



Newsletter for our clients

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UNITED FOR SUCCESS: LESS OUTSTANDING LOANS FOR UBB

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➤ EUROPEAN COMPANIES
WRITE OFF €289 BILLION
ANNUALLY IN UNPAID DEBT

What is worse than getting paid late is not getting paid at all. Europe's companies write off 3.1 percent of their total revenue due to late payment or non-payment of bills, according to the European Payment Report 2015. Converted to actual money, this indicates that as much as 289 billion euro is lost – annually. Some countries are far better than others. For example, in Denmark the ratio is as low as 1.0 percent. However in Greece, the corresponding share is a staggering 10.4%.

3.1%

SHARE OF YEARLY REVENUES THAT HAS TO BE WRITTEN-OFF.

➤ 8 MILLION COMPANIES IN EUROPE DO NOT HIRE EMPLOYEES DUE TO LATE PAYMENTS

Every third European company (32 percent) would hire more employees if it got paid faster. It appears from the debt collection company Intrum Justitia's European Payment Report 2015, based on questions about payment answered by almost 9000 companies in 29 countries. 32 percent answered yes to the question "Would you hire more if you got the invoices paid faster?" This corresponds to 8 million businesses in the countries surveyed. The figures are based on that there are in total 25.3 million businesses in the countries surveyed, according to official data. If each of these companies employed one more the unemployment would be erased, comments Intrum Justitia's experts. There are 23 million people without a job in the EU. This example illustrates the great importance of payment issues and payment management", comments Lars Wollung, CEO & President of Intrum Justitia.

DCA insists on rules about debt purchases

Debt Collection Agency Ltd (DCA) seeks legal amendments, aimed at tightening the oversight of the companies that carry out debt purchases. The legislative changes are expected to better guarantee the fair rights of consumers.

The proposal has already been backed by the Association of Collection Agencies in Bulgaria (ACABG) as DCA is among its member. ACABG will propose a concrete set of legal amendments and send them to the Parliament and regulatory bodies.

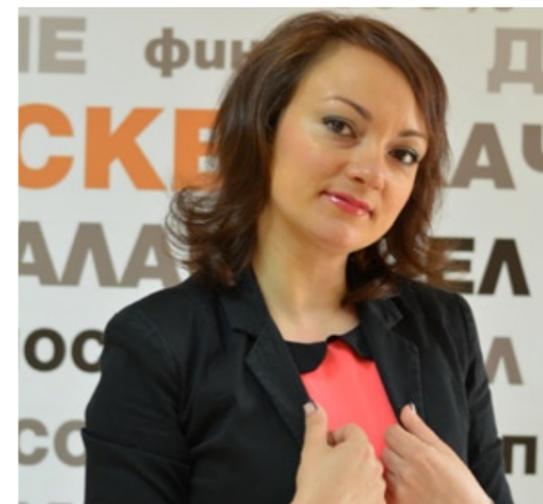
Every company in Bulgaria could purchase debts on loans contracts even if it is not a personal data administrator and without proving the clear origin of its capital. Many of the companies that take part in the tenders for debt purchases are not financial institutions and are not subjected to regulatory oversight and checks. This represents a threat for the consumers whose debts are acquired. "The collection agency should be a financial institution, registered at BNB and as a personal data administrator under the Personal Data Protection Act. That guarantees it operates legally, with clear and transparent funds, and it keeps personal data of its customers' clients conscientiously", commented Martin Despov, General Manager of DCA.

Despov's opinion is backed by the ACABG. Through debt purchases a debtor that owes money to one company becomes a debtor for another company. This specific role of collection industry needs to be regulated more carefully, ACABG's experts believe. It is essential that a collector is a professional, experienced and reputable partner. This is a crucial indicator whether the collection company will adhere to good practices when interacting with clients.

Debt Collection Agency Ltd is a company specialized in acquiring and collection of overdue and judicial receivables. It is listed in the Register of the Financial Institutions at relevant National Bank and is a registered personal data administrator under the Personal Data Protection Act. DCA is also a member of the Association of the collection agencies in Bulgaria.



