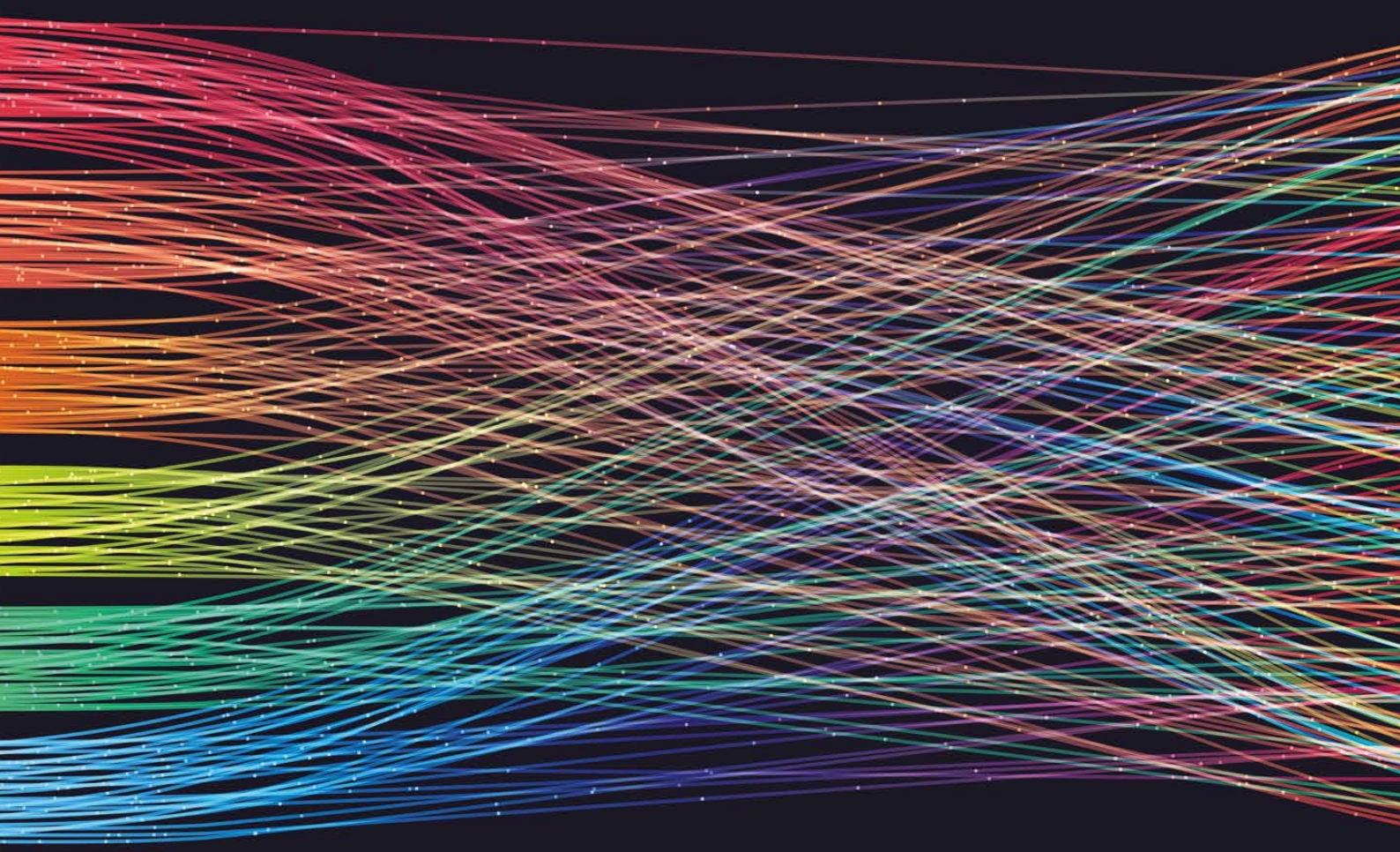


BUNKERSPOT

DATA IS KING

BUILDING THE CASE FOR MASS FLOW METERS



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MARINE LUBRICANTS

DEBT RECOVERY

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ELECTRIC PROPULSION

Recovery position

Anthony Mollet of the Marine Fuels Alliance and **Anthony Desbrousses** of Marine Recoveries talk to *Bunkerspot* about debt recovery in the bunker industry – and explain why it is particularly important at the year-end

Given all the uncertainties of the past couple of years – with COVID and the war in Ukraine bringing a myriad of challenges in their wake – no one wants the extra worry of having to chase up unpaid invoices. This is, of course, true of the bunker industry, where debt recovery can involve pursuing debtors – or their ships – to the far-flung corners of the world.

In this article, *Bunkerspot* asks Anthony Mollet, the Executive Officer of the **Marine Fuels Alliance** (MFA), and Anthony Desbrousses, the Managing Director and Owner of **Marine Recoveries**, what bunker companies can do to make the debt recovery process easier and more effective. **Why is now – the year-end – a good time to talk about unpaid invoices in the bunkering business?**

Anthony Mollet (AM): When isn't it a good time to talk about unpaid invoices? We all want to get paid...

Many companies are fast approaching that

time of year where numbers are crunched, profits and sales figures assessed, and official documentation must be submitted to auditors. Financial officers will be chasing down hard on sales staff to get all invoices paid. But what about those amounts that remain open, ageing, quietly sliding down the spreadsheet and brought up only for brief review in periodic accounts meetings? In a competitive market of bunker trading and supply, margins mean everything. That final dollar achieved or surrendered to win a deal can translate into many thousands of dollars' worth of loss if the invoice is not paid in full.

