GETTING STARTED WITH BAD DEBT PROTECTION

Your step-by-step guide to using BDP with confidence

BIBBY
FINANCIAL SERVICES

Contents

BIBBY
FINANCIAL SERVICES

Welcome to BFS Bad Debt Protection

Thank you for choosing **BDP** from Bibby Financial Services. Our goal is to help your business grow while protecting you from customer non-payment.

This guide is designed to give you a clear understanding of how **Bad Debt Protection** works and the processes that support it.

You'll find practical information on:

- How to request **Cover Limits** for new and existing customers
- Managing **Overdue** accounts
- Notifying us of **Adverse events**
- What happens if a limit is reduced or withdrawn
- How to get a **BDP payment** if a customer fails to pay

Our aim is to make these steps simple and transparent, so you can manage your BDP facility with confidence.

We are committed to supporting you every step of the way. If you have any questions or need guidance, your dedicated **Relationship Team** are always here to help.

Full terms and conditions can be found in your Invoice Finance Agreement.

Together, we'll ensure you have the clarity and confidence to protect and grow your business.

BIBBY
FINANCIAL SERVICES

About Bad Debt Protection

Bad Debt Protection (BDP) is a safeguard for your business against the financial impact of customers failing to pay. It provides peace of mind by reducing the risk of bad debts and helping you maintain healthy cashflow.

Why Bad Debt Protection matters

UK SMEs are owed an average of **£64,108** in unpaid invoices.

30 per cent of SMEs suffered a bad debt last year, losing an average of **£31,456**.

BDP is not just about protection, it's about partnership.

We work with you to manage risk proactively, so you can trade confidently and focus on growing your business.

How It Works

Protection against non-payment: If a protected customer cannot pay due to insolvency or refuses to pay an undisputed debt, BDP covers up to 90 per cent of the outstanding amount (excluding VAT), subject to your agreed **Cover Limit**.

Cover Limit: Each protected customer has a **Cover Limit**. Invoices raised while the limit is active are protected, provided you meet all terms of your Invoice Finance Agreement.

Key Principles of Bad Debt Protection

Your BDP facility is built on a few essential principles to help safeguard your business:

Prompt notification is vital
If you become aware of any adverse information or payment concerns, you must notify us immediately. This helps maintain your protection.

On Stop means 'stop'
If a customer is placed 'on stop' because they have **Overdues**, any new invoices will not be protected. You should consider your trading activity with them.

Transparency and support
If your **Cover Limit** changes, we will explain why and provide guidance on next steps.

BIBBY FINANCIAL SERVICES

Cover Limits – what you need to know

To get the most out of your BDP facility, you should request a limit for each customer you want to protect. This should be the maximum amount that customer could owe you at any one time. You must not request a **Cover Limit** if there are outstanding invoices more than 60 days overdue OR if you are aware of any reason your customer might not pay, as this will invalidate your cover. Please also ensure you carry out sound due diligence before asking us to cover a new customer, as BDP does not protect against fraud.

We will review each customer and confirm the **Cover Limit** we can provide, in writing. More than 90% of limit applications are processed and answered within 24hrs, giving you speed of response and the certainty you need to trade with a new customer. Once a new **Cover Limit** is agreed, your protection will be backdated to cover outstanding balances from the last 60 days.

Sometimes, the **Cover Limit** we can provide may be lower than the amount you requested. If that happens, we will explain why wherever possible. From time-to-time, we may ask for additional information to support a further review of your request. Otherwise, the limit we communicate to you will be the maximum protection available.

If you need a higher limit because you are doing more business with a customer, you can ask us to increase it.

Payment terms we can accept:

Up to **120 days** from the invoice date, OR up to **90 days** from the end of the month

You must tell us if:

- The customer has a history of late payments (more than 60 days overdue) or if you are aware of any other adverse information which we should be aware of when setting a **Cover Limit**.
- There is a Bill and Hold agreement in place with your customer, or if you have any other security against the debt (eg ROT, liens etc)

BIBBY FINANCIAL SERVICES

Requesting a Cover Limit on your Customer

You may request a **Cover Limit** on any customer with a balance greater than £500 using the New Customer Cover Limit Form. Forms are available via email from your Relationship Team, or the Client Access area on our website.

The minimum amount you can apply for is £5,000. You can apply for multiple limits at a time.

It's really important that you ask for cover against the correct **Principal to Contract**. Failure to cover the correct customer will invalidate any potential future BDP payment we make to you.

