



Reference Offer for Leased Line and Ethernet Services

Credit Vetting Policy

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Introduction

This document sets out the Credit Vetting Policy for KCOM (Hull) in respect of the Reference Offer for Leased Lines and Ethernet Services.

1. Background

- 1.1. KCOM (Hull) has a responsibility to all its customers and stakeholders to ensure that its commercial interests are safeguarded and that Services are not supplied unconditionally where there is evidence that a risk of default exists.
- 1.2. KCOM (Hull) recognises that where risk is identified, a balance must be struck between its own commercial interests and the commercial interests of the telecommunications market. Any risk limitation measures that apply will be compliant with competition law and applied in a consistent and non-discriminatory way.

2. Scope of this Document

- 2.1. This document is concerned with KCOM (Hull)'s Reference Offer for Leased Line and Ethernet Services and those services listed in that document. Credit policies for other KCOM (Hull) products and services are set according to established policies for the products and services, which continue to develop to suit changing conditions in those markets.

3. Sources of Credit Vetting Information

3.1 External Credit Vetting Information

- 3.1.1 It is standard commercial practice, in all markets and industries, to use external credit data to determine commercial risk. KCOM (Hull) uses several external credit specialists for its credit vetting. Information relating only to the companies used, not information received, will be provided to the CP on request; it is the CP's responsibility to query credit ratings with these firms.

- 3.1.2 For limited companies a comprehensive report provides detailed data which includes:

- a) statistical scores to identify the likelihood of default
- b) financial information and key business ratios
- c) payment information and trending analysis
- d) business background
- e) payment norms and financial risk assessment
- f) public record filings

This gives an indication of a company's overall viability.

- 3.1.3 For non-limited businesses a non-limited report provides information, which includes a rating, a "maximum credit recommendation" and payment performance data.

- 3.1.4 Based on these reports, the external agency advises KCOM (Hull) on the maximum credit limit for each company or entity.

3.2 Internal Credit Vetting Information

3.2.1 Information may be collected from any source within KCOM (Hull). This data will be used to assess overall company spend and payment history. This history will be examined and official disputes will be taken account of when assessing payment patterns.

4. Available Credit/Security Requirements

4.1 New Communications Providers

4.1.1 A "**New Communications Provider**" is a CP having such status from the date of entering a Leased Line and Ethernet Agreement with KCOM (Hull) on or after 30th April 2013 until the CP has a satisfactory payment record with KCOM (Hull) for not less than 12 consecutive calendar months.

4.1.2 All New Communications Providers will be subject to credit vetting, using both internal and external information from appropriate internal KCOM (Hull) sources and independent external agencies including, but not limited to, Dunn & Bradstreet and/or Graydon.

4.1.3 The credit vet is based on information requested from the CP including:

- a) full legal and trading names and registered business address
- b) type of business
- c) length of time in business
- d) whether the company is incorporated and if so, the company registration number or equivalent
- e) date of legal formation of the company
- f) name and address of all the director(s) or partners

4.1.4 If no relevant information is obtained on the company, the director(s) will then be vetted, subject to legal compliance. This process will highlight credit information, including but not limited to the following:

- a) whether the applicant/director(s) has previously defaulted with KCOM (Hull) within the previous year
- b) whether the applicant (being a sole trader) or one or more of the directors/partners
- c) checked (see above) is an undischarged bankrupt or has any other type of insolvency indicator recorded against him or her
- d) whether any of the directors (in the case of a company) appears on the disqualified director list
- e) whether there are any Court judgements in relation to the director/partner/sole trader.

4.1.5 KCOM (Hull) will then review the particular case in detail and credit limits will be established according to the level indicated by the credit report and to the value and type of product purchased. Security may be required for a New Communications Provider based upon this information.

4.2 Existing Communications Providers

- 4.2.1 An “**Existing Communications Provider**” is a CP who has entered into KCOM (Hull)’s Reference Leased Line and Ethernet Services Offer Agreement on or before 30th April 2013 or a CP who has ceased to be a New Communications Provider.
- 4.2.2 Subject to KCOM (Hull)’s right to carry out Profile Monitoring in accordance with Section 8.2 of this Credit Vetting Policy, Existing Communications Providers will be subject to credit vetting until such time as the CP has made payment of not less than 75% of sums due in respect of each month for a rolling 12 month consecutive period. Such payment must have been made within 7 calendar days of the Due Date in each case.

