

Credit Protection User Guide

What is Credit Protection?

Designed to run alongside your invoice finance facility, Credit Protection is a solution which protects your business against bad debts due to a customer's insolvency or non-payment (prolonged non-payment) of their invoices, whether your customers are based in the UK or overseas.

In the event of a bad debt or prolonged non-payment Novuna will look to pay 90% of the invoice value (less VAT) subject to an adequate Credit Protection Limit being in place and any applicable minimum retention.

Each one of your Customers will require a Credit Protection Limit. You will need to request new Customer limits and increases to existing Customer limits via the Novuna e-bonded system.

Access your Credit Protection Facility Online

Our online platform will act as your hub for managing your credit protection facility. Once we have set you up on the system you will receive an email from **user@e-bonded.com** containing a hyperlink which allows you to login into the system. You have 7 days to click on the hyperlink contained in the e-mail to activate your account.

Our login page can be found at the following address:

<https://novuna.e-bonded.com/>

If you have logged in previously and then subsequently forgotten your password, the system has a forgotten password functionality.

For security reasons, we will not have access to your log in details and the only way to log in will be to generate new log in details through the "Forgotten Password" facility.

Please **refer to section 1** of the Novuna Client Manual for further details.

Credit Protection Limits

It is your responsibility to ensure that each one of your Customers has an adequate Credit Protection Limit in place. You will need to request a limit for all new Customers (via the Novuna e-bonded system) and regularly review limits for existing

Customers requesting increases where appropriate (via the Novuna e-bonded system). It is essential that the correct company is found. It is your responsibility to ensure that you identify the correct company. In the event of any Customer Non-Payment, if you have not chosen the correct company this could invalidate your submission.

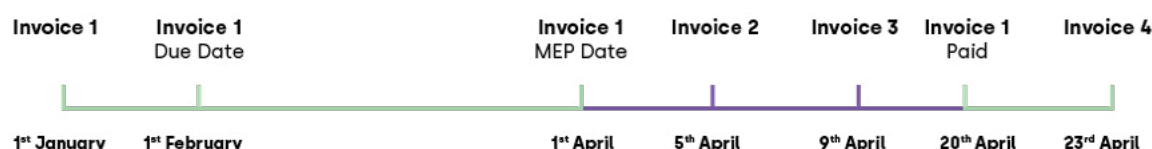
To derive maximum benefit from your Credit Protection facility you should try to ensure that Credit Protection Limits are sufficient for the value of outstanding Customer invoices. Amounts in excess of the relevant Credit Protection Limit will be deducted when calculating any Protected Amount that becomes payable in the event of a Customer insolvency or Prolonged non-payment.

It is important to regularly check the level of Credit Protection limits in place as there could be occasions when limits are reduced or cancelled. Any changes to Protected Limits can be viewed on the Novuna e-bonded system in the Changes to Protected Limits area. E-mail notifications will be set up to advise you of any limit changes. Please do not rely on emails generated by the system to advise you of limit changes. You must login into the system regularly to see if there have been any changes to limits.

Please **refer to section 2** of the Novuna Client Manual on how to apply for your credit protected limits.

The Maximum Extension Period (MEP) is the time allowed for an invoice to be paid before new invoices become unprotected. The MEP for your Credit Protection facility is 60 days beyond the due date. If a Customer has invoices outstanding which breach the MEP then any invoices raised after the breach will not be protected even though there may be an adequate Credit Protection Limit in place. Once the MEP breach has been rectified any future invoices raised will be protected assuming that there is an adequate Credit Protection Limit in place.

The example below shows an invoice raised on the 1st January, which is due on the 1st February. The invoice remained unpaid on the 1st April resulting in the Maximum Extension period being breached. Invoices 2 & 3 were raised on the 5th and 9th April whilst invoice 1 still remained unpaid. Invoices 2 & 3 will not be protected due to the outstanding MEP breach. Invoice 1 is paid on the 20th April and the MEP breach is rectified. Invoice 4 raised on the 23rd April will be protected. It is important to remember that invoices 2 and 3 will always remain unprotected.



At the commencement of your Credit Protection agreement we can include your take on debt amounts if required, subject to an adequate Credit Protection Limit being in place and outstanding debts not being older than 30 days past due date.

Annual Review of Credit Protection Limits

Each year you will be required to undertake an annual review of your Credit Protection Limits to confirm the limits that are still required and those that can be removed. You could incur additional costs if you retain limits that you no longer require. You will receive an e-mail prompt to complete this task 45 days before the anniversary of the commencement of your Credit Protection Facility.

As a reminder, the annual review date for limits also appears on the top right hand side of your home screen.

Please **refer to section 11** of the Novuna Client Manual for further instructions on how to do this.

Overdue Reporting

The overdue reporting highlights to us any debtors that have invoices that are 60 days plus overdue. You must report all debtors with an overdue balance of £7,500.00 or more. Overdue debt is defined as invoices that are 60 days or more past their due date.