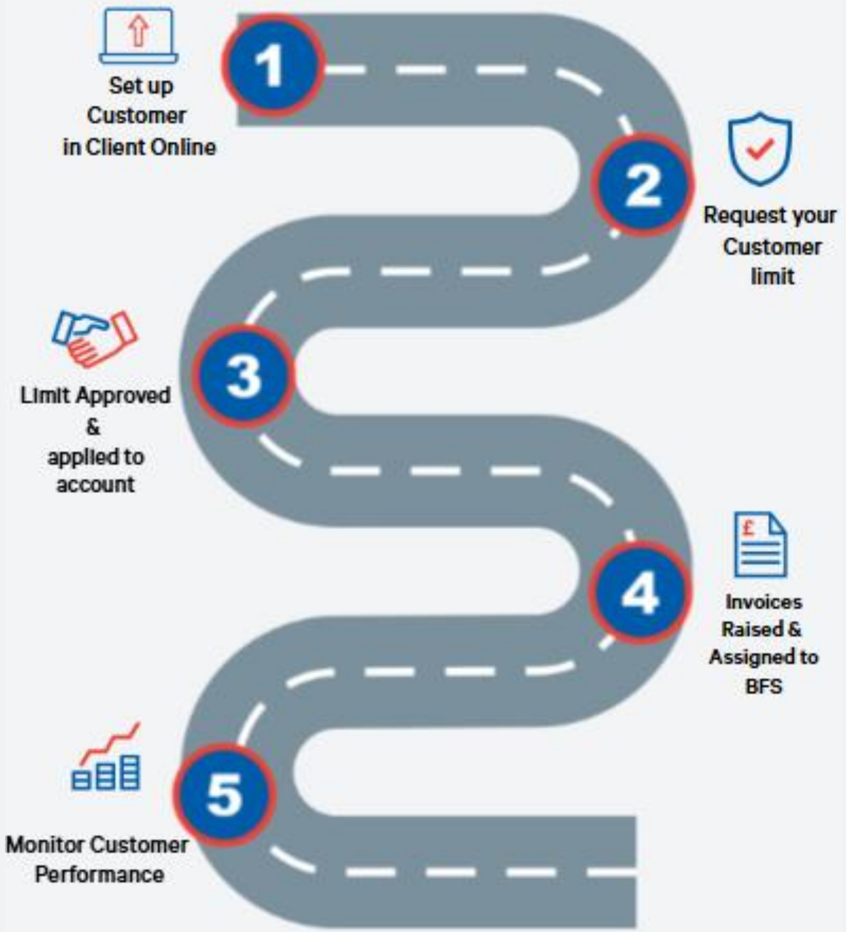
The following information is required:-

- Customer name and Company Registration Number
    - For Sole Traders, or Non-UK customers, we will also need their address, telephone number and number of years trading
- **Cover Limit** value, rounded to the nearest £1,000
- Your customer account reference number
- Your declaration that you are not aware of any reason why we shouldn't set a **Cover Limit**.

Send the completed form to your dedicated Relationship Team. Once a decision is made*, cover is applied to your account and is backdated by 60 days (subject to there being no known issues with the customer).

To increase the **Cover Limit** on an existing customer, use the Increase Customer Limit Form.

*Most **Cover Limits** for UK-based customers are returned within 24hrs, however for overseas customers, it may take between 5-10 working days.



