

**MEDIA RELEASE**                      **PSA urges immediate action on Ithala Bank license suspension**

**DATE**                                      26 August 2024

**EMBARGO**                                None

**ENQUIRIES**                             communication@psa.co.za

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The Public Servants Association (PSA) is extremely concerned about the recent suspension of the license of *Ithala Limited* by the Financial Sector Conduct Authority (FSCA).

This suspension, effective from 26 July 2024, reflects serious deficiencies in *Ithala's* financial stability, as it fails to meet the essential financial soundness criteria mandated for financial services providers. According to the FSCA, *Ithala* has been deemed non-compliant with financial requirements under the *Financial Advisory and Intermediary Services (FAIS) Act*. This *Act* protects financial consumers and ensures that financial service providers operate with the requisite financial health and integrity. The suspension prohibits *Ithala* from engaging in new business transactions and requires it to facilitate the transfer of any outstanding business to other authorised financial service providers.

*Ithala*, a cornerstone of KwaZulu-Natal's financial sector and established by Dr Prince Mangasuthu Buthelezi to support the province's citizens, is currently permitted to continue providing services to existing customers. However, its inability to operate fully as a deposit-taking entity is a critical concern.

The PSA calls on the Premier of KwaZulu-Natal and the MEC for Economic Development to intervene immediately. The preservation of *Ithala* is paramount to avoiding a repeat of the *VBS* disaster, which had severe repercussions for stakeholders. *Ithala's* stability is crucial for KwaZulu-Natal communities that rely on its services.

Given that *Ithala Development Finance Corporation* reports directly to the KwaZulu-Natal Provincial Government and has historically operated under an exemption from the Reserve Bank, the revocation of this exemption in mid-2022 has left it vulnerable. The current license suspension highlights the urgent need for effective oversight and remedial action.

The PSA demands a comprehensive strategy to address the FSCA's concerns and restore *Ithala's* operational license. The integrity of financial institutions and the trust of the public must be preserved. The PSA urges relevant authorities to take swift and decisive measures to remedy this situation and safeguard the interests of all stakeholders involved.

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