



Bad Debt Protection (BDP)

Client Guide

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Welcome to Bad Debt Protection (BDP) from Skipton Business Finance

Thank you for choosing *BDP* from SBF. *BDP* is an optional service that is linked to your Invoice Finance *agreement* with us.

Our *BDP* solution supports you in trading securely, knowing that you are protected, should any of your pre-approved *customers* get into financial difficulty. It protects your business against losses caused by the *insolvency* or *protracted default* of one or more of your *customers*.

This guide explains what *BDP* is, outlines the processes that you need to follow and any requirements we have, so you can operate your *BDP* successfully.

You should always refer to your receivables finance agreement and *BDP* conditions for the full terms and conditions.

All highlighted words are defined in the index of words with special meanings at the end of this guide.

Benefits

BDP helps safeguard the cash flow of your company if customers fail to pay the money owed to you.

Secure

For balances of £500+ with an approved *BDP* limit, you can be protected for up to 95% of the value of an invoice (after VAT has been deducted), should your customer fail to pay or go into administration.

Fast

In most cases, the *BDP* limit decision will be communicated within 48 hours.

Trade with confidence

As you build your business, your customer base expands with new customers, which can bring some added risk. Knowing you are protected and that you will receive payment for the work you've done, or products you have sold, allows you to develop and grow your business in-line with your plans.

Insight

BDP gives you access to greater *customer* intelligence, which leads to balanced risk decisions. Our information helps your planning, forecasting and strategic decision making. We can help you spot a potential credit risk before it becomes a bad debt. Understanding a *customer's* credit risk means, armed with this knowledge, you can act before they become a bad debt.

Funding

If *BDP* is in place on a *customer*, this often means we can increase that *customer's* funding limit in-line with the agreed *BDP limit*.

Types of BDP

At Skipton Business Finance, we provide two types of BDP. The type you opted for will be set out in your *agreement*.

You will have chosen either Whole Turnover or Selective *BDP*, which are defined as follows:

Whole Turnover BDP

The sales to all your *debtors* are taken into account when structuring your protection. (Please note this does not mean *BDP* limits will be agreed on every *debtor*).


Selective BDP

Only the sales to the *debtors* you select are taken into account when structuring the protection, up to a maximum of 20 *debtors*, unless we have agreed an exception.

Requesting BDP Limits

As part of our sales process, we will have notified you of the *BDP limits* we approved. When you require any new or increased *BDP limits*, we will provide you with a *BDP Limit Request Form* to complete.

Bad Debt Protection Limit Requests



Client Name:

Client Number:

SBF Relationship Manager:

Please ensure that all details are entered correctly for each customer, in particular the Company Registration Number.

Customer Name <small>If a non-Ltd or foreign business, please include full trading address and country, tel. number and names of proprietor or partners.</small>	Company Registration Number	Customer Code	Payment Terms	Limit Increase Request (Yes/No)	BDP Limit Requested (£)	Comments

All the customers listed above must not have any balances more than 30 days beyond their due date - if they do, please detail the values and reasons in the comments section. Also, please advise us if you are aware of any other matter that may be relevant to us providing a BDP Limit. You must advise us if you have been declined a limit for any of the customers listed above by any company other than SBF in the last 12 months. Please note, the BDP Limit can sometimes be different to the Funding Limit. The BDP Limit is the maximum amount of protection in the event of a customer insolvency, or protracted default. All the debts due from the customers listed above must comply with the Receivables Finance Agreement and, in particular, the BDP conditions.

I/We accept that the following fees will be charged for each Bad Debt Protected Limit request, including limit increases, £27.50 per customer

Please return this form to BDPClientService@skiptonbf.co.uk

On this form, we need you to provide the following information, which will allow us to assess the credit worthiness of the *debtor(s)* you are trading with:

- Company name (if the business is non-limited, we will also require the sole trader, or partners full names, their trading address and business telephone number)
- Company registration number (if applicable)
- Your *customer code*
- The agreed payment terms
- The level of *BDP* required in round thousands
- Any additional comments

