

Managing Delinquencies

cdfa



- **ERIC MUNRO**
Royal Bank of Scotland
- **PAUL KALINAUCKAS**
Black Country Reinvestment Society
- **ELAINE RIMMER**
Lancashire Community Finance

WHAT DO YOU WANT TO GET OUT OF TODAY'S WORKSHOP?

- WHAT DOES THE SECTOR NEED TO DO TO ENSURE THERE ARE NO HIDDEN TOXIC DEBTS?



Paul Kalinauckas

BCRS Mission



- To meet the demand for loans from small businesses, social enterprises and other organisations that contribute to the social, environmental and economic well being of the area but are unable to access finance from traditional sources such as banks

Delinquency Management

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- It starts with the Loan Appraisal
- With the benefit of hindsight – what would you have done differently in appraisal?
- What signals do you need to look out for?
- Delinquency management - an art or a science?

Delinquency Management



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- How do you know it has or is about to become delinquent?
 - Advance warning signals
 - Non – payment
- What do you do as soon as you know?

Taking Action



- Procedures to have in place for immediate client contact:
 1. Letter
 2. Telephone Call
 3. Go and visit
 4. Call in for a meeting
 5. Further Action

Further Action



It is Situational

This means that you have to work out which course of action is going to work best in each case depending upon

- **Character / Security / Cost of Loan Recovery**

Further Action



- www.moneyclaim.gov.uk/csmco2/index.jsp
- Debt Collectors
- Solicitors

Money Claim Online



- www.hmcourts-service.gov.uk
 - Northampton County Court
 - Scale of fees payable by credit card online based on amount being claimed
 - Under £100 for amounts up to £3000
 - Over £200 for between £5000 to £15,000
- Check on line

Debt Collectors



- Useful to have a third party make contact
- Use reputable debt collectors – ask around
- Read the contract carefully
- Letter
- Telephone Call
- Personal Visit
- Payment by results

Solicitors



- Clear written instructions
- Agree fee for a Letter before action
- Check bankruptcy register
www.insolvency.gov.uk
- Manage the process



MANAGING DELINQUENCIES

ELAINE RIMMER



- LCF FORMERLY PRESTON
MONEYLINE IS A MIXED PORTFOLIO
CDFI PROVIDING AFFORDABLE LOANS
TO INDIVIDUALS AND BUSINESSES
UNABLE TO OBTAIN MAIN STREAM
FINANCE THROUGH:-
 - PERSONAL LOANS
 - HOME IMPROVEMENT LOANS
 - SMALL BUSINESS LOANS

DELINQUENT ACCOUNTS

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- WHAT IS A DELINQUENT ACCOUNT?
- WHY IS IT CRUCIAL TO MICRO MANAGE THEM?
- WHAT IS THE IMPACT OF LAX CONTROLS & PROCEDURES?



Lancashire
community
finance

WHAT IS A DELINQUENT



ANY ACCOUNT WHERE THE
AGREED REPAYMENT HAS NOT
BEEN RECEIVED



WHY IS IT CRUCIAL TO MICRO



- A CDFI's CASH FLOW SUFFERS, A LACK OF REVENUE & CAPITAL FOR ON LENDING COULD RESULT IN A CDFI CLOSING AS IT IS UNABLE TO CONTINUE TO TRADE
- UNIDENTIFIED BAD DEBTS DISTORT A CDFI'S BALANCE SHEET
- REPUTATIONAL RISK – WITH PARTNERS, FUNDERS, OFT, FSA & BANKERS



WHY IS IT CRUCIAL TO MICRO



- GOOD BUSINESS PRACTICE TO ASSIST A CUSTOMER WHO HAS PROBLEMS, IF IDENTIFIED EARLY ENOUGH WE MAY BE ABLE TO HELP PROVIDE A SOLUTION
- IT IS MORE COST EFFECTIVE TO MANAGE EXISTING ACCOUNTS THAN APPROVE NEW ADVANCES



WHAT IS THE IMPACT OF LAX CONTROLS & PROCEDURES?



- UNIDENTIFIED DELINQUENT ACCOUNTS
- UNRECOVERABLE BAD DEBTS
- OTHER CREDITORS PREFERRED BEFORE YOU
- AN INFLUX OF POOR QUALITY UNTRUSTWORTHY APPLICANTS WHO HAVE HEARD THEY DON'T NEED TO PAY BACK CDFI LOANS AS NOTHING HAPPENS IF YOU DON'T



PROCEDURES & PROCESS

- BE PROFESSIONAL
- IDENTIFY & ACTION NON RECEIPT OF LOAN REPAYMENTS ON DAY 1
- SET A STRATEGY FOR EACH ACCOUNT IN ARREARS IT WILL BE DIFFERENT FOR EACH CUSTOMER DEPENDING ON THE CIRCUMSTANCES, UPDATE THE STRATEGY REGULARLY
- USE SPECIFIC TIMESCALES AND STICK TO THEM
- USE A SIMPLE DIARY TO MONITOR & ENSURE NEW AGREEMENTS ARE MET
- USE A VARIETY OF METHODS TO COMMUNICATE, TELEPHONE, TEXT, LETTER, HOME VISIT, TRACING AGENT WHICH EVER IS THE MOST APPROPRIATE

PROCEDURES & PROCESS

- KEEP ACCURATE RECORDS
- RECOMMEND CCCS OR NATIONAL DEBT LINE
- CHALLENGE INFORMATION GIVEN ASK FOR EVIDENCE
- IDENTIFY CAN'T PAY FROM WON'T PAY
- BE REALISTIC & PRACTICAL IN FINDING A WAY FORWARD
- FOLLOW THE LEGAL PROCESS, USE THE MOST APPROPRIATE REMEDY
- ELDS
- CCJ, ENFORCE BY ATTACHMENT OF EARNINGS, CHARGING ORDER, BAILIFF, COLLECTION AGENCY
- IF UNRECOVERABLE WRITE OFF

ADDITIONAL CONSIDERATIONS



- APPOINT A SPECIALIST RISK/RECOVERY LOANS OFFICER TO MANAGE ALL DELINQUENT ACCOUNTS
- QUARTERLY REVIEWS FOR ALL BUSINESS LOANS
- MONTHLY MANAGEMENT CHECK TO REVIEW ALL DELINQUENT ACCOUNTS TO ENSURE ALL HAVE BEEN ACTIONED APPROPRIATELY
- REVIEW THE LEVEL OF RISK YOUR ORGANISATION / FUNDER WISHES TO TAKE AND BE CLEAR TO THE LOANS OFFICERS MAKING THE INITIAL ASSESSMENT WHAT THIS IS, FOR SOME CDFI'S IT COULD BE 40% OTHERS 5%



WHAT ARE WE TRYING TO GET OUT OF



TODAY'S WORKSHOP?

- WHAT ARE THE CHALLENGES FOR YOU TO TAKE AWAY?
- WHAT DOES THE SECTOR NEED TO DO TO ENSURE THERE ARE NO HIDDEN TOXIC DEBTS?
- WHAT CAN WE ASK THE CDFA TO DO TO HELP YOU?