5. Types of Security

- 5.1 A deposit is the type of security normally sought; however in appropriate circumstances other types of security referred to below may be acceptable:

Deposit: Payment of a deposit shall be made in the form of cash, cheque, CHAPS or BACS transfer into a bank account nominated by KCOM (Hull).

Bank Guarantee: A guarantee from a recognised bank, or similarly acceptable institution, for the equivalent value of the deposit. It is the CP’s responsibility to obtain this for KCOM (Hull) in an acceptable form.

Stand-by Letter of Credit: A stand-by letter of credit, may be acceptable with prior agreement from KCOM (Hull).

A parent company guarantee to the full value of the CP’s indebtedness may be acceptable with prior agreement from KCOM (Hull).

Alternatives: KCOM (Hull) may also accept other alternatives at its discretion.

6. Refund of Deposits

- 6.1. Where security in the form of a deposit has been required from the New Communications Provider, or at any time for late payment, such deposit will be held until 12 consecutive months of payments of at least 75% of the aggregated sum of all invoices due in any calendar month have been paid within 7 calendar days of the Due Date. After this period of 12 consecutive months of payment the CP will be repaid or credited against current invoices on its account. The interest rate on deposits is linked to the Natwest Base Rate rate, from which, the Credit Vetting Administration Fee specified in the Price List will be deducted by KCOM (Hull). This rate is reviewed periodically and the CP will be notified of the rate applied when security is required.

7. Re-assessment

- 7.1. The need for security and the level of that security will be assessed regularly until the CP is no longer a New Communications Provider and becomes an Existing Communications Provider.
- 7.2. Disputed invoices, or disputed elements of invoices, are disregarded for the purposes of assessing payment history, providing that the dispute of the invoice has been notified in accordance with KCOM (Hull)'s Reference Offer for Leased Lines and Ethernet Services.

8. Profile Monitoring

8.1 Profile Monitoring for New Communications Providers

- 8.1.1 Additionally New Communications Providers will be subject to Profile Monitoring. This means that the actual level of invoicing by KCOM (Hull) in the month will be monitored against the Credit Limit for that month. Where there is a significant variance between the actual invoicing by KCOM (Hull) and the Credit Limit, as appropriate, additional security may be required or a reduction in security may be agreed.

8.2 Profile Monitoring for Existing Communications Providers

- 8.2.1 Exceptionally, where any Existing Communications Provider has been issued with either a Payment Period Notice and/or a Security Notice, then the operator, at KCOM (Hull)'s discretion, shall be subject to Profile Monitoring as described in Section 8.1.1 of this Credit Vetting Policy.
- 8.2.2 KCOM (Hull) shall be entitled at its discretion upon service of written notice to the CP (the first "Payment Period Notice") to implement Profile Monitoring of the CP if in any two calendar months within any six consecutive calendar month period the CP fails to pay a sum or sums due and where such sum exceeds 25% of the respective calendar month invoice sum, within 7 calendar days after the relevant Due Date(s).
- 8.2.3 If in any two calendar months within any twelve consecutive calendar month period the CP fails to pay within 14 calendar days after the relevant Due Date(s), a sum or sums due which exceed the 25% threshold referred to above KCOM (Hull) shall be entitled at its discretion to issue a written notice to the CP (a "Security Notice") requiring the CP, at its own cost and expense, to provide security in accordance with this Credit Vetting Policy.

9. Notices

References to a "Credit Limit" in this document relate to an amount of credit extended by KCOM (Hull) to the CP. This level of credit is the amount proposed by the outcome of the credit vetting process, less any amount owed elsewhere to KCOM (Hull) for other products and services. For example, if the external credit agency

proposes an amount of credit of £95,000 and the CP has a £5,000 invoice for Leased Line and Ethernet Services, the Credit Limit is set at £90,000.

10. Document Control

Date	Version	Change	Owner
	1	Creation of document	Ian Westlake
26 March 2015	2		Ian Westlake
1 April 2016	3	KCOM Name change and formatting	Amanda Woodard