completed formal security training commensurate with specified training requirements as laid down by the Security Industry Regulation Authority (SIRA). In addition all guards used in this SLA must be registered as security officers in terms of the appropriate security legislation.
- 17.4. Where a Pay Point is fenced, the Contractor must ensure that unauthorized persons are not allowed within the premises and not closer than twenty (20) metres from the fence, where possible.
- 17.5. In situations where the Pay Point is not fenced, the Contractor must ensure that unauthorized persons are restricted to remain at least one hundred (100) metres away from the cash dispensing machines, where possible.
- 17.6. The Contractor must ensure that the requirement in respect of restricted access to the Pay Point by vendors, hawkers, etc. as stated above, are adhered to.

Following the correspondence between CPS and SASSA following these early incidents, the parties have agreed on a process to ensure that authorised SAPO personnel have access to pay points and the matter has since been resolved.

Allegation 2 – Marketing of EasyPay Everywhere (“EPE”) account.

CPS is investigating all of the allegations following receipt of the panel’s filed report and will provide the panel with a detailed report if provided the opportunity.

SASSA has informed the South African banks that they should market their low-cost bank accounts to grant beneficiaries, confirmed in a letter from SASSA to the Banking Association of South Africa (“BASA” - refer attached). The expert panel’s report also contains a report from the Information Regulator (Annexure E of the report), where the Information Regulator recommends that “A communication strategy be devised and implemented by SASSA to inform grant beneficiaries that they have a choice to have their grants paid into their personal bank accounts.” The opening of EasyPay Everywhere accounts is therefore in line with SASSA’s request.

It should be noted that CPS has no involvement with the opening of these accounts. These accounts are marketed and opened independently from CPS by the card program participants who are registered Financial Services Providers.

All banks have the opportunity to market their products and services to grant recipients, who can select the best option based on the product elements, pricing, convenience and quality of service. To date, approximately 3 million grant beneficiaries have elected to open an EPE account (which they can switch at any time), because of the compelling value proposition offered by the account. In SASSA’s submissions to the ConCourt, and confirmed by the expert panel’s report, SASSA intends to close the majority of pay points in rural areas, as they are unable to service them.

We believe that a key reason for the success of the EPE account is the fact that our cardholders appreciate the convenience of being serviced where they live. We intend to continue servicing the EPE account holders where they live by using mobile payment equipment after SASSA has “rationalized” the pay-points. The messages displayed in Annexure B of the panel’s report are meant to convey this approach

(and are displayed outside the perimeter of pay points) and are clearly not intended to confuse beneficiaries – they have the choice of opening an EPE account if they want to continue receiving banking services at their former pay point locations, or they can travel to their nearest ATM or Post Office if they choose to open the new account offered by SASSA and SAPO. The need for a continuation of a localized banking service is clear from the report contained in Annexure D of the expert panel's report, entitled "ASSESSMENT OF CASH PAY POINTS" and compiled by provincial audit teams under the auspices of the Auditor-General of South Africa. The following extracts from the report are highly relevant:

"The majority of the beneficiaries were satisfied with the manner in which the pay points were administered and had no suggestions for improvement."

"26% of these beneficiaries stayed within a 1 km radius from electronic pay points. The remaining 74% indicated that they would have to spend money on transport to visit an electronic pay point. On average, it would cost these beneficiaries R40 per return trip since they lived on average 18 km from the nearest Post Office, ATM or merchant."

"34 beneficiaries (97%) indicated that they would still prefer to receive the social grant at the pay point. Only one beneficiary indicated that she would prefer to receive the social grant electronically, but since she was disabled, she had not been able to collect it at an ATM."

Allegation 3 - The Easy Pay Everywhere accounts were opened without the proper mandates from customers.

Extracts from panel report:

2.7.7 *Although legal mandates are required in respect of all payments of social grants into commercial bank accounts, the EPE account warrants further elucidation. According to SASSA the EPE account was introduced as a bank product by Grindrod Bank and offered to, amongst others, social grant beneficiaries. At the time this was first introduced, SASSA gave CPS a written instruction to obtain the authority to transfer social grants from the SASSA branded Grindrod card account into a personal bank account on request of the beneficiary, without any intervention by SASSA. This process, SASSA now accepts, was not in compliance with Regulation 21 (1)(a), which even before its amendment in May 2016 required beneficiaries to provide written authorisation. The amendment in May 2016 is very clear regarding the requirement that written authorisation had to be provided to SASSA.*

2.11.2 *A process is underway to agree on a possible launch of an independent forensic audit on the EasyPay Everywhere (EPE) card programme where an appropriate regulatory authority will take the lead in the investigation.*

Response:

Based on the directive given by a senior SASSA official at the time, CPS and Grindrod accepted instructions directly from beneficiaries to transfer money into the EPE account. These instructions were contained in an electronic document completed to open the account and were confirmed with the account holder's fingerprint. CPS has provided SASSA with a total of 2 355 130 electronic "mandates" received from beneficiaries for the grant money to be paid into the EPE account.

Grindrod Bank and Moneyline Financial Services (Pty) Ltd have therefore always acted in accordance with a directive given by SASSA. Furthermore, the EPE account is fully compliant with all the banking rules and regulations. We would welcome any “forensic” investigation and we would suggest that such an investigation be expanded to include all the banks that offer accounts to grant recipients (including PostBank).