If you have a factoring facility with us your overdue reporting will be completed by our credit protection team. If you have a Confidential Invoice Discounting or CHOCCS facility you will need to login to the Novuna e-bonded system and complete your overdue balances by the 20th of every month.

Please **refer to section 8** of the client user manual for detailed instructions on how to complete this on the e-bonded system.

PLEASE NOTE:

Failure to report an overdue account on time is a breach of your terms and conditions and will impact any protected amount that becomes payable in the event of a customer insolvency or prolonged non payment.

Reporting Adverse Information

If you become aware of any adverse information on one of your credit protected debtors, irrespective of the value, you must report this on Novuna e-bonded system. Such instances of adverse information include;

- Bounced Cheque / Bill
- Cash flow problems – Bounced cheques, increased payment terms, unpaid bills.
- Company in administration
- Extension of terms granted
- Premises vacated – Returned post, business no longer trading from the address, no personnel at the premises, windows/doors boarded up, telephone ringing out
- Repayment plan agreed (Please note that all payment plans must be assessed and agreed by us here at Novuna Business Cash Flow, before you can agree it with your debtor).
- Statutory Demand sent
- Unable to contact company
- Commencement of legal action including 7 Day letters being issued

Failure to report adverse information may impact any future customer non-payments being agreed.

Please **refer to section 8** of the Novuna Client Manual for detailed instructions on how to report adverse information.

Customer Non Payment

In the event of one of your customers becoming insolvent (administration, liquidation, bankruptcy or a CVA) or if they have a prolonged non-payment you need to submit a customer non-payment form on the Novuna e-bonded system. A customer non-payment form can be submitted when you have been made aware of the customer becoming insolvent or prior to 180 days past due date of the first outstanding invoice for prolonged non-payment.

Customer Non Payment (Continued)

The following documents are required to enable us to process your customer non-payment for insolvency:

- 1** The fully completed customer non-payment form.
- 2** All invoices and back up documentation (i.e. signed delivery notes, purchase orders, signed timesheets).
- 3** Statement of Account showing outstanding invoices.
- 4** CID / CHOCCS facilities - Your credit control notes detailing action taken to recover the outstanding invoices.
- 5** Where applicable, please give details of any unresolved disputes with the customer.
- 6** A copy of the terms and conditions of sale.
- 7** A copy of the insolvency notice.
- 8** Copy of completed proof of debt form sent to the Insolvency Practitioner. This document must be completed by yourselves and forwarded to the Insolvency Practitioner as soon as possible.
- 9** Confirmation of Debt "COD" from the insolvency practitioner is required. In the first instance we will try and obtain COD on your behalf.

The following documents are the minimum that we require to process your customer non-payment for prolonged non-payment:

- 1** The fully completed customer non-payment form.
- 2** All invoices and back up documentation (i.e. signed delivery notes, signed timesheets).
- 3** Statement of Account showing outstanding invoices.
- 4** Your credit control notes detailing action taken to recover the outstanding invoices.
- 5** Where applicable, please give details of any unresolved disputes with the customer.
- 6** A copy of the terms and conditions of sale.
- 7** A County Court Judgement (CCJ) (or equivalent) or confirmation that a Letter Before Action (LBA) has been issued to your customer advising that a CCJ will be issued if payment is not received.
- 8** Any written acknowledgement of debt from your customer. (i.e. Repayment plan including amount outstanding and agreed payment amounts / dates. Please note all payment plans must be submitted to Novuna Business Cash Flow for review and agreement before agreeing with your customer).

Please note for prolonged non-payment we can review the documentation but cannot process the payment until we are in receipt of a CCJ in respect of the debt or 6 months from the due date of the first invoice providing the customer non-payment is in order.

Once we have received your customer non-payment request form via the e-bonded system together with all of the necessary supporting documentation, which should be forwarded to the Credit Protection mailbox.

(CreditProtection@NovunaBusinessCashFlow.co.uk) we will assess the information provided. Your Client Manager/Relationship Manager will then be in touch to advise you of the outcome.

As long as everything is in order and you have undertaken the necessary reporting within the correct timescales, calculation of your customer non-payment will be worked as per the below:

Any non-payment request for £10k or under the £1k MR (as per your agreement) would be deducted and for those above £10k we would calculate the amount payable at 90%.

This first example is with a £1,000.00 Minimum Retention as agreed within your agreement


Gross Amount	£7,500.00
Less VAT	£1,250.00
Net Amount	£6,250.00
Less agreed structure (e.g. £1,000.00 Minimum Retention)	£1,000.00
Amount Payable	£5,250.00

This example is with the 90% structure as agreed within your agreement

Gross Amount	£15,000.00
Less VAT	£2,500.00
Net Amount	£12,500.00
Less agreed structure (e.g. 90%)	£1,250.00
Amount Payable	£11,250.00

Please refer to **section 10** of the Novuna Client Manual on how to complete your customer non-payments.

Novuna Business Cash Flow

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Telford,
Shropshire
TF3 3DE

 Freephone 0800 1105005

 [NovunaBusinessCashFlow.co.uk](https://www.novunabusinesscashflow.co.uk)

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