- The form needs to be emailed to BDPClientService@skiptonbf.co.uk, who will arrange for the *BDP limit* to be processed. We will email you once the *BDP limit* decision has been made. All *BDP limit* changes will also be emailed to you.
- If your *BDP limit* request is your first request on a *debtor*, we will backdate the limit effective date by 60 days.
- It is important to note that you must flag on the request form if the *debtor* has invoices that are more than 60 days past their collection date and why that is.
- Before we consider approving a *BDP limit*, we need to understand the reason why the invoices have not been paid and may ask for additional detail on this. When a *BDP limit* is approved, if the *debtor* did have invoices that were more than 60 days past their collection date and this hadn't been brought to our attention, then the *BDP limit* may be invalid.
- Please be aware that the funding limit is different to the *BDP limit*. The funding limit is the maximum amount that will be eligible for funding. The *BDP limit* is the maximum amount of protection in the event of a *debtor* insolvency or protracted default.
- Please note a *BDP limit* request will not automatically generate a new *debtor* account. If you have an open item facility, you will need to create the new *debtor* account using the E3 Online System, prior to applying for a *BDP limit*.
- If you have an *open item facility*, a full list of your *BDP limits* is available on E3. If you have a *non-open item facility*, a full listing can be requested from your *BDP* or relationship management team.

BDP Limit Withdrawals & Reductions

If a *BDP limit* is withdrawn or reduced, because the information available on the *customer* has adversely changed, we will email your primary contact email with the detail of the amended limit. Depending on the reason for the withdrawal or the reduction, the *BDP limit* may remain in place for 60 days from the email notification to you. The extension of *BDP* is at our discretion and each withdrawal or reduction is reviewed individually.

The reduction or withdrawal is effective from the date noted in the email sent to you and will only affect the level of *BDP* available in relation to invoices notified after that date. Invoices raised prior to the *BDP limit* change will still have the previous level of *BDP* in place against them, subject to being handled in line with your *agreement*, including the schedule, additional conditions and the *BDP* conditions.

Your relationship management team will also be notified of any *BDP limit* changes. They will contact you separately regarding any change to your *debtor funding limit*.

If the *BDP limit* was withdrawn because of overdue invoices more than 60 days past their *collection date*, to help us review if the *BDP limit* can be reinstated, please provide the following information:

- The reason why the invoice(s) are overdue
- When the overdue invoice(s) will be paid

We will then confirm if and when a *BDP limit* can be reinstated.

Payment Terms

Please note, the maximum *debtor* payment terms for protected invoices is 120 days from the date of the invoice. Any extended terms beyond this need to be reported to us, **before** a *BDP limit* is requested and formally agreed by us.

Collection Procedures

Unless we perform your credit control, you will be undertaking the collection of the *debt* as our agent. The minimum credit control activities you will need to undertake in respect of each *BDP debt* are:

- Sending a statement to the *debtor* each month, unless we have agreed to do this on your behalf
- Communicate to the *debtor* in writing that the *debt* is outstanding on a regular basis, until the debt is paid
- For UK *debts*, issue proceedings, or request us to do so if you have a CHOCS facility, *no later than 60 days past the oldest invoice's collection date* and tell us immediately that proceedings have commenced
- For export *debts*, instruct a collection agency approved by us to issue proceedings, or request us to do so if you have a CHOCS facility, *no later than 60 days past the oldest invoice's collection date* and tell us immediately that proceedings have commenced
- Record in writing all steps taken to collect payment of the *debt* and provide a copy to us upon request
- If proceedings have been issued *no later than 60 days past the oldest invoice's collection date* and the *debtor* payment is still not received, then legal action must continue until judgment is entered against the *debtor*. If payment is still not received, you must attempt to enforce the judgment. Any exception to this process must be agreed by us.

Please remember that any *debtor* with a valid *BDP limit*, who has a balance outstanding more than 45 days from *collection date* without any disputes lodged against it, must be placed on stop and no further goods or services provided, or the *BDP limit* may be invalidated.


Please check with the BDP or relationship management team, if you are unclear on any of the collection procedures.

BDP Month-end Overdue Reporting & Adverse Event Reporting

If you are undertaking the collection of any *outstanding debts*, as our agent, you will need to report to us all of the *BDP debtor* accounts with invoices more than 30 days past their *collection date* and what actions are being taken to collect the *debt*.

You should do this using the reporting form we will provide you with, by no later than the **10th working day after each month-end**.

