

# Backup Servicing

**A receivables finance program is as much about the strength and performance of the seller, as it is about the debtors and their ongoing ability and willingness to meet their payment obligations.**

After all, it's the seller that determines which debtors it trades with and performs all the credit management functions. Even for sold receivables, the seller normally remains responsible for collections, credit control and the allocation of cash to open invoices.

So, it's not surprising that funders will often plan for the worst and establish alternative credit collection options to be actioned at short notice in the unlikely event of seller failure. Rating agencies are also part of this conversation and may insist on similar arrangements to protect a rated transaction.

Appointing a standby backup servicer is probably the favoured option for most funders and credit agencies. But not all backup servicers are the same. When you engage one, you never expect to actually use the backup servicer facility, but come the day it's needed, time will be of the essence, and it will need to respond quickly and effectively.

## ARONOVA DATA STORE

The readiness of a backup servicer to step into the shoes of a seller servicer is probably the main difference between the various forms of backup servicing.

Normally this comes down to how easily and quickly a backup servicer can access a failed seller's receivables and debtor AP contact data.

From our receivables finance experience, maintaining a regularly updated 'shadow' ledger is perfectly feasible and can be automated, but maintaining accounts payable contact details for each debtor is challenging, especially for portfolio-wide receivables programs with many active debtors.

**The best way to prepare is for the backup servicer to independently maintain a regularly updated store of seller receivables data, but this is easier said than done.**

## SERVICER ACTIVATION

When a seller servicer fails, time is of the essence and in the chaos of seller insolvency, the funder relies on the backup servicer to assume credit management responsibility;

- Using the Aronova Data Store, a Dunning process is initiated by issuing a pre-agreed email to each debtor, explaining what has happened, what the debtor must now do, and attaching a current statement of account.
- The Dunning process then transfers to a pre-agreed, jurisdiction dependent credit management agent who assumes responsibility for local market Dunning, collections and cash allocations.

**When activated, the agent regularly updates the Aronova Data Store. This enables program run-off using existing Aronova technology and consistent funder reporting .**

## KEY CONSIDERATIONS

### Rated or Not-Rated

Many receivables securitisations and rated transactions also require a rated backup servicer. We are NOT a rated entity so we may not be able to help with these.

### Debtor AP Details

Knowing the credit control contact details for each debtor is important, but it's surprisingly difficult to extract from many accounting systems.

### Time to Activation

We can activate within 2 working days of notification, often sooner. This is key as time is of the essence in the chaos of a seller insolvency.

### Funder Participation

The backup servicer will replace the seller for credit management activities. Success rates are higher if the funder participates & provides authenticity.



If you would like to know more about Aronova or the services we provide, please visit [www.aronova.com](http://www.aronova.com), or contact David Baker, Managing Director, on **+44 7739 173 961** or **+1 848 466 5288**, or email David at [david.baker@aronova.com](mailto:david.baker@aronova.com)