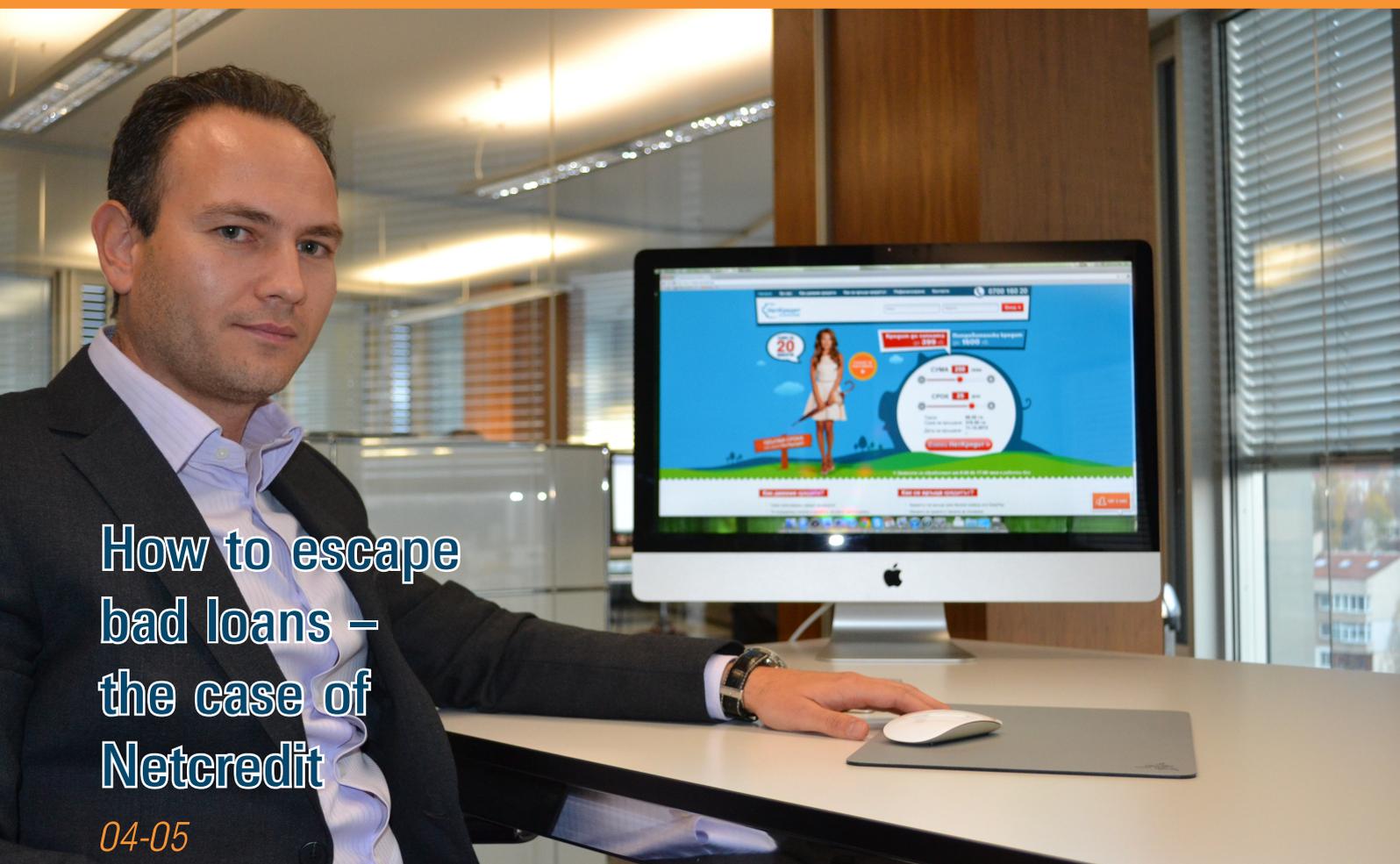




Newsletter for the clients

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## How to escape bad loans – the case of Netcredit

04-05

### Interview

2014 through the eyes of the Operations Manager of DCA

03

### News

Personal Bankruptcy Law and Statute of Limitation on the Consumer Debts

03

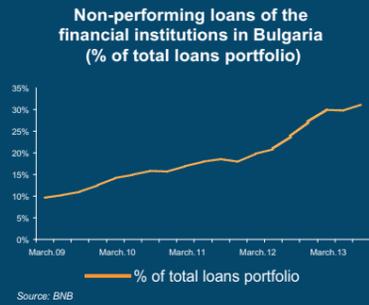
### Lifestyle

The extraordinary hotels in Bulgaria – Arthotel Casa Art

06

➤ EVERY THIRD QUICK LOAN IS DEFAULTED IN BULGARIA

The number of defaulted loans extended by non-banking financial institutions in Bulgaria (the so called quick loans) exceeded 612 million levs in September, rising by 42.4% per cent on the year. The combined size of all the quick loans on the market amounted to nearly 2 billion levs at the end of September. So the share of non-performing loans in the total loans portfolio was 31.2 per cent.