Credit Control & Adverse Events Summary



Client Name:
Client Number:
SBF Relationship Manager:
Date:

Please use this form to advise us of any Adverse Events (key in bottom right hand corner)
Please use this form to advise us of all BDP customers with balances that are more than 30 days overdue
Please remember for UK debts to issue proceedings* no later than 60 days past the invoice(s) due date and tell us immediately that proceedings have been commenced
Please remember for export debts to instruct a collection agency approved by us* to collect the debt no later than 60 days past the invoice(s) due date and tell us immediately that they are instructed
*or, if you are a Factoring client, you must instruct us to issue proceedings

If there are no overdue balances or Adverse Events to report, please tick here to confirm that you have concluded there is nothing to report. ☐

Customer Name	Customer Code	Invoice Number	Invoice Value (£)	Invoice Date	Due Date	Customer On Stop (Y/N)	Disputed Balance	Progress Report <small>(e.g. adverse event detail, promised payment detail, dispute update)</small>

Please return this form to BDPClientService@skiptonbf.co.uk

Adverse Event Key - means, in relation to any BDP debtor, the occurrence of any of the following or similar events:

- (i) The dishonour of any remittance tendered by a BDP debtor
- (ii) The BDP debtor being impacted by an event, which may prevent them from paying a debt by its collection date (also known as due date)
- (iii) The BDP debtor admitting cashflow difficulties
- (iv) A request by a BDP debtor to extend your standard payment terms
- (v) A request by a BDP debtor to pay in instalments
- (vi) The service of legal proceedings, a statutory demand, or winding-up petition on the BDP debtor
- (vii) The BDP debtor being, or about to become, insolvent
- (viii) The publication of any advertisement of an impending insolvency event
- (ix) Any other circumstances arising that would give a reasonable and prudent unprotected client reason to believe that a BDP debtor is, or may be, unable to meet their payment on its collection date (also known as due date)

You must also advise us, **as soon as you are aware**, of any adverse events by emailing BDPClientService@skiptonbf.co.uk

An adverse event is any information you have received, in relation to a *customer* account, that may affect our decision to provide a *BDP limit* against them.

For example, returned payments (bounced cheque or recalled bank transfer), reports of cash flow issues causing delayed payments, a proposed payment plan, reports of impending insolvency proceedings, and any other relevant adverse information.

- Please also note that you need to notify SBF if a *debtor* requests to pay by instalments. This type of re-payment plan has to be agreed by SBF and you should contact us immediately with the details of the proposed payment values and dates, so we can review the *debtor* proposal and confirm our agreement.
- If you find at month-end you have no *BDP debtor* accounts to report, for either overdue balances or notifiable events, please tick the box that confirms this. This will help us to track you have concluded there is nothing to report.
- If we undertake your credit control for you, there is no month-end reporting for you to complete, but you must email us straight away regarding any adverse events.

For tips on undertaking your monthly reporting, please watch the following video:

[SBF BDP Reporting Tips](#)

BDP Termination/Cancellation

All *BDP limits* will be cancelled automatically upon termination of the *agreement*, or on the cancellation of *BDP* and transfer to a *recourse agreement*. If any **BDP debt** is not paid due to a *BDP event*, we will not be liable for the purchase price of any *BDP debt outstanding* at the date of either termination or cancellation.

Level of Protection

You are protected for up to 95% of the debt (after the deduction of VAT) up to the value of the *BDP limit*, less any successful *recovery action*, provided that the *debt* exceeds the *BDP threshold* and has been handled in accordance with the *BDP* and conditions of your *agreement*, such as *disputed debts*, will not be protected. If you trade in the construction sector, retentions, uncertified applications and final accounts are not protected.

Any amounts above the *BDP limit* at the time of insolvency or *protracted default*; *debts* which are not invoiced within 30 days of the performance of the *contract*; or are payable more than 120 days from the date of invoice after delivery, will not be protected.

We may not be able to provide *BDP limits* for all of your *customers* and some may not be suitable for *BDP*. For example, due to their size (i.e. too small); their constitution (a registered charity, a government ministry, department or agency, a regional or local authority department or agency, or an entity controlled by a government or local authority, a nationalised undertaking, or who are *associates* or *insolvent* prior to delivery), or because we have agreed not to include them.