„New clients from two sectors are expected“



Nikolinka Hristova, Operations Director at Debt Collection Agency Ltd., explains the market trends and the benefits of selling receivables

Nikolinka Hristova has been an operations director at Debt Collection Agency Ltd since November 2014. She succeeded Dimitar Bonchev, who became the head of international operations at the company. Nikolinka has more than 10-years experience in the receivables management and debt purchases during which she has been working for some of the country's leading debt collection service providers.

How has the market for debt purchases in Bulgaria been developing recently?

The current year has been more dynamic than the previous one in terms of volume of debt deals. There were several interesting tenders for selling defaulting debts in the banking, non-banking and telecommunications sector. Last year a huge portfolio of non-performing loans was purchased. This year we can see a similar trend. Still, main deals this year were concluded in the very first quarter. We expect new clients from the banking and the leasing sector that have not sold debt portfolios before. There is an increasing interest among companies to outsource their receivables management to professional debt collection service providers through sessions. We expect a new set of receivables portfolios to be sold in the next months up to the end of the year. This provides for the prospect of growth in the area of debt purchases.

Which industries are interested in the collection services?

The market is driven mainly by the banking and non-banking sector as it used to be. The utility sector is represented by the telecommunications companies, but their share in the volume of debt purchases is still relatively small in comparison with the one of the financial sector. However, our expectations are that the telecoms will restructure their receivables management and in the future they will participate more actively in tenders for sales of receivables.

When is the right moment for a company to sell its overdue receivables?

In the worst case scenario, a company should sell its unpaid receivables in the moment its managers decide that for X time they will collect Y revenues with Z direct and N indirect costs, while at the same time the market provides the company with the same Y revenues without any costs. The revenues generated through the sale of the receivables, will automatically improve the financial indicators of the company.

➤ EASTERN EUROPE SUFFERS MOST BECAUSE OF LATE PAYMENTS

Companies in Eastern European countries are most badly affected by the late paid debt, according to Intrum Justitia's European Payment Report 2015. Almost every second company in this region believes itself to be able to hire more if it got paid faster. It is the nearly the same situation in southern European countries where four out of ten companies claim that. The geographical differences are relatively large. In northern Europe, the figure is just 16 percent. In addition, more than a third of central and eastern European respondents rated threat to survival as a medium to high consequence of late payments, notably higher than southern and northern Europe (26 and 18 percent respectively).

➤ DEBTS ARE OVERDUE DELIBERATELY, EUROPEAN BUSINESSES BELIEVE



Customers in Europe intentionally choose to pay late. This is what two-thirds of the European companies say in the European Payment Report 2015. Every other company states that it has been asked to accept longer payment period than it is comfortable with. When asked about the consequences of late payments, managers point out that conscious strategy to pay late contributes to reduced liquidity, which in turn contributes to fewer jobs.



UBB forecasts 2015 would be the best for the last six years

Photo by UBB

United for success

The volume of UBB's outstanding loans is decreasing in collaboration with experienced debt collection agencies

The economy is full of peaks and drops. In one moment it can develop well, but then suddenly a downturn follows. After that we hope we will see again an economic growth.

Bulgaria has been trying to get out of the 2009 recession for six years. This turned out to be a slow and tough process described as the letter L. Until 2009 crediting in Bulgaria experienced an extremely rapid development. The expansion period was followed by a significant consolidation of the banking sector. The loans portfolios decreased, the revenues dropped and the share of non-performing loans in banks' portfolio increased 8 times, reaching over 16% in 2014. Furthermore, in the summer of 2014 the Bulgarian banks averted the most severe banking crisis since 1997 after the Bulgarian National Bank seized control of Corporate Commercial Bank (Corpbank) that used to be one of the largest banks in the country. In addition to this, the Greek debt crisis threatens to wound the Bulgarian economy and its financial system in any moment.

