



Newsletter for our clients

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The secret receipt  
of Cash Credit  
for a stable portfolio

04-05

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➤ **DDCA ESTABLISHED  
A B2B DEBT  
COLLECTION COMPANY**

"Debt Collection Agency" Ltd., one of the leading collection agencies in Bulgaria, established a special company for commercial debt collection - Smart Collect. The new company has been operating since July. Its main activity is focused on management of inter-company debts, judicial and extrajudicial recovery. In practice, with the new company, DCA will supplement its product portfolio, since the company is specialized in the collection from individuals. One of the leading managers in DCA - Martin Despov will also be in the management of Smart Collect. "Just as DCA, Smart Collect will adhere to high standards and rules, ensuring high efficiency and preserving the integrity of our clients and also good relationship between our clients and their counterparties," said Martin Despov. Smart Collect provides international debt collection through its foreign partners.

➤ **BAD BANK LOANS  
DECREASE, NON-PERFORMING  
FAST LOANS ARE OVER 30%**

Bad and restructured bank loans decreased slightly in July and are now 22.2% of the total loan portfolio, according to the Central Bank. However non-performing non-bank loans skip over the limit of 30%. The total loan portfolio of fast lending companies increased by 2.1% (41.5 million leva) and for the first time in five years exceeds 2 billion leva. In July bank loans, including corporate and households decreased with a total of 90 million leva to 52.5 billion leva.

## DCA's business flourishes

The business of Debt Collection Agency Ltd (DCA), one of the leading financial institutions in the field of debt purchasing in Bulgaria, is growing rapidly and strongly. Last year the company's revenue grew with 147% to 4.6 million leva. Net profit soared 38% to 1.2 million leva, shows the annual report. As a result DCA is in the top three most profitable collection companies in Bulgaria.

Debt Collection Agency is attracting more and more clients both in Bulgaria and Romania where the company set foot more than a year ago, establishing its own subsidiary. In Bulgaria the company has purchased over 50 portfolios with defaulting consumer loans from banks and non-banking lenders. "DCA has acquired more than 145 000 individual debts and our gross portfolio is over 120 million leva", says the General Manager of the agency Nina Stancheva.

DCA' financial indicators BGN (000)		
	2013	2012
Revenues	4516	1831
Net profit	1058	767

The business of the agency in Romania is growing at extremely fast pace. DCA is operating on the Romanian market under the DCA S.R.L. brand. The company's gross portfolio in Romania is over 20 million euro and the number of individual debts is 30 000. The company's subsidiary mainly acquires unsecured consumer loans with a nominal value up to 1100 euro that are in default for more than 120 days.

### *DCA acquired portfolios from leading Bulgarian and Romanian telecommunication companies*

Some of the biggest consumer lenders are already among the clients of DCA S.R.L (table 2). "For short period of time we succeeded on becoming a reliable partner to high raked companies, which is something we are proud of" says Nina Stancheva.

The outlook for DCA's operations in Romania is extremely favorable. This year are expected tenders of financial companies, specializing in the area of consumer lending. Until recently they were subject to tax from the profit of sold debts through cessions, but following the European commission's intervention this fiscal burden has been removed and now, they can use the services of collectors more efficiently.

This year expectations are for growth in cessions from mobile operators. This way DCA acquired its first portfolios from two leading telecom operators in Bulgaria and Romania.

Some of DCA customers in Romania		
		

## KTB's depositors can sell their receivables



*Martin Despov, General Manager of Debt Collection Agency Ltd, analyses KTB's scandalous case, market trends and the legislative changes in the area of consumer lending*

*Martin Despov is a General Manager at Debt Collection Agency Ltd since the foundation of the company in October 2010. He has experience in the management of overdue receivables. Martin Despov has studied Economy and Law.*

### **To what extent does the new Consumer Loan Act Bill protect consumers' rights better?**

Changes are positive, regarding protection of consumer's rights. Requirements for more transparency on the market, larger print and more information in advance for clients is making them more responsible when borrowing and companies when lending. Concerning restrictions in the Annual Percentage Rate of Charge and prohibition of some bank taxes, it can be said that they are absolutely pointless and are in conflict with market mechanisms for determining credit prices. Financial services can get less expensive only with more competition on the market.

### **Will households reckon with their budget in upcoming months? What are your expectations?**

The political instability and the economic uncertainty have negative impact on households and business. There is strong evidence for this fact when we look back in time. Debt collection from households drops during these periods of time. Furthermore, many consumers' financial state is suffering from stopped EU funding in some programs and blocked deposits in the supervised by the central bank Corporate Commercial Bank (KTB). However, these problems can be easily solved by regulators and the government, it depends on determination.