BIBBY
FINANCIAL SERVICES

Viewing Cover Limits in Client Online

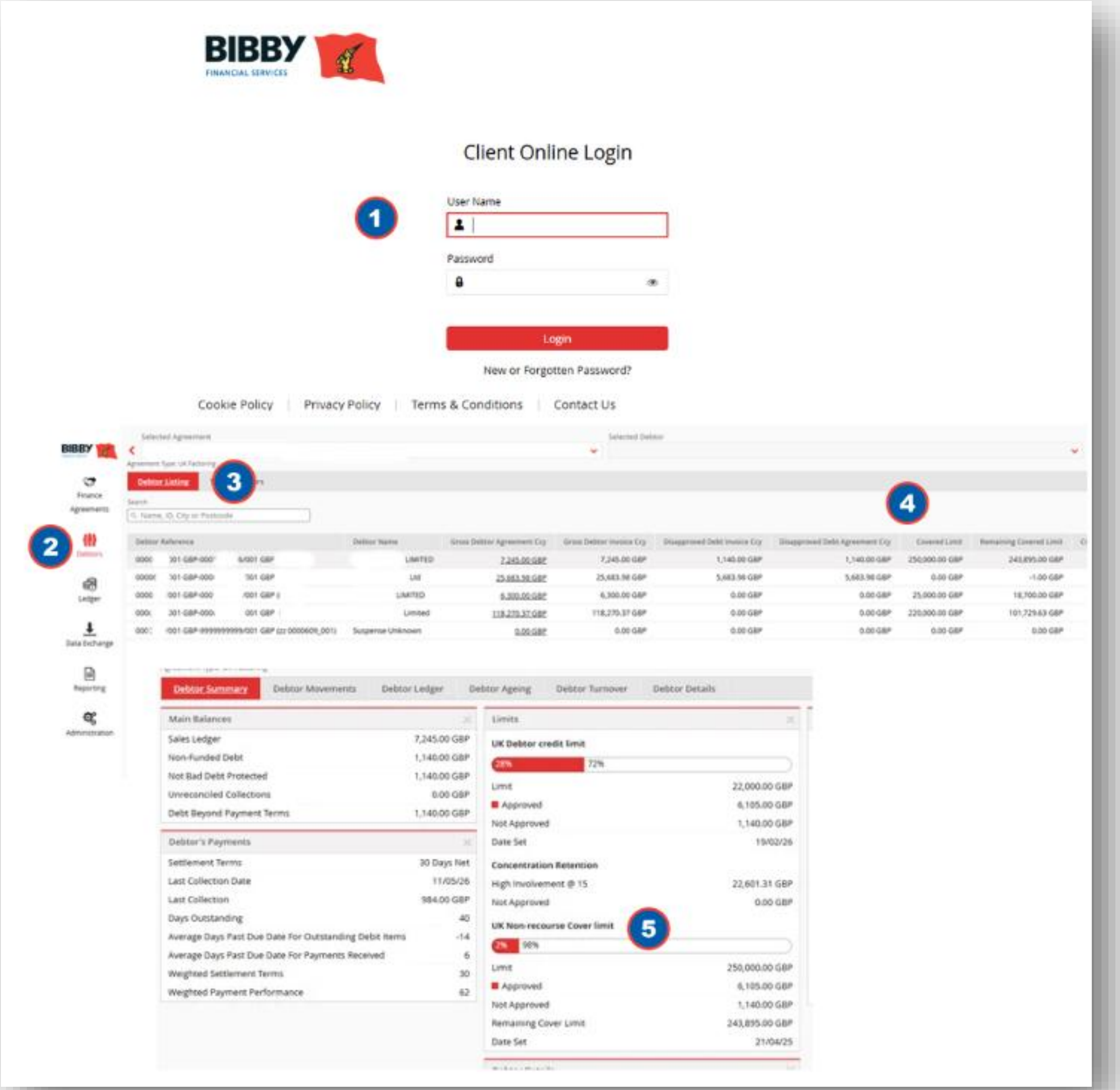
1. Log into your Client Online account

2. Click on Debtors on the left-hand side

3. You will see a list of all your customers

4. Find column called "Covered Limit", this shows how much BDP you have on each customer.

5. When you click into a debtor account, you can see more detail about your cover limit



What Happens if a Cover Limit is Withdrawn or Reduced?

Sometimes, we may need to **Withdraw** or **Reduce** a **Cover Limit** for a customer under your Bad Debt Protection facility. This usually happens when there is a significant increase in risk, such as signs of financial difficulty or **Adverse Events** have been reported.

Why We Withdraw or Reduce Cover

We do this to protect you and us from potential losses. Common reasons include:

- Customer entering insolvency or administration
- Serious adverse events (e.g., bounced payments, legal actions)
- Negative credit information or trading difficulties

