



## PRESS RELEASE

Reference: Juntos Brokers (Pty) Ltd accreditation as healthcare brokerage refused  
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### **Press Release 17 of 2014: CMS refuses Juntos Brokers renewal of accreditation as healthcare brokerage**

The Council for Medical Schemes (CMS), regulator of the medical schemes industry, refused Juntos Brokers (Pty) Ltd application for renewal of its accreditation as a healthcare brokerage under Regulation 28B of the Medical Schemes Act 131 of 1998 (MSA).

The CMS not only regulates medical schemes, it also accredits managed care organisations, administrators as well as brokers and brokerages who advise and market medical scheme membership.

According to Mr Daniel Lehutjo, Acting Chief Executive & Registrar of the CMS, "this refusal of the Juntos accreditation renewal follows a lengthy process including an appeal of the original decision by CMS. During this time, Juntos had ample time to address a long list of concerns the CMS raised."

At a hearing on 30 October 2014 the CMS found Juntos is not fit and proper to act as a medical scheme brokerage. The order will take effect on 1 December 2014, after the interim accreditation granted to Juntos expires on 30 November 2014.

Council was not presented with any information and is not convinced that any changes have been made in the governance and structure of the entity that are sufficient to avoid conflicts of interest.

Among the many concerns raised by CMS to Juntos were the following actions of at least one of the directors of this brokerage Mr Jan Le Roux. He was named in the recent Supreme Court of Appeal (SCA) ruling in which the provisional curatorship of Medshield Medical Scheme was confirmed in favour of the CMS.

- When he (Le Roux) was a director of both Juntos and Medshield Distribution Services (Pty) Ltd ("MDS"), MDS paid brokers, who were serviced by Juntos, research fees exceeding R27

million which in the Council's opinion were unlawful payments for research that was admittedly not used.

- When MDS came under the spotlight, Le Roux moved to Sapling Trade and Invest 41 (Pty) Ltd ("Sapling"). The Scheme cancelled the MDS contract and moved the distribution services to Sapling at a cost to the Scheme of about R44 million per year, which would have earned Le Roux's company R132 million over the 3 year term.
- Juntos in the meantime earned R130 million for statutory brokerage commission despite not doing most of the functions required of it in terms of its agreement with the Scheme.
- Those governing Juntos were aware of the payment of unlawful and useless research fees to brokers, but Juntos continued to pay full broker commission to these individual brokers so that their earnings far exceeded the statutory maximum.

Since 2010 the Registrar of CMS and the Council have raised their objection to the cross-shareholdings and directorships and close relationships between various entities that create conflicts of interest and considerable non-medical costs for Medshield Medical Scheme. Juntos was part of this inter-related group of companies that cost the Scheme hundreds of millions of rands without adding real value in an objective manner and by not maintaining a proper arm's length relationship as a service provider. Various activities were performed by one entity or another in order to maximise the income of these conflicted entities as well as Le Roux, and to an extent another director, who had a hand in these events and would have profited personally.

The Council is accordingly of the view that Juntos has not shown the honesty and integrity, knowledge of good governance and competence to fulfil their responsibilities imposed by the MSA, and the Financial Advisory and Intermediary Services Act.

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