When there are not many opportunities for growth, banks usually focus on reducing operational costs, improving the quality of loans portfolios and increasing efficiency and liquidity. Receivables management plays a key role in this strategy. The country's fourth-largest lender – United Bulgarian Bank (UBB), has been investing a lot of efforts and energy in this area for years. Till recently, it has been among those banks that were very active in attracting savings of people in order to be better capitalized and to have a more adequate cushion of liquidity.

Currently, UBB's main goal is to minimize the credit risk before the loan is granted – in the process of handling the customers' applications for loans. The bank's risk managers review each

application for borrowing money and have the last word on taking the decision whether to grant it. They have the right to cancel any loan application in case they consider the client lacks a capacity to repay its debt. "In comparison to other service suppliers, we, the banks, stand the chance to pick up our debtors. The essence of our products requires from us to make an in-depth assessment of debtors' creditworthiness in advance. This assessment plays a crucial role in fighting against bad loans and increases the efficiency of our receivables management", pointed out Tzvetomir Matov, manager of "Collection of non-performing loans" division at UBB.

Sometimes, customers do not settle payments just because they have forgotten to do it or have not had any time to go to the closest branch of the bank. Therefore, first of all, the internal debt collection department of UBB sends debtors SMS reminders or contacts them via telephone to kindly remind them about their unpaid debt. When there is no phone connection, UBB specialists make sure debtors receive letters.

Unfortunately, the more frequent reason for clients to overdue their loan installments are the financial difficulties they find themselves into. UBB has worked out special payment programs for debtors with financial problems, having given them the opportunity to take advantage of flexible schemes for restructuring debts. "Our aim was to decrease the share of the non-performing loans and to preserve the quality of our loans portfolio", commented Tzvetomir Matov.

When there is no chance to restructure a loan or there are debtors that do not have any intention to repay their debts, UBB turns for help to its partners among the specialized debt collection

providers. The bank particularly relies on their professional non-judicial collection services. UBB periodically transfers its portfolios with non-performing loans to its partners, outsourcing its fiduciary debt collection or directly sells packages with bad debts on tenders. "We develop strategic partnerships with experienced and well-prepared providers that adhere to tried and tested good working practices", explains Tzvetomir Matov. In his opinion collection agencies are a valuable advisor as well as a source of useful information. "The goal we pursue is to build long-term partnerships. In this way our outsourcing partners learn more about our customers and their needs. This automatically improves the quality of the debt collection service our debtors receive", said the manager of "Collection of non-performing loans" division at UBB (more on p. 5).

Banks are privileged creditors in debt enforcement proceedings. A special article in the Civil Procedure Code allows them to require immediate payment of a debt. All they have to do is to present a copy of accounting books to the court that should evidence the existence of the debt. Debtors cannot oppose the application but just can appeal against the order for payment. However, this does

UBB – FACTS AND FIGURES

- ✓ **The fourth-largest lender in Bulgaria by assets**
- ✓ **Owned by the National Bank of Greece (NBG)**
- ✓ **Deposits: 5.11 billion levs**
- ✓ **Employees: 2 475**
- ✓ **Loans portfolio: 4.15 billion levs**

not seem to be a favorite instrument for banks. "We prefer to recover our receivables via non-judicial approaches. The legal system is still too sluggish. UBB uses judicial collection just in extreme case and when we realize the debtor is obviously a man that has no intention to repay his debt", confirms Tzvetomir Matov.

UBB's strategy to increase the quality of its loan portfolio is obviously paid off. In 2014 the volume of the bank's non-

performing credits fell by 18% to 432 million levs which represented 15 percent of the total gross portfolio, UBB's consolidated annual report showed. A year ago the share of the bad loans was 20 percent. The annual profit of the bank increased 3.5 times to 85 million levs. UBB's managers are optimistic and forecast 2015 would be the best year for the banking business since 2008.

However, nobody expects a new lending boom as the one before 2009 when banks had lowered the requirements for the borrowers and consumers had borrowed money very easily. "Banks and customers learned their lesson and now both are conservative", assured the manager of "Collection of non-performing loans" division at UBB.