BDP Payment

Our BDP service protects you against losses caused by an *insolvency* or *protracted default* on your *BDP* approved *debtor* accounts with balances of £500+. Where you experience either of these scenarios and all your *BDP* conditions and conditions of your *agreement* have been adhered to, we will look to pay a *purchase price (BDP payment)* of 95% of the value of the debt, after the deduction of VAT.

You must make us aware no later than 6 months after the collection date of the oldest invoice if you want a *BDP payment* to be assessed.

In order for a *BDP payment* to be assessed, you will need to notify the *BDP* team and provide them with details of the relevant *debtor* account. We may require you to send the following information:

- A statement of account
- Copy invoices and proof of delivery documents
- Trading history for the 12 months prior to the most recent unpaid invoice*
- A copy of the judgment and enforcement action where there is a protracted default
- Copies of all correspondence from an appointed insolvency practitioner, if applicable, such as a proof of debt form a creditors' listing

*We check the last 12 months' trading history to make sure payments were received within 60 days of the collection date and, if not, that we had been notified and appropriate action was taken. We may adjust the *BDP payment* if invoices were outside of these parameters.

We will contact you for any additional information that may be required to progress your request.

Provided that you supply us with all of the information and paperwork required and we receive the confirmations we need from the appointed insolvency practitioner (if applicable), plus you are in compliance with your *agreement*, we will credit your current account with the *BDP payment* within 30 days.

If you have an open-item facility, we will continue to fund the protected *debt*, until the *BDP payment* is applied to your *current account*.

BDP Charges

We charge an *administration charge*, which is directly linked to your turnover.

Where *BDP* is provided, the *BDP administration charge* covers the cost of the *BDP* service.

Please note, the *BDP* administration charge is in addition to the recourse administration charge and is not taken into account when the minimum administration charge is calculated.

You will pay an application fee, detailed in the table below, on each request for a *BDP limit*, or variation of an existing *BDP limit* and for all *BDP limits* renewed on each anniversary date of your *commencement* (excluding *BDP limits* in the four months prior to each anniversary), unless specified differently in your *agreement*.


BDP Limit Request	Charge
All <i>BDP debtors</i> (new, increases and annual renewals)	£27.50 + VAT per <i>BDP debtor</i>

How to view your BDP Limits in E3

If you have an open-item facility with us, from the Home menu, select Limits followed by the tab headed BDP Limits. This will list all of your BDP Limits. Please note, you can also tick to Hide Zero balances, if preferred.

If you click on the white envelope in the top right-hand corner of the screen, you can request either a HTML or PDF report, which will be emailed to you.

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Bad Debt Protection

[Funding Limits](#) [BDP Limits](#)

View **BDP Limit** details such as limits and overdue and outstanding amounts, and the percentage of the client's total overdue/outstanding amounts that the customer is responsible for. All amounts are shown in client currency.

Total Client Gross Debt: 481,430.83 Total Client Overdue Debt: 481,430.83

☐ Hide Zero Balances [Filter](#)

Customer ↕	Name	Link Code	Funding Limit ↕	BDP Limit ↕	Gross Debt (GBP) ▼	%	Overdue ↕	%
0000040991	Skipton Business Finance 7		40,000.00	150,000.00	117,398.90	24.39	117,398.90	24.39

If you do not have an open-item facility with us, please email BDPClientService@skiptonbf.co.uk and we will provide you with a list of your limits.

Index of Words with Special Meanings

adverse event - means in relation to any *BDP debtor*, the occurrence of any of the following or similar events:

- (i) The dishonour of any remittance tendered by a *BDP debtor*
- (ii) The *BDP debtor* being impacted by an event, which may prevent them from paying a *debt* by its *collection date* (also known as due date)
- (iii) The *BDP debtor* admitting cashflow difficulties
- (iv) A request by a *BDP debtor* to extend your standard payment terms
- (v) A request by a *BDP debtor* to pay in instalments
- (vi) The service of legal proceedings, a statutory demand, or a winding-up petition on the *BDP debtor*
- (vii) The *BDP debtor* being, or about to become, *insolvent*
- (viii) The publication of any advertisement of an impending *insolvency event*
- (ix) Any other circumstances arising that would give a reasonable or prudent unprotected client reason to believe that a *BDP debtor* is, or may be unable to, meet their payment on its *collection date* (also known as due date)

administration charge – a charge for the services we provide to you, being the percentage set out in the particulars of the *gross invoice value* of a *notified debt*

agreement – the agreement between you and us, as it may in the future be amended varied or modified

approved debt – any debt that is (a) within the *funding limit* when added to the value of *outstanding debts* from the same debtor, taken in invoice date order, and (b) not disputed or not in some other way