➤ DRAFT BILL PROVIDES FOR A STATUTE OF LIMITATION OF 10 YEARS FOR CONSUMER DEBTS

If an individual does not pay off his/her unsecured consumer loan or bill for electricity, heating and water for a period of up to 10 years, then he/she may not have to pay it. This states a new draft bill approved at first reading by the Bulgarian Committee on Law at the Bulgarian National Assembly. The MPs from the Committee hope that will solve the problem with the "eternal debtor" statute. However, some experts are concerned that the 10-year statute of limitation will drive many individuals not pay off their debts, causing considerable losses to the business. "Such a law will impact the business very badly and will accelerate the processes of debt collection, including the judicial debt collection, to a great extent. Finally, the loyal clients that pay their debts on a regular basis will be the ones that will pay the bill", said Martin Despov, a general manager of DCA.

# DCA became the top 3 collection agency in Bulgaria

**D**EBT COLLECTION AGENCY Ltd. (DCA) attained a top 3 position on the collection agencies in Bulgaria. The net profit of the company grew four times to 800 000 levs in 2012. That listed DCA among the top 3 most profitable companies in the sector. "We achieved a significant growth despite the increasing indebtedness and decreasing purchase power of the households, the constrained access to finance and the tough competition in our sector", said DCA's manager Nina Stancheva. The company expects its sales to grow by 20% this year.

DCA has been operating on the Bulgarian market for 3 years. The company is specialized in acquiring and collection of overdue and judicial receivables. Up to the moment it has purchased receivables portfolios mainly from banks and financial institutions. "We have acquired 100 000 debt collection cases and the nominal value of our receivables portfolio has reached 100 000 000 levs". Nina Stancheva explained.

DCA posses 4 regional offices and operates with its own national network of qualified legal advisors and Call Center operators that provides for a full market coverage in Bulgaria. The company is listed in the Register of the Financial Institutions at the Bulgarian National Bank and is a member of the branch associations of the Collection Agencies.

DCA stepped in Romania at the beginning of this year where it also aims to achieve a leading position in its branch. The company has already purchased portfolios of receivables of banks and financial institutions.



# "2014 will be a better year for debt collection management"



*Only a financially stable collection agency can guarantee a high quality service of its clients, according to Dimitar Bonchev, operations manager at DCA*

*Dimitar Bonchev has been working for DCA since the beginning of June. He has a 9-year-experience in the field of debt collection management. He worked for EOS Matrix, Piraeus bank and Frontex. He established the first team in Bulgaria, specialized in purchasing of receivables and took part in the first deal on purchasing receivables of a bank to a collection agency.*

**How will the debt collection business develop this year? How do you look forward to 2014?**

We expect a better year than 2013. However, this will depend on the macroeconomic indicators, what social payments the government will make and what type of programs and employment projects will be financed by the EU funds. The unemployment rate is still growing, especially the youth unemployment. The Labour Offices have registered a total of 34 000 more jobless people in September in comparison with the same period last year. This means 34 000 new consumers struggling to pay its debts. As a collection agency it is important for us not how many default loans we will collect, but to what extent the debtors will be able to pay its debts.

**When should a company collect its receivables at its own disposal and when should it sell its receivables and start looking for an outsourcing partner?**

It is up to the management of the company to decide to what degree it can manage the debt collection processes itself. Certainly, as soon as a company decides that receivables management is not one of its core competencies and that it is unable to follow these processes through as efficiently as a specialist firm, it makes sense to sell its receivables or start looking for an outsourcing partner.