Tzvetomir Matov, manager of "Collection of non-performing loans" division at UBB:

"We provide teaching courses and tests for our external partners"

Tzvetomir Matov holds a Master of Financial Management from UNWE. He has 12-year experience in collecting receivables. He has been working at UBB since December 2009.

Our bank is working with 6 to 8 debt collection agencies depending on the current need. We rely on reputable partners with solid experience in collecting receivables. For us it is very important to work with agencies which employ qualified staff and have know-how about our business. We appreciate if our partners demonstrate flexibility and good technical security as these are assets that guarantee efficient cooperation. No matter we collect or sell receivables, we always do it in a transparent way – through calling tenders, and we give all the service providers equal chance to participate in them and win them. We have set

out clear and professional rules for cooperating with our debtors that our external partners in collecting debts have to adhere to. Our "Collection via third parties" team has the task to check whether these rules are enforced. They monitor this process on a daily basis. Furthermore, we constantly present our products and services to our debt collection partners. We explain to them what opportunities for restructuring debts we provide and how we satisfy clients' different needs. Periodically, we organize teaching courses and tests for the employees of the debt collection providers as we believe these initiatives guarantee a better service for our debtors.



The world's top 5 vacation islands in 2015

Summer is coming. It's time for an unforgettable vacation. If you have decided to travel to an island, check the top five destinations in 2015 of the world's largest travel site - TripAdvisor (www.tripadvisor.com). The rank list is based on the millions of valuable reviews and opinions from TripAdvisor travelers across the globe that honor more than 100 islands worldwide including lists for Africa, Asia, Caribbean, Europe, South America, the South Pacific, the U.K., and the U.S. These are five destinations where you can find everything for a perfect island escape: beautiful coral reefs, captivating beaches, amazing landscapes, adventures and first class hotels and spa resorts. Here they are:

1. PROVIDENCIALES, TURKS AND CAICOS



Providenciales is the most populated of the Turks and Caicos islands. The diving and snorkeling in Providenciales is as convenient as it is stunning, thanks to miles of coral reef that's easily accessible from the shore. The upscale resorts and captivating beachscapes of Grace Bay make it a popular choice for waterfront escapes. The cliffs and crags of Chalk Sound make a lovely backdrop for kayaking the bright turquoise waters.

2. MAUI, HAWAII

The Hawaiian island of Maui is a destination for true nature lovers. Explore the ethereal bamboo forest and churning waterfalls in Haleakala National Park. Stretch out on warm, golden sands or hit the surf for an unforgettable windsurfing or snorkeling session. Driving the scenic road to Hana along the island's northeastern shore will be among the most spectacular journeys of your life. Time stands still at the Hawaiian village of Keanae—it's definitely worth a visit.

3. ROATAN, HONDURAS

The best way to cap off a day of pristine Roatan reef diving and heart-pumping adventure is to sip a sunset cocktail by the beach. From zip-lining to deep-sea fishing to exploring the military-protected archipelago of Cayos Cochinos, the #3

Travelers' Choice Island in the world is a playground for lovers of water sports and ecotourism. Landlubbers will adore the Carambola botanical gardens, touring the Stone Castle Cameo Factory, or exploring beaches on horseback.

4. SANTORINI, GREECE



Even if you've never been to this Cyclades island in the Aegean Sea, you'd still recognize it immediately: candy-colored houses carved into cliffs, sapphire waters, gleaming white buildings topped with half-spheres the color of a stormy sky. Here, in this year's #4 Travelers' Choice Island in the world, you'll find peace as you roam the black sand beaches or the streets of a provincial village like Imerovigli. Beautiful Oia is world-famous for its sunsets, which seem tinted with every shade of an artist's palette.

5. KO TAO, THAILAND

Drifting serenely in the Gulf of Thailand, the palm-fringed island of Ko Tao takes its name from the abundant sea turtles that reside on its shores. White sand beaches sheltered by steep hills—some only accessible with four-wheel drive vehicles—and 300 days of sun per year invite long afternoons of lounging on 2015's #5 Travelers' Choice island in the world.

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