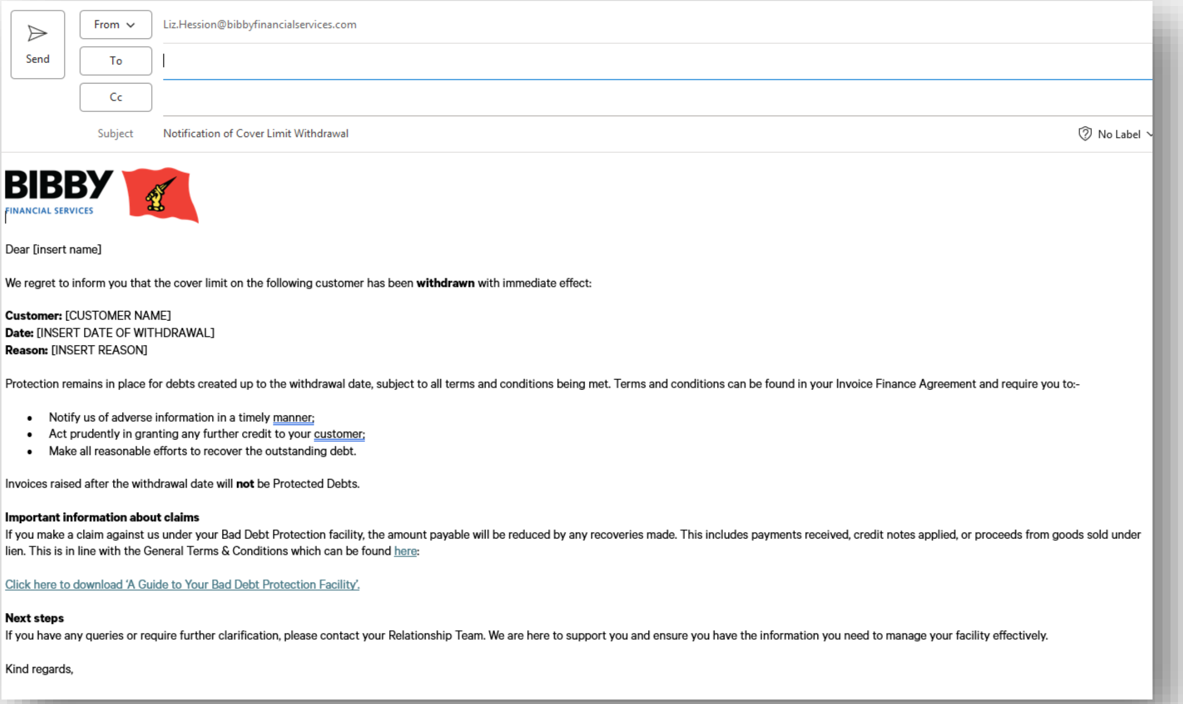
What Happens When Cover is Withdrawn or Reduced

We will notify you in writing if cover is withdrawn or reduced. Invoices raised after the effective date will be impacted by the change notified. Invoices raised before the effective date remain protected, subject to all relevant T&Cs having been met.

Your Relationship Team will contact you separately concerning any changes to your Credit Limit.

What You Need to Do

- Consider future trade with the customer so you can manage your exposure.
- Continue to monitor and report any developments in case the need for a claim arises.



From Liz.Hession@bibbyfinancialservices.com

To

Cc

Subject Notification of Cover Limit Withdrawal

No Label

BIBBY FINANCIAL SERVICES

Dear [insert name]

We regret to inform you that the cover limit on the following customer has been **withdrawn** with immediate effect:

Customer: [CUSTOMER NAME]
Date: [INSERT DATE OF WITHDRAWAL]
Reason: [INSERT REASON]

Protection remains in place for debts created up to the withdrawal date, subject to all terms and conditions being met. Terms and conditions can be found in your Invoice Finance Agreement and require you to:-

- Notify us of adverse information in a timely manner;
- Act prudently in granting any further credit to your customer;
- Make all reasonable efforts to recover the outstanding debt.

Invoices raised after the withdrawal date will **not** be Protected Debts.

Important information about claims
If you make a claim against us under your Bad Debt Protection facility, the amount payable will be reduced by any recoveries made. This includes payments received, credit notes applied, or proceeds from goods sold under lien. This is in line with the General Terms & Conditions which can be found here:

Click here to download 'A Guide to Your Bad Debt Protection Facility'.

Next steps
If you have any queries or require further clarification, please contact your Relationship Team. We are here to support you and ensure you have the information you need to manage your facility effectively.

Kind regards,

✅ **Withdrawal** or **Reduction** of cover does **not** affect invoices already covered before the Effective Date, providing you have met all the terms of your Invoice Finance Agreement.

BIBBY FINANCIAL SERVICES

Can I Appeal a Withdrawal/Reduction?

Yes! If you have information which you feel supports a different outcome than a **Withdrawal** or **Reduction**, send it to your Relationship Team who will work with our BDP team to review and, where possible, maximise the cover we can make available to you.

Appeals won't be successful in all instances, and ordinarily we would require up to date Management Information from your customer to support an appeal.

Can I Cancel My Cover?

If you no longer need Bad Debt Protection for a customer, you can request to cancel their limit. This removes cover for any future invoices for that customer.

Complete the Bad Debt Protection – Cancel Customer Limit Form and send to your Relationship Team by email for them action.

Invoices raised before the cancellation date remain protected, provided they meet the agreed payment terms. Invoices raised after the cancellation date will not be covered.

✅ **Tip: Always check your trading plans before cancelling a limit to avoid uncovered exposure.**

BIBBY FINANCIAL SERVICES

Reporting Adverse Events

An Adverse Event is **any** indication that your customer may not pay their invoices when they fall due. These are situations that increase the risk of non-payment. If you notice any of these events, you must tell us straight away (and in any case within **two working days**) by informing your Relationship Team so we can protect your cover and help reduce the risk of loss.