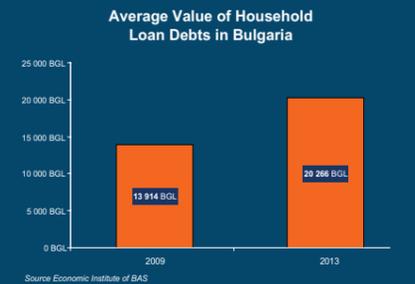
**How can companies recognize a suitable partner?**

Financial stability, reputation, references, risk – these are some of the leading indicators, that should be considered when choosing a collection agency. Just 7-8 out of a total number of 60 companies in our sector are profitable. Only financially stable collection agencies can guarantee high quality service and long term partnership. The business is very sensible when its reputation is concerned. Therefore it is crucial that the debt collection partner should have an excellent reputation, be financially transparent and follow a Code of Conduct. The professional approach of its employees, based on the specificity of the assigned debtors package, is a must.

# 60%

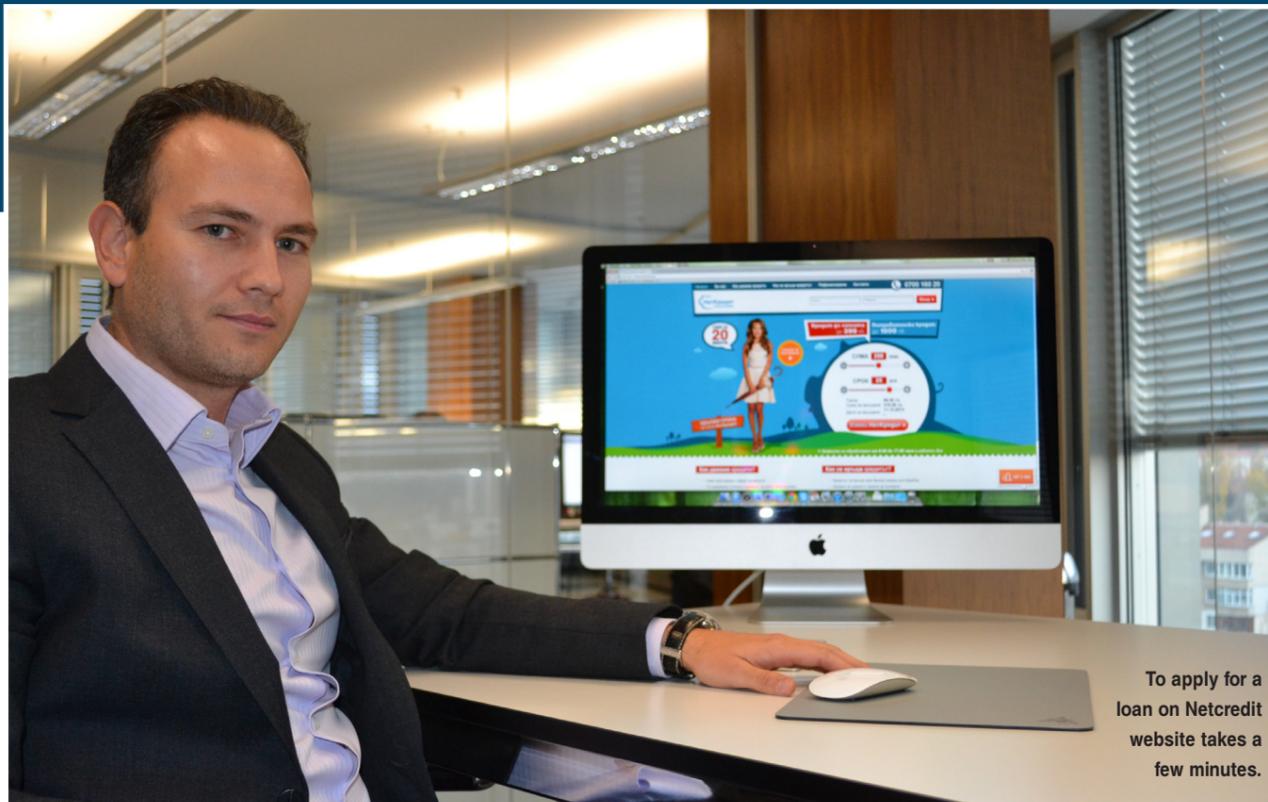
% OF BULGARIANS WOULD NEVER TAKE A LOAN

Bulgarians fear of taking a loan. Over 58% of all Bulgarians would never take a loan regardless of its terms, according to a recent study conducted by the Institute for Economic Research at the Bulgarian Academy of Sciences (BAS). Up to 75% of the respondents have said bank interest rates and fees are too high while the terms under which the loans are granted are not transparent. At the same time 84% state that they can no longer slate money for savings.



