

FACTORING BUSINESS UNIT (COMMERCIAL FACTORS)

COMMERCIAL LEASING & FINANCE PLC

1.0 PRODUCTS OFFERED

Commercial Factors offer customized products to suit working capital requirements of the corporate and SME sector. The main products are

- Recourse Factoring
 - Collection by Commercial Factors
 - Post-dated cheques up front

- Invoice Discounting
 - With debtor post-dated cheques

- Cheque Discounting
 - Debtor cheque discounting
 - Client's cheque discounting

All the above products are with Recourse to the client.

FACTORING

Product feature

Factoring is essentially a financial tool designed to improve the cash flow of a business which sells goods and or services on credit to its debtors. In a factoring transaction the debtor (buyer) is aware of the factoring company's involvement and the payment in whichever form cheque/bank transfer, is always in favour of the Factoring company.

A Factoring transaction involves 3 parties. A seller of goods (CLIENT), its Buyer or the customer (DEBTOR) to whom the seller sells on credit and the FACTOR (CLC - Commercial Factors)

Product description

- The client obtains a Factoring facility from CLC
- He sells goods or a service on credit terms and invoices the Debtor.
- The original and all copies of the invoice are assigned to CLC. The original invoice is submitted to the debtor and the copy acknowledged by the debtor is offered to CLC.

- CLC advance funds i.e pre-approved percentage of the invoice value upon request of the client
- CLC sends statements, follows up the debt with the debtor and proceed with collection function on the due date of the invoice.
- The debtor pays CLC the value of the invoice usually on the due date.
- CLC will pay the Client the balance value if an advance has been made after reducing the charges applicable on the transaction.

INVOICE DISCOUNTING

This is sometimes referred to as "confidential factoring", "non-notification factoring" and "undisclosed factoring". In Invoice Discounting facilities the debt is not assigned, however the Client will have to offer the invoices together with the postdated cheques of the client or his debtors for discounting. CLC will advance funds to the client up front at a pre-approved percentage.

CHEQUE DISCOUNTING (CLIENT/ DEBTOR)

This is similar to Invoice discounting; however, the client will only submit his or his debtors postdated cheques to be discounted. CLC pays the Client an advance, as per the agreed percentage on the face values of the cheques. Cheques discounted will be banked on the applicable banking dates of the cheques submitted. The balance will be paid to the client upon realization after recovering the relevant charges. Returned cheques if any will have to be settled by the client/debtor immediately.

What are the charges applicable

- Service charge for the services provided such as sales ledger administration and debt collection in the range of 0.25% to 0.75% on the face value of the invoice based on the amount of work involved in managing the facility.
- Discount/Interest charge on the funds advanced calculated daily and debited monthly based on prevailing market rates
- Other charges
 - Returned cheque charges – bank charges
 - Stamp duty and taxes applicable
 - Overdue/overdrawn charges as per the agreement and offer letter

2. PROCEDURE TO BE FOLLOWED WHEN OBTAINING A FACILITY

- Any of the above facilities can be obtained from CLC branches island wide.
- Documents required to process/evaluate a facility
 - a) Duly completed application (can be obtained from any branch)
 - b) True copies of company documents
 - c) Proprietor/ director/ guarantor NIC copies

- d) Proprietor/ director/ guarantor asset declarations
- e) Memorandum & Articles of association
- f) Financial Statements
- g) 6 months bank statements
- Evaluate the credibility of the client & obtain necessary approval
- Process the facility and sign agreements, offer letters, guarantee bonds etc
- Activate the facility

3. MAIN TERMS AND CONDITIONS

- Credit limit/Facility Limit
- Discount charge/Interest rate
- Credit Period
- Maximum Advance limit
- Service charge
- Collateral

4. APPLICABLE LEGAL PROVISIONS

- Reminder letters
- Termination letters
- Litigation process

5. COMPLAINT HANDLING PROCESS

- Branch ME/BM/RM
- Factoring ME and Client Account Manager, Nawala Factoring Branch
- Higher authorities