### **Can consumers and companies sell their receivables from KTB? How can they receive their money as soon as possible?**

Every depositor in KTB can sell their receivables, they can sign a cession agreement with specialized companies or other individuals and entities and transfer the receivables. The law also provides a good alternative opportunity for people who have both debt and deposit in the bank. Basically it means that the money owed to KTB can be deducted by the money owed to him.

➤ **BULGARIAN HOUSEHOLDS  
WILL HAVE DIFFICULTIES  
WITH THEIR BUDGET**

Collectors industry expects deterioration in debt servicing of individuals in the second part of the year. According to the association of collectors (AKABG), the country's unstable political and economic situation is creating uncertainty and is increasing individuals' indebtedness. The suspended funds under the Operational Program "Environment" (OPE) and blocked deposits and accounts in Corporate Commercial Bank (CCB) have negative effect on the economy. Obligations of individuals submitted for collection to companies in the first half of the year decreased by one third to 820 million, compared to the first six months of 2013, according to a survey of Ipsos Bulgaria. Data includes household's debt to banks, telecom operators, utility companies, leasing companies and companies for quick loans.

➤ **BULGARIA'S  
NEW DEBTORS – YOUNG,  
WITH NO STABLE INCOME**

Very young, without regular income and taking fast loans for luxury, but not returning them back. This is the new profile of the typical debtor in Bulgaria, according to the Association of collection agencies in Bulgaria. The Association reports on a number of young people, from 20 to 24 years, who buy fancy expensive phones and computers with borrowed money, but not having good enough salaries or regular job. Then the bill is paid by their parents and grandparents. "They want everything and they want it now. They want to show that they are wealthy "the association describes them. Until recently, typical debtors in Bulgaria were mostly men between 40 and 50 years of age, who took loans, in order to buy homes or cars, in the years before the crisis of 2009.



96% of Cash Credit's clients are fully satisfied with the service and 93% would use them again

## Mobile Loan

*Cash Credit has developed the broadest partnership network among the non-banking lenders. The company relies both on its own collection team and external vendors to manage its receivables*

The year is 2011. The Bulgarian market is flooded with fast loan proposals. They are literally at every turn. The fast loans sector is saturated and most of the new players copy established companies on the market. But then Cash Credit, owned by famous businessman Geogri Krumov, offered something new. The company started lending microcredits in partnership with one of the largest mobile operators – M-tel. Clients of the telecom can use the financial service in M-tel's stores. Approval is granted literally right away. Everything is done quickly and conveniently.

Over the next two years Cash Credit was available in Globul, Germanos and Handy's stores. Thus the company's services were available in more than 600 key retail stores in the country. Apart from that, the company is working on its own online platform and offices, whose number is constantly growing. This way the client gets the opportunity to use extremely mobile services.

The successful development of the company was noticed by investors. In 2013 Dubai based Delta Partners Capital Limited ("Delta Capital") invested 25 million dollars in the development of the international

business of Cash Credit. Plans are to enter the market in several other countries like the model in Bulgaria - through partnerships with mobile operators.

Partnership with telecoms raises expectations about Cash Credit's standards for working with clients. "It takes high quality, conscientiously and carefully observing all rules of good service, fair treatment and transparency. However, all attempts are worth the effort, because they increase trust between us and our clients" said Diana Krasteva Head of Collections in Cash Credit.

Through its partners, Cash Credit acquires unique information, which is the core of its automated software to assess the creditworthiness of clients. At any moment the company is aware of the behavior of applicants for loan, as telecom subscribers – have they paid their obligations to operators correctly, in what amounts, and how regularly and more. Virtually, this information plays the role of a credit registry similar to this of the Bulgarian National Bank and using it Cash Credit may establish a more accurate assessment of the creditworthiness

*The company's defaulted loans are just 5% compared with 30% average on the market*

### CASH CREDIT – FACTS AND FIGURES

- ✓ **Founded: 2011**
- ✓ **Business: consumer lending up to 1000 leva through both the company and partners offices**
- ✓ **Number of employees: 160**

of the client. This way Cash Credit evaluates creditworthiness much more adequately. "Thanks to our innovative and automated scoring system we provide the fastest loan approval in Bulgaria - in just six minutes, moreover at extremely minimized risk" points out Diana Krasteva.

Established strong competitive advantages allow Cash Credit to successfully prevent bad debts. According to the company itself, non-performing loans are only 5% of its total loan portfolio at 30% on average for the market. "Overdue rates with us are very low," confirms Diana Krasteva.

Collection of overdue debts is entrusted to one of the largest companies in the field. Cash Credit recently organized an auction to sell part of its receivables, where the company selected as partner "Debt Collection Agency" (DCA). "In addition to the price, correct attitude towards clients and best practices of potential buyers are crucial for us. This is why we chose DCA as our partner for our first cession" said Diana Krasteva.