➤ BULGARIA PLANS PERSONAL BANKRUPTCY LAW

Bulgarian MPs propose a personal bankruptcy law so that a personal debt of a debtor cannot be passed along to his or her children and spouses., allowing them to. The expectations are that the law would be adopted at the beginning of 2014 after a in-depth research od the EU legislation. "A Personal bankruptcy law with clear rules and privity will allow overindebted or defaulted individuals to make a fresh start and to write off their unsecured debts" said Nina Stancheva, a general manager of DCA.



To apply for a loan on Netcredit website takes a few minutes.

## Loan for zero time with just one mouse click

*Netcredit changed the notion for a quick loan. The microlender prefers its own team on debt collection. It extents just its judicial debts to Debt Collection Agency.*

**T**aking a loan for zero time. All that you need is a computer and access Internet. Without wasting your time, without red tape and no need for electronic signature. Several years ago hardly did anyone think that a man can withdraw a loan for less than several minutes while sitting at his PC. Today this is possible thanks to companies like Netcredit Ltd – one of the Bulgaria's fastest growing finance companies, specialized in quick payday loans and consumer loans.

Netcredit is founded in the summer of 2010 by Borislav Nedyalkov and Ivan Ashminov. The two Bulgarian entrepreneurs are inspired by the success story of the well-known British innovative finance company Wonga that is among the most mentioned credit providers on the Island. "We are a digital finance company. We assess and approve the applications of our customers within a minute" Borislav Nedyalkov point out.

*"DCA demonstrates a professional approach. They are a collector you can count on."*

**Borislav Nedyalkov,**  
General Manager of  
Netcredit

### THE MAGIC OF ONLINE LOANS – FAST AND CONVENIENT

Netcredit's customers can choose between online payday loans for sums up to 399 levs and online consumer loans for sums up to 1500 levs. In order to get credit from Netcredit the applicants should be over 18 and employed. They should also possess a good credit rating. When they are approved, Netcredit send them the loan agreement that has to be read and signed by clicking 'I accept'. Then the company sends the cash to the customer's bank account. All the procedures are online. There are no paper loan agreements and no visit at an office is required.

The convenience of Netcredit's financial service is assessed positively by the consumers and the number of the company's customers is growing constantly. Netcredit's sales tripled to 1.35 million levs in 2012 while its net profit was 6 times larger than it was in 2011 up to 0.66 million levs. With

the achieved results the company became one of the most profitable credit providers on the market. The business of the company is growing rapidly this year, too. Netcredit's management expects a 50% growth in the number of the loans it will grant for the whole year.

### SHIELD AGAINST UNCOLLECTED RECEIVABLES – OWN STRONG TEAM AND STABLE PARTNER

What impresses is the low level of Netcredit's non-performing loans despite the fact the company does not have any physical contact with its customers. Every third quick loan borrower does not pay off his debt, shows the last BNB's data. The level of Netcredit's bad debts is several times lower than the average on the market, according to the company's management. "One of the myths is that online loans are too risky because there is no eye to eye contact between the creditor and the borrower. Our clients are as much responsible as the once that prefer to borrow money at office", Borislav Nedyalkov said. Netcredit never guarantees approval and assesses all applications carefully. The extents loans only to people that can afford to pay them back. "Actually we approve only 30 per cent of our new applicants", the General Manager of the company said.

Netcredit relies on its own team of 10 experts for the collection of its overdue receivables. The experts segment the late debtors into three main groups taking into account the period the borrowers have failed to pay their installments in time. In the work process with debtors, who are overdue in their obligations, the team adheres to an algorithm that is approved in advance and includes just legal methods – reminding calls, sms

### NETCREDIT – FACTS AND FIGURES

- ✓ **Founded: 2010**
- ✓ **Business: online payday loans and consumer loans**
- ✓ **Number of employees: 30**
- ✓ **Office: Litex Tower, 1756 Sofia, Izgrev, z.k. Iztok, 5 Lachezar Stanchev Str., fl. 10**
- ✓ **Revenue 2012: 1.35 million levs**
- ✓ **Net profit 2012: 0.66 million levs**

messages and emails... "We collect the receivables on our non-performing loans ourselves because we would like to protect our reputation", Borislav Nedyalkov argued.

Netcredit cooperates with an external collector but only for the judicial debt collection that represents just a small share of the total loans portfolio. Its partner is Debt Collection Agency. "We have been working with DCA in this field for two years. We are satisfied by their service. They demonstrate a professional approach. We definitely can rely on them", Borislav Nedyalkov commented.