Are the usual credit rating tools sufficient to avoid bad payers?

Anthony Desbrousses (AD): This depends on the amount of information a seller is willing to gather and how much time and money they afford to the process. As we have said in the Credit Focus Group in the MFA, credit reports, for example, are only a part of the picture a seller must put together to really

know their counterparty. Debt recovery is an essential part of an overall credit policy. Assessing a client at the time of striking the deal is useful (and often required by credit insurers) and MFA has onboard some excellent service providers in this field. However, the credit rating information cannot always be up to date and 100% reliable. In the case of short or delayed payments, how can you know the buyer will always pay every last cent, including the penalty interests? **Do all outstanding invoices raise the same issues?**

AD: No, but there are patterns. And if you spend your professional life studying these, then issues can be flagged quickly and sellers warned, affording time to act and to do so smartly.

Generally speaking, MDs and CFOs are kept awake at night by the huge receivables and where other claims in the supply mean six-figure and higher amounts are at risk. Quantity or quality issues are often invoked



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Anthony Desbrousses
Marine Recoveries



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by debtors to underpin their refusal to pay, and suppliers are left with no choice but to incur large legal bills to contain their exposure and to hopefully recover their outstanding invoices.

However, for 'smaller' recoveries (usually below \$100,000), there can often be little or no valid reason as to why a customer has not paid a balance against the invoice. Some buyers just do not want to pay. In the same vein, we are aware that some buyers order small quantities from numerous suppliers, in the hope of staying below the radar, when they realise that they are at great risk of going into administration.

Often, commercial relations and 'promises' of sorting things out on future deals add to the problem; they can be a delay tactic or simply represent a risk which a seller does not want to run, in case the debtor goes quiet or disappears from the radar.

All these 'smaller' invoices unfortunately add up and a direct, hands-on approach is required to protect the balance sheets.

What is the MFA doing to support its members – and what results have you had so far?

AM: At the MFA, we are engaging with a variety of Partners and industry experts in the area of credit assessment, credit controls and claims management. As part of an overall review of policy and procedures, we are looking to support bunker suppliers and traders with new tactics to collect ageing debt. Such a professional and diligent approach to debt recovery is also seen positively by banks and credit insurers. Following up on one's own procedures and actively fulfilling the terms of a sale (i.e., getting paid for what you provided) proves business competence and attention to detail.

In discussions with our Partners, the MFA is providing access to companies which can provide strong support in this area. Our legal Partners have dedicated specialists and can offer direct help to existing members.

AD: At Marine Recoveries, we offer a truly bespoke approach to collecting unpaid invoices. We utilise tremendous experience from the world of P&I and have developed a skillset of tactics that delivers positive outcomes. Already this year we have helped MFA members recover just over \$300,000 on a 'no win - no fee' basis. We have helped to avoid lengthy court proceedings and critically, protected commercial relationships as much as possible.

What are the pitfalls in debt recovery, and what are some of the successful methods adopted?

AD: There are solutions and alternative means to collect ageing receiva-

bles. Most bad payers do not need to receive a lawyer's letter to know that they are in breach of their obligation to pay.

Additionally, sending threatening letters is only so good if you fully intend to uphold your threat and take the actions set out. Failure to do so is equivalent to shouting into the wind at a debtor.

'Some buyers order small quantities from numerous suppliers, in the hope of staying below the radar, when they realise that they are at great risk of going into administration'

Anthony Mollet
Marine Fuels Alliance

Finally, if the matter proceeds before the Tribunals, the absence of identified assets against which to enforce a court decision means that such procedures can amount to throwing good money after bad.

For every debtor there is a back-story. Debtors sometimes find themselves at the wrong end of a tough situation; an owner can suffer from serious cash flow issues following a maritime incident not covered by a H&M or a P&I insurance policy, or because a dodgy ship manager has run away with the owner's funds.

In such a case where a debtor would like to pay but simply cannot do so, the commercial relationship can be protected. It is vital to work together with the debtor to progress the matter. Depending on the circumstance of each case, payment plans can sometimes be agreed.

Unfortunately, things can also take a more aggressive twist if debtors ignore the request for payment, or refuse to cooperate. Despite the multitude of corporate layers cleverly engineered by some debtors, Marine Recoveries usually catches the debtors' attention by taking the time to drill into official records, public announcements, or even social media, to find the details of the beneficial owners behind the brass plaques, locate their valuable asset (for instance a luxurious apartment within the jurisdiction of the bunkering contract, or a ship trading into an arrest-friendly country) or even some past difficulties revealing useful information about the debtor (lost court cases; appearance in the so-called 'paradise papers' for instance).

Is outsourcing to a specialist recovery firm the right choice?

AD: This entirely depends on the size of

an organisation and the experience of the team. There has to be a structure or hierarchy in place for chasing bad debts. Is it the sales persons' responsibility? Does the Financial Manager take the lead, but potentially damage the commercial relationships? The MD has to take the lead and ensure there is a process. The fear of addressing



such matters is all too familiar. The unwillingness to re-open old files, speak to team members and revisit entire stories about one simple supply where as little as \$10,000 can still be owed, means the amounts fall off the page and become written off. This is needless but also too often, companies do not understand the options or do not have the right contacts. A cost-efficient, specialist service with a basic set up charge or upfront fee is an option more companies should consider.

AM: Ultimately, actions have to be taken and as said, in order to shore up the balance sheet and end of year result, sellers have to understand that to make the actual margin that the deal promised the day it was signed, they have to get paid in full! It is, after all, why we operate in the first instance!

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