Late Payments

- If you handle your own Credit Control, you **must** tell us that your customer has outstanding invoices exceeding 60 days overdue.

Payment Plans and/or Rescheduled Payment Terms

- If your Customer asks for a payment plan, or for an extension to their agreed payment terms, you must let us know so we can approve the request before agreeing it with your Customer. Failing to do so could invalidate your BDP.

Part or Rounded/On Account Payments

- Tell us if a Customer is only able to make partial payment, 'on-account' payments or is paying in rounded amounts.

Customer Insolvency Indicators

- Let us know if your Customer is considering or has entered into an insolvency process, such as Administration, CVA, Liquidation or Bankruptcy.

CCJs or other Legal Action

- Whether you're taking action or you see that another creditor has, once you become aware of it let us know.

Bounced or Returned Cheques, or Stopped, Cancelled or Dishonoured Payments

Negative Press or Public Information

Please note, these are the most common types of Adverse Event, but this is not an exhaustive list.

Managing Your Overdue Customers

If a Customer has **Overdue** invoices, this can signal a higher risk of non-payment and your BDP may be impacted.

If a Customer owes any amount which is unpaid 60 days or more after the original due date of that invoice, the **Cover Limit** will be reduced to nil until the overdue invoices have been paid.

If you have a Factoring Agreement, we will notify you of any Customers which we have placed **On Stop** due to overdue invoices. If you have an Invoice Discounting Agreement, you <u>must</u> inform us of any protected Customers with outstanding balances exceeding 60 days overdue via your monthly BDP Reporting Pack and take whatever action is necessary to minimise loss.

You must not continue to trade with customers whilst their account is 'On Stop' as continuous trading could result in the value of any claim being reduced.

Once the **On Stop** date is reached, proceedings should be issued to attempt recovery of the debt from your Customer. Collection efforts should be reasonable, robust and timely. If you have a Factoring Agreement, we can liaise with our legal partners on your behalf. If you handle your own Credit Control or have an Invoice Discounting Agreement, we can still support you – speak to your **Relationship Team** for more information. In all instances, and unless we agree otherwise, legal action should be pursued until payment is made, or the debt is enforced (either via CCJ or winding up proceedings).

If your Customer is able to bring their account back into terms, your **Cover Limit** may be **Reinstated**.

Once your Customer's account falls overdue, **robust** attempts to recover the balance need to be made (including enforcing any security you have, such as liens or retention of title).

Proceedings should be issued as soon as possible after the overdue account reaches 60 days past terms to support any future claim.

BIBBY
FINANCIAL SERVICES

Recovering an Overdue Debt

In the unfortunate event of a **Cover Limit** being placed **On Stop**, steps need to be taken to minimise a loss to both your business but also to BFS.

In all instances, robust attempts to recover an overdue account should be made, which must be timely, and they must be demonstrable. Typically, this involves the engagement of one or more 3rd parties, such as solicitors, adjudicators and/or corporate debt recovery firms.

The below timeline provides a best practice scenario for attempting to recover an overdue debt:-

On Stop Date
This is the recommended time to commence legal action eg issue a Letter Before Action

Raising a Claim
As soon as legal action has commenced, let your Relationship Team know you'd like to make a claim

Deadline for Taking Legal Action
Ensure that legal action is well-underway by no later than **90 days** after the **On Stop Date**

Deadline for Raising a Claim
To ensure time does not run out, raise your claim within **180 days** of the **On Stop Date**

We understand that it needs to be economic for a debt to be justifiably pursued. If we deem that the costs of attempting to collect an undisputed, overdue debt are uneconomical, we will let you know. Each instance will be determined on a case-by-case basis and steps should continue to be made to try and recover an overdue debt until we advise otherwise.

Speak with your Relationship Team for advice on how to proceed with legal action or on any specific cases.

BIBBY FINANCIAL SERVICES

BDP Payments

A **Protected Event** can either be a **Non-Payment Protected Event** or an **Insolvency Protected Event**. When a **Protected Event** occurs, you can ask us to make payment to you for the **Protected Debt**.

Non-Payment Protected Event
This is when a Customer does not pay a **Protected Debt** in full within the **Customer Protection Period** defined in your Agreement.

Insolvency Protected Event
This is when a Customer enters a formal insolvency process, such as administration, liquidation or bankruptcy.

You must make us aware within <u>4 months</u> of a **Protected Event** happening if you wish to make a claim against your BDP facility. You will also need to be compliant with your Agreement for a BDP payment to be made.