When the two companies started working together the judicial debt collection on online loans is a comparatively new business. "There are no signatures of the two sides in the online loans agreements since such credits are granted under the Law on Distance Provision of Financial Services. It was very challenging to prove the claim of the creditor at the law court in the beginning. There was no contemporary judicial practice at this very moment", reminds Albena Borisova, "Assigned Debt Collection" department in DCA. However, it turned out that DCA had already had a similar case with a competitor of Netcredit and that helped the collector to meet the challenge successfully. The other key competitive advantages of DCA were the full market coverage and the good balance in terms of quality-price. "The colleagues in Netcredit are correct and cooperate with us at every stage", Albena Borisova also said. The two partners communicate with each other mainly via email. Teams of the two companies meet eye to eye at least once a year in order to discuss important tasks and issues that can improve the cooperation between the two sides.

### Albena Borisova, "Assigned Debt Collection" department in DCA

*Our partners save a lot of costs and time through our own national network of qualified legal representatives*

DCA attained a considerable experience in judicial debt collection on online loans agreements. Most of the debtors with such loans are dispersed all over the country. The collection of their debts would cost too much money, efforts and time to companies

like Netcredit. DCA possesses its own established national network of qualified legal representatives that can collect overdue obligations in every Bulgarian city. In this way Netcredit can optimize its costs and focus on its core business. Last but not least,

we provide for a high quality service that give us one more competitive advantage. We have not lost any of the legal procedures started by us on assigned debt collection cases. We are flexible and the prices of our services are quite competitive.



# Art Hotel Casa Art – the Kingdom of Art

*All Inclusive packages at attractive prices in... You are sick and tired of standard all inclusive hotels? You are looking for something different and beautiful? Here our proposals for extraordinary hotels are. We start with Art Hotel Casa Art.*

**T**he hotel is situated in the Troyan Balkan, in Oreshak, close to the Troyan Monastery. Art Hotel Casa Art is a Kingdom of Art. It is built with rich imagination and deep love and attention to the smallest detail. It is made of ecologically friendly building materials in the architecture style of the Bulgarian Renaissance with its characteristic stone walls and magnificent tiled roofs. What distinguishes the hotel among the houses around is its artistic design and vision that is presented all over the hotel – beginning with the wooden floor through the furniture made by solid wood and beams of old Bulgarian houses up to the delicious thematic menus at the restaurant that are related with the rooms of the hotel each of which is unique, artistically furnished and has a name inspired by some of the fundamental forces in the universe. Here even the hangers are artistic.

## YELLOW, GREEN, BLUE AND ORANGE

Hotel Casa Art is created by Biljiana Milusheva – gallerist and interior consultant with 20-year experience and Plamen Petrov – artist, sculptor and furniture maker. The two artists have a common gallery for furniture collections in Germany. The artistic flair they use for developing the hardwood furniture in the gallery, they integrate successfully in the interior design in Casa Art, too. The walls of the hotel are decorated with the paintings of Plamen. His four most favourable colours - yellow, green, blue and orange, are placed all over the hotel and are the corporate colours of Casa Art. The four colours are imprinted even on the chimneys, cups, saucers and the lightings. The four colours are totally different from the traditional colours

in the region and in the first moment the architecturers are shocked, the managers of the hotel confessed. “The guests liked it”, Biljiana said. As a proof to her words the hotel is busy the whole year.

## ARTISTIC FURNITURE

As artists Biljiana and Plamen experiment with new furniture prototypes every day. Some of their decisions are presented in the hotel. So, when it seems to you the restaurant and the lobby bar of the hotel look different the second time you visit the hotel, do not wonder what has happened. Biljiana has just developed a new idea. In fact not only is Casa Art the implemented exclusive dream of the two artists but it is a show room for the fans of the wooden furniture as well. The owners of the hotel are ready to offer individual decisions for furnishing for every taste. The furniture is crafted at Plamen’s furniture plant, situated 50 m from the hotel.

Casa Art is perfect for family vacations. There is a garden with a big wooden playground for kids. It will also fit romantic couples that would like the author’s wine lis, the massage procedures and the SPA corner with the panoramic view. The artistic atmosphere and the spacious conference hall in the hotel make it perfect for team buildings as well. During the whole year there are interesting painting and ceramics workshops as well as cultural events, including wedding parties. “We do not offer just accommodation. We offer emotions”, Biljiana points out. Arthotel Casa Art is really an extraordinary place you will not discover anywhere ([www.arthotel.bg](http://www.arthotel.bg)).