BDP - means Bad Debt Protection

BDP administration charge - a charge for the provision of Bad Debt Protection being the percentage set out in the particulars of the *gross invoice value* of a *notified debt*

BDP debt - means a debt which is not a *disputed debt*, is within a *BDP limit* and complies with all the warranties and undertakings in the *agreement*

BDP event - means any *insolvency event* or *protracted default*

BDP limit - the maximum value for which we are willing to accept the risk that a customer will not pay, in the case of *insolvency* or *protracted default*

BDP payment - the payment to your current account for a *BDP debt*, after a *BDP event* and all the required documentation and confirmation have been received

BDP threshold - the amount which an individual customer's ledger balance must total (after deduction of VAT), which is set out in your *agreement*

commencement - the date this *agreement* will start, as set out in the particulars

contract - a contract for the sale of goods, work done, services supplied or hiring by you

current account - an account maintained by us to show all payments received by us in respect of *debts*, *related rights* and any charges and all debits made by us in respect of payments and charges to you

customer (debtor) - anyone who owes, or will owe, you money under a contract

debt - the amount or part of the amount of any obligation of a *debtor* to pay you under a *contract*

debtor (customer) - anyone who owes, or will owe, you money under a *contract*

disputed debt - means any unresolved, genuine or documented agreement between you and a *debtor* that results in their refusal to pay you any *debt*

E3 online system - this is a real-time online facility for our clients, where all account details and reports can be accessed. Your relationship management team will provide you with your login details

eligible debtor - means a *debtor* in respect of whom you have not already been set a *BDP limit* by us (including a "nil" limit) and the customer is a UK registered company

Index of Words with Special Meanings (cont)

funding limit – a limit set by us in our absolute discretion when you ask, to enable us to work out the total value of *approved debts* for any debtor at any time

insolvency - your *debtor* has one of the following:

- A bankruptcy order made against it
- Is unable to pay its *debts* as they fall due and has made a binding arrangement with its creditors
- An administrator appointed by a court, itself, its directors, or a qualifying charge holder
- A winding up order made by the court
- A resolution passed by its members to wind up the company
- An administrative receiver appointed
- A liquidator appointed under a creditors' voluntary or a compulsory liquidation

No later than 60 days past the oldest invoice's collection date - the maximum 60 day tolerance after due date, when legal action needs to be instructed, unless you have reported a non-adverse reason for non-payment and we've agreed otherwise, or if earlier action is instructed due to an adverse event.

non-open item facility - a non-open item facility means you/we cannot see the individual *debtor* accounts and sales invoices on E3

open item facility - an open item facility means you/we can see the individual *debtor* accounts and sales invoices on E3

outstanding – remaining unpaid and owned by, or held in trust for, us

protracted default - this is the failure of one of your customers to pay a debt within 180 days of the due date where there is no dispute and you have successfully obtained judgment against the customer

purchase price – the price payable by us to buy a *debt* and its *related rights*, being the *gross invoice value* after taking away any settlement discount, or any other allowance, due to the *debtor* and the *discount charge*

recovery action - means any monies received, dividends received or payable out of the debtor's insolvent estate; goods recovered; counter claims or set-off applied; indemnities, guarantees or other securities obtained and realised and/or other advantages of rights of action held.

Who should I contact for more information?

BDP Team Email: BDPClientService@skiptonbf.co.uk

Stephanie Odunston, Head of Bad Debt Protection

Email: Sodunston@skiptonbf.co.uk

Phone: 07834572231

Bad Debt Protection (BDP) provides protection on qualifying factored invoices, against debtor insolvency, or protracted default. We are not providing you with insurance, BDP is not insurance, or an insurance product.

A BDP payment is subject to an agreed BDP limit being in place and subject to compliance with the receivables finance agreement and in particular the BDP conditions.

You should always refer to your receivables finance agreement and BDP conditions for the full terms and conditions.