The **Protected Debt** must exceed £500.

Your BDP payment will be 90% of the Protected Debt *less* VAT.

We will credit any BDP payments to your Current Account within 30 days of us accepting your claim.

BIBBY
FINANCIAL SERVICES

BDP Payments – Supporting Information

So that we can assess your BDP payment, please provide the following information to your Relationship Team:-

- Copy invoices and PODs
  - Invoices must be addressed to the correct Principal to Contract, display a full address, payment terms and (where applicable) VAT
- Current statement*
- Trading history for the last 12m*
- A copy of your collection notes*
- Copy insolvency paperwork

***if you are a Factoring client, we will already have access to this information.**

Your Relationship Team will let you know if any additional information is required to support your claim.

Only once we have all the required information can we confirm if your claim is successful.

If a recovery is made on a Protected Debt after we have made a payment for it, part of that payment will need to be paid back to us.

£

Your Relationship Team will be able to advise further.

BIBBY
FINANCIAL SERVICES

Managing BDP on an Invoice Discounting Facility

If you have an Invoice Discounting Agreement with us, there are some additional reporting requirements you need to meet to ensure your BDP facility is compliant with our terms and conditions. **Please note – if you have a Factoring Agreement with us, you can skip this section.**

When you first started your Invoice Discounting facility, you will have been supplied with a BDP Reporting Pack which includes a declaration, overdue report, adverse events report, and (if you have a Selective BDP facility), a turnover report for you to return to us monthly. The deadline for submitting this information to us is detailed within your Invoice Finance Agreement.

Overdue Reporting

This is your opportunity to make us aware of any customers which have an overdue balance exceeding 60 days past terms **as at the month end you are reporting for**. You need to log the total and overdue balances, the amount of the oldest overdue invoice, and what action you are taking to recover the overdue invoices.

Adverse Events

Use this section to note any Adverse Events which have taken place in the reporting month. You need to log details of the adverse event, as well as the outstanding balance.

Turnover

This section only needs to be completed if you have a Selective BDP facility. Here, you need to let us know what your turnover was for your Protected Customers for the reporting month. We will use this to calculate your **Non-Recourse Turnover Fee** for that month.

✅ REMEMBER – the **Cover Limit** is placed '**On Stop**' once the oldest outstanding invoice on an account reaches 60 days past terms.

BDP Charges

We charge one, simple **Non-Recourse Turnover Fee** which covers the cost of your BDP facility. Depending on the type of BDP facility you have, that will either be a **Full Non-Recourse Turnover Fee**, or a **Selective Non-Recourse Turnover Fee.**

We do not charge you for limit applications, limit increases or an annual fee to renew your BDP facility.

If you have a Full Non-Recourse Agreement

- The Turnover Fee applies to all turnover you notify to us.