Since this matter was raised by SASSA in January 2018, CPS has complied with SASSA’s request to provide written mandates, in addition to electronic mandates.

Allegation 4 - "Despite the Constitutional Court order of 23 March 2018 limiting CPS to cash payments, beneficiaries continue to use the Sassa card, administered by Grindrod Bank to receive their grants. This means that beneficiaries now pay the account maintenance fee of R10 together with other bank charges (between R10 and R50) which was subsidised by SASSA until 31 March 2018."

Response:

Transaction fees are used to cover costs like:

- the interchange charged by the other banks in the National Payment System (NPS) for our clients using their devices such as ATMs. We pay approximately R76m a month to the other banks for these ATM fees.
- The switching fees charged by the various Payment System Operators

Grant beneficiaries have always been responsible for these.

When SASSA approached the court, it only sought an extension of CPS’s services in relation to beneficiaries who collect their grants at the cash pay point infrastructure.

It was highlighted by all of the other parties to the proceedings that there are an additional 5, 2million beneficiaries, previously subsidized by SASSA, who make use of the National Payment System and who still held accounts with Grindrod Bank.

SASSA was at all times aware of the fact that these beneficiaries would, absent a court order or agreement by SASSA to subsidize their accounts, be liable for the monthly account management fee. Grindrod and Net1 have set this fee at R10.00 (incl. VAT) / R8.70 (excl. VAT), which it believes to be commensurate with the services being offered.

Grant Recipients are free to choose a SAPO account, Grindrod account or an account with any other bank. They are not compelled to continue making use an account with Grindrod Bank.

Allegation 5 - “In addition to the maintenance fees, grant beneficiaries will also pay other bank fees including ATM withdrawal fees. For example, a beneficiary receiving a R1,600 grant pays R39 per month in bank fees.”

Response:

Beneficiaries can avail themselves to a number of free transaction methods to withdraw grants, such as utilising the pay point infrastructure or POS transactions within selected retail stores. Those who elect a particular method involving transaction fees do so for convenience and these fees have applied since 2012. CPS has continuously embarked on programmes (such as the distribution of pamphlets and information kiosks at pay points) to educate beneficiaries on the advantages of utilizing free payment channels. This has borne fruit as we have noticed a decline in fees and general abuse.



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The Acting Chief Executive Officer
South African Social Security Agency
SASSA House, Prodinsa Building
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Pretoria
21 May 2018

Dear Sir

RE: SAPO ACCESS TO PAYPOINTS

Your telephonic discussion with Mr. Pillay and subsequent letter of today refers.

CPS personnel members have been informed to provide access to the SAPO personnel at pay points on the following basis:

1. SAPO personnel to present identity documentation containing a photograph to the CPS team leader when accompanied by the SASSA help desk officials.
2. In the absence of SASSA personnel, SAPO personnel must present a letter confirming that access to the facilities has been granted (as per your previous correspondence). We request that you provide us with a sample of this letter, to enable circulation to our employees and security personnel.

We further confirm your undertaking that SAPO / SASSA will provide CPS with an itinerary of sites that SAPO / SASSA intend to visit. It is our opinion that this will alleviate the current confusion and will assist with a clear communiqué to the CPS personnel as well as the beneficiaries.

Kindly note that the security and protection of the beneficiaries and our staff members are of paramount importance and will not be compromised under any circumstances – especially given the spate of armed cash-in-transit robberies over the last two months. Pay points are soft targets and we simply can't allow any third party to gain access without proper identification and prior notification.

Yours sincerely


Herman Kotze
Chief Executive Officer

Cash Paymaster Services (Pty) Ltd is an authorised Financial Services Provider (FSP46069)



CASH PAYMASTER SERVICES (PTY) LTD. Reg No. 1971/007195/07

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**The Managing Director
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Dear Mr Cas Coovadia

**MEETINGS WITH SOUTH AFRICAN BANKS ON LOW COST BANK
PRODUCT/ACCOUNT**

1. The above subject refers.
2. SASSA would like to thank BASA for facilitating the meetings with the South African banks.
3. It became apparent during the engagement with individual banks that the SASSA envisaged low cost bank product or account will not be ready by 1 April 2018. Each bank was advised to market its existing low cost bank products or accounts to beneficiaries who may want to choose receiving their grant benefits through a bank as allowed in terms of Regulation 21 (1) (a) of the Social Assistance Act, 2004 (Act 13 of 2004) as amended. SASSA also explained a process through which recipients and/or beneficiaries could provide written authorisation to SASSA to have their grant paid through their chosen method.



[*paying the right social grant, to the right person,
at the right time and place. NJALO!*

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4. SASSA is also looking at convenient ways of easing the process required for the provision of written authorisation where beneficiaries choose to receive their grants in their bank accounts.
5. In the absence of a policy to subsidise banks, and in the absence of a procurement process, SASSA is not in a position to subsidise any bank account.

Sincerely,


Mr A Mahlangu
Acting Chief Executive Officer
South African Social Security Agency
Date: 07.05.2018

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