For the successful collection of receivables, Cash Credit relies heavily on "responsible lending". The company will not charge penalty interest on delayed payment if the debtor

presents a good reason for it. The company doesn't allow refinancing outstanding loans and avoids lending to people under 21 years of age. "We do not want our clients to get into over-indebtedness. Borrowing to pay the old loans is bad for both sides. And we believe that 21 years is the age after which the person has financial maturity" thinks Diana

Krasteva. Another important aspect is that Cash Credit does not issue loans without having made physical contact with borrowers even with online application. Receiving the money is only available in offices of the company or office of a partner. This way the company protects itself and consumers from abuses. "There is no effective protection of personal data in Bulgaria as well as no legislation to ensure online lending" the company's experts are convinced.

The impact of all these efforts and policies is that the company attracts more loyal and satisfied clients. External surveys show that 96% of clients are extremely satisfied with the services of Cash Credit, 93% would use them again, and 92 % recommend them to friends. The company enjoys a very good reputation, and lawyers say it is among the most transparent in terms of the general conditions for borrowers. The company is also a member of the Association for responsible non-bank lending.

**Diana Krasteva, Head of Debt Collection Department at Cash Credit:**

### Unintentional disorganization leads to delayed payments

Our model of overdue debt collection fully meets the European standards. When a debt defaults, we first try to understand why. Quite often people forget when the maturity date is or they did not have time during the day. One of our first steps is to send notification via SMS to the client. This is a precaution. If no effect occurs we remind again by a short message. Our experience shows that it is often not a matter of bad faith, but rather unintentional disorganization. Our call center works in service to the client. Anyone can call and explain the reason for the delay in payment on his



loan. Sometimes emergency trip abroad could occur or other reason to suggest delay in payment for day or two. In

these cases, there is no penalty for the delay. The most important thing is the conscientiousness of the client and the service provider. This is the normal way to build mutual trust and to do business. Failure for us is if the client fails to pay his installment. For debt collection at operational level, Cash Credit relies on established collection company, part of a large German group. We've already organized an auction for the sale of our uncollected receivables, won by the "Debt Collection Agency" (DCA). We chose DCA not only because of the price, but for the fair treatment of clients and proven best practices.

# Healthy and delicious places to eat in Sofia

**L**ocally produced food, natural, organic and bio products. Homemade, from the farm, the monastery and the garden... Similar signs can be found in markets, shops, bakeries, pastries and restaurants quite often. Is it fashion or speculative behavior of merchants behind this trend? We are introducing verified places in Sofia.

## PASTRY SHOP "CARAMEL" – THE KINGDOM OF CROISSANTS

**A**rchitect by profession, but by calling passionate baker, student of famous French pastry chef and master of Italian ice cream. This is Lebanese Hani Tauk, owner of pastry shop "Caramel", located on the ground floor of a modern six-story building, built by himself on the picturesque street "Chernonem" in downtown Sofia, not far from the monument Levski and the University Hospital for active treatment. Some time ago, a reporter called it Aladdin's cave of culinary. Hani is one of the pioneers of gourmet cuisine and healthy eating in Bulgaria. 17 years ago he arrived in Sofia on a trip, but remained permanently, and even married a Bulgarian. He started with a workshop for pastry, cakes and ice cream. Later adds bread and croissants to the menu. One can hardly find more delicious croissants than Hani's. Classic with butter or cream and almonds, his are unsurpassed. Moreover, they are very light on the stomach. They are made with butter, but with no baking powder and additives. Margarine is prohibited. Hani's baguettes are also light for the stomach. Durum wheat is used as raw material and part of the flour is imported directly from France. Hani is making his bread with copper or fresh yeast. For cakes and pastries he relies on natural vanilla and chocolate from Belgium. Vanilla Kitchen – a sweet shop for care eaters

## VANILLA KITCHEN – CONFECTIONARY WORKSHOP

**V**anilla kitchen is a confectionery workshop for people who claim that keep a healthy diet and are not afraid to experiment. "People who care about what they eat" says its owner Vanya Ivanova or Vanilka as she is known. She describes herself as "optimist who believes that food can bring pleasure to all the senses, without harm to health or conscience". Educated as a civil engineer, Vanilka discovers and develops her talents to create unique and healthy cakes. At first she prepares sweets and cakes for friends and family, until one day orders grew too much. Therefore, Vanilla's Kitchen was first a blog about recipes, then a website and now a little and cozy pastry shop on "Hristo Kovachev"'s street near University Hospital for active treatment. Conventional products are not used in the shop - white sugar, white flour, vegetable fat. Cakes are made from nuts, fruits, wholemeal flours and creams, decorations for cakes are from tahini, berries and chocolate. Cakes are without any additives and preservatives. There are no catalogs in the shop. "Each cake is unique and created specifically for your taste" says Vanilka. Vanilla Kitchen inspired many and her Facebook fans grow every day.