If you have a Selective Non-Recourse Agreement Facility

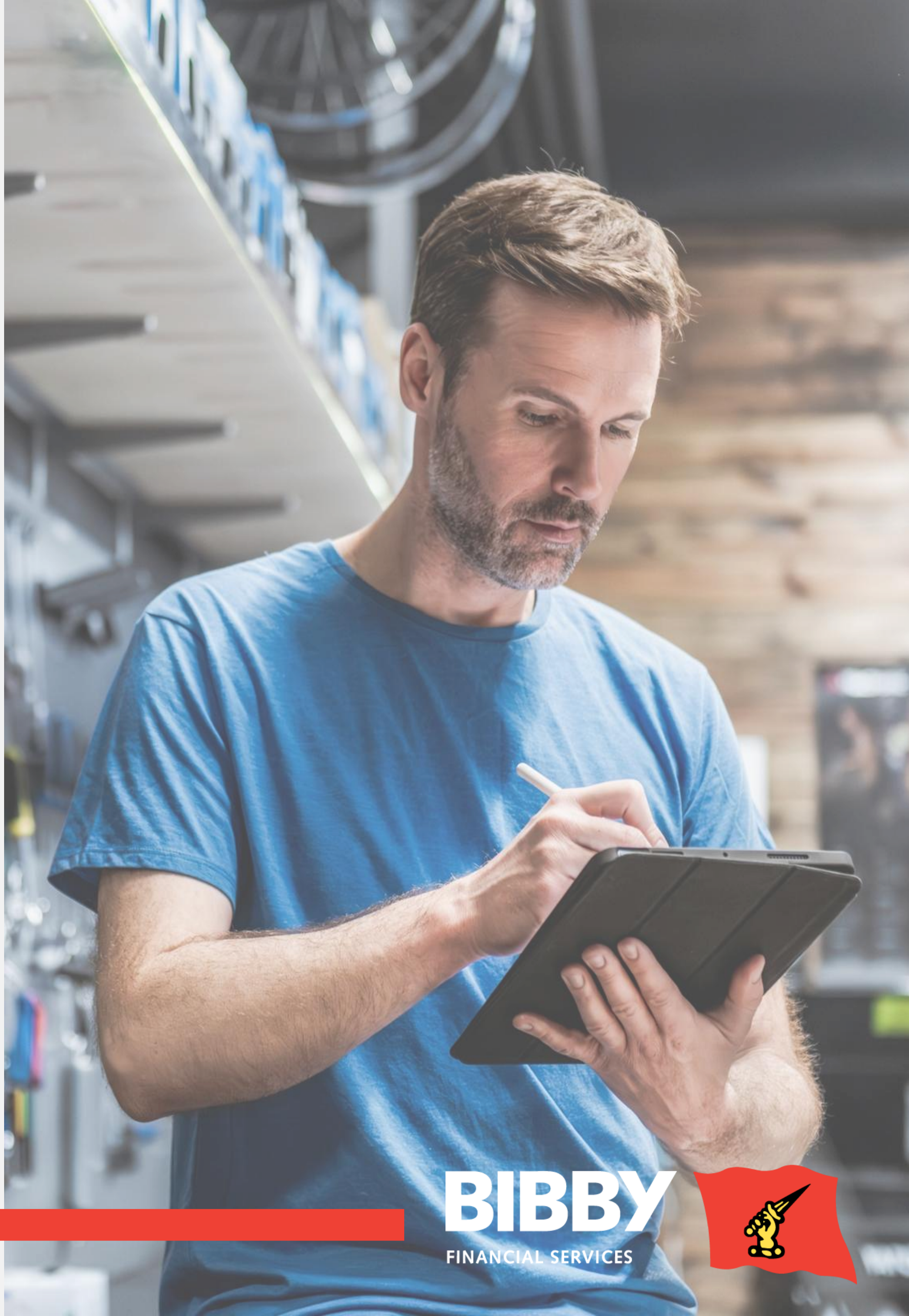
- The Turnover Fee applies to Customers for whom you have requested a Covered Limit.

When Charges Apply

Charges are calculated as a percentage of your relevant turnover. If you have a Factoring Agreement or a Full Non-Recourse Discounting Agreement, charges are applied to your Current Account at the point you notify us of those invoices. If you have a Selective Non-Recourse Discounting Agreement, charges are applied by the end of the month following.

The rate at which we charge is agreed when we set up your facility and is shown in your Agreement.

✅ You can view your BDP charges in your Client Statement, which can be viewed by logging into Client Online.



FAQs

We know that understanding how BDP works is essential for managing your facility effectively, so we've created these FAQs to answer the most common questions.

General Questions

Do I need a Cover Limit for every Customer I work with?

If you have a Full Non-Recourse Agreement, then you should seek cover for all your customers to ensure you are maximising the value of your BDP facility. If you have a Selective Non-Recourse Agreement, you can protect as many customers as you wish, however if a customer is material to your turnover, requesting a limit is recommended.

Does BDP protect disputed debts?

No - disputed debts cannot be Protected Debts. However, if the dispute is resolved, cover may be reinstated to the relevant debts.

Cover Limits

My customer has a great credit rating, why won't you provide a Cover Limit for them?

Cover Limits are determined using multiple sources of information and we will determine cover based on the sum of all the information available to us.

What happens if I accidentally request a Cover Limit for the wrong legal entity?

The Cover Limit will not be valid. It's vital to identify the correct Principal to Contract before applying.

I have an Invoice Discounting Agreement with you, so I can't see my Cover Limits in Client Online. How can I view them?

Each month, your Relationship Executive will send to you a spreadsheet listing all your current active Cover Limits.

FAQs

Withdrawals and Reductions

Will you tell me why a Cover Limit has changed?

Wherever possible, yes – but some information may be commercially sensitive and cannot be shared.

If a limit is withdrawn or reduced, can it be re-applied for later?

Yes. If circumstances improve or further information becomes available, we may review and reinstate cover.

Can I submit a claim before my customer enters insolvency?

Yes – if the debt remains unpaid after the On Stop date and action has been started to try and recover the debt, a claim can be entered as soon as that legal action has been started.

Adverse Events and Overdues

How quickly must I report a payment plan request?

Immediately and always before agreeing it with your customer.

Do “payments on account” need reporting?

Yes – they can be indicators of potential cashflow pressure.

If a customer goes over 60 days overdue by only a small amount, is the whole limit placed On Stop?

Yes - any overdue debt beyond 60 days past due will result in the entire Cover Limit reducing to nil until the account is brought back into line.

FAQs

BDP Payments

What happens if I miss the 4-month notification window for a Protected Event?

Unfortunately, the claim may not be valid. Notifying in good time is essential.

Can I claim for multiple customers at once?

Yes. Each claim is assessed separately and can be submitted concurrently.

My Customer has paid newer invoices before older invoices. Will that impact my claim payment?

Possibly – invoices are expected to be paid in order of due date and payment for new invoices may not be accepted if you have not asked us to approve rescheduled payment terms. Speak to your Relationship Team for specific advice.

My customer had overdue invoices before they entered insolvency – can I still request a BDP payment?

All overdue customers must have been treated in line with this guide prior to them having entered insolvency proceedings. In other words, you cannot wait for a customer to enter insolvency proceedings and must take action to minimise a loss once an account becomes overdue. Speak to your Relationship Team if you need specific advice.

Invoice & Documentation Requirements

What if an invoice is missing a POD or has incorrect details?

We may not be able to accept the invoice as a Protected Debt. Please ensure all invoices are accurate and supported by valid PODs.

Do credit notes affect a claim?

Yes. Any credit notes issued must be declared and will reduce the amount covered.

Glossary of Terms

Adverse Event
Any indication that a Customer may not pay their invoices when they fall due. Must be reported to BFS.

Appeal
The ability to challenge a limit decision we make, with supporting evidence, in order to secure an improved limit.

Bad Debt Protection (BDP)
A facility that protects you against the risk of non-payment from your customers.

BDP Payment
The amount we will pay to you upon our satisfaction that you have a valid claim against your BDP facility.

Client Online
Our secure online platform where you can manage your account and view your BDP details.

Cover Limit
The maximum amount we can protect for a specific customer at any one time.

Credit Limit
The maximum amount we can fund for a specific customer at any one time.

Dispute
Any instance where your customer indicates that they will not pay a validly due invoice. Disputed invoices cannot be protected debts.

Insolvency Protected Event
Any instance where your customer enters into a formal process (eg administration, liquidation, bankruptcy).

Non-Payment Protected Event
Any instance where your customer does not pay their undisputed invoices.

Non-Recourse
A type of funding facility where BFS takes on the risk of non-payment for approved invoices, provided you meet all terms and conditions.

Non-Recourse Turnover Fee
The amount we charge for providing BDP. This will either be against all of your turnover, or the turnover which you have asked us to protect, depending on your facility type.

On Stop
Once a customer has an outstanding invoice which remains unpaid at 60 days past the original due date, the Cover Limit is placed On Stop and no future invoices can be protected (unless cover is able to be reinstated).

Overdue Invoices
Outstanding invoices exceeding 60 days past terms.

Principal to Contract
The full, legal entity with which you are supplying goods/services to.

Recourse
A type of funding facility where you take on the risk of non-payment for approved invoices.

Reduction
Occurs when a previously granted Cover Limit is reduced, typically following receipt of adverse information or following a deterioration in a specific customer's financial performance.

Reinstatement
The ability for BFS to allow a Cover Limit to be put back in place following overdue invoices being paid.

Withdrawal
Occurs when a previously granted Cover Limit is removed, typically following receipt of serious adverse information or following a serious deterioration in a specific customer's financial performance.

BIBBY FINANCIAL SERVICES

Important

Bad Debt Protection (BDP) provides protection on qualifying invoices purchased by BFS, against debtor insolvency or non-payment. We are not providing you with insurance. BDP is not insurance, or an insurance product.

Still need help?

Please reach out to your Relationship Manager if you have any queries relating to your BDP facility.

Don’t forget our Client Referral scheme!

We place great value on the business referrals we receive from our existing clients. So, we want to reward you for any new business you refer to us.   To show our appreciation for every business contact you pass on to us, that results in a new client, we'll thank you with up to £1,000.

Just let us know about another business who could benefit from our funding, whether a customer, supplier or other business contact and we'll do the rest.

About Bibby Financial Services

Bibby Financial Services (BFS) is a leading family-owned financial services partner to over 8,000 businesses worldwide.

We provide specialist working capital, asset finance and foreign exchange solutions helping businesses to grow and thrive in domestic and international markets.

Formed in 1982, BFS is part of the Bibby Line Group (BLG), a diverse and forward-looking family business delivering personal, responsive and flexible customer solutions for over 215 years.

Trustpilot

TrustScore 4.7 934 reviews

BIBBY
FINANCIAL SERVICES