

## KCOM Credit Vetting Policy

### Introduction

This document sets out the Credit Vetting Policy for KCOM which may apply to Communications Providers (“CPs”) purchasing wholesale products and services from KCOM in the Hull Area.

### 1. Background

- 1.1. KCOM 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 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. Sources of Credit Vetting Information

#### 2.1. External Credit Vetting Information

- 2.1.1. It is standard commercial practice, in all markets and industries, to use external credit data to determine commercial risk. KCOM 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.

#### 2.2. Internal Credit Vetting Information

- 2.2.1. Information may be collected from any source within KCOM. 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.

### **3. Available Credit/Security Requirements**

#### **3.1. New Communications Providers**

3.1.1. A "**New Communications Provider**" is a CP who has no history of trading with KCOM. A CP will continue to be classed as a New Communications Provider until the CP has a satisfactory payment record with KCOM for not less than 12 consecutive calendar months.

3.1.2. All New Communications Providers will be subject to credit vetting, using external information from independent external agencies including, but not limited to, Dunn & Bradstreet and/or Graydon.

3.1.3. KCOM will then review the particular case in detail, also taking into account the CP's forecast for services and anticipated liability. Applicable credit requirements will be established according to the level indicated by the credit report, forecasts and the value and type of product purchased. Security may be required for a New Communications Provider based upon this information.

#### **3.2. Existing Communications Providers**

3.2.1. An "**Existing Communications Provider**" is a CP who has entered into an agreement with KCOM for the provision of products/services and has a satisfactory payment record with KCOM for not less than 12 consecutive calendar months.

3.2.2. Existing Communications Providers may be subject to credit vetting where the CP:

(a) Has failed to make payment of an invoice which has resulted in KCOM invoking its debt management strategy;

(b) There is material adverse change in the CP's financial position and/or the financial position of the directors/partners/sole trader;

(c) The CP has been sent a breach notice under the terms of the Agreement;

(d) There has been a change of ownership of the CP's business;

(e) In KCOM's reasonable opinion credit vetting is necessary.

## 4. Types of Security

4.1. 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 by CHAPS or BACS transfer into a bank account nominated by KCOM.

**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 in an acceptable form.

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

**A parent company guarantee** to the full value of the CP's indebtedness may be acceptable with prior agreement from KCOM.

**Alternatives:** KCOM may also accept other alternatives at its discretion.

## 5. Service Establishment Deposit

5.1. In addition to any security deposit, a New Communications Provider will be required to pay a deposit of £10,000 when entering into an Agreement for the provision by KCOM of a new product/service.

## 6. Refund of Deposits

6.1. Where security is in the form of a deposit such deposit will be held until 12 consecutive months of payments 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.

- 6.2. KCOM may use any security held to pay any overdue amounts that are not in dispute. In these circumstances the CP will be required to top up the security to the required level within 10 days of being notified by KCOM. If the CP fails to top up the security to the required level, KCOM reserves the right to take action under the applicable product terms and conditions and undertake further credit vetting.
- 6.3. The Service Establishment Deposit referred to in paragraph 5.1 will not be refundable if the CP has been invoiced less than £10,000 during the 12 month period from the date of the first service going live under the Agreement in respect of which the Service Establishment Deposit was paid.

## **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, provided the dispute of the invoice has been notified in accordance with the applicable contract terms applying to the provision of the products/services to which the invoice relates.

## **8. Refusal of Service**

- 8.1. KCOM reserves the right to refuse service if the CP does not pay the establishment deposit and the required security in advance or in KCOM's reasonable opinion the commercial risk is such that the CP's request for service does not constitute a reasonable request. Where an Existing Communications Provider refuses to provide a deposit then KCOM may take action in accordance with the product terms and conditions, including not taking further orders and suspension of performance of its obligations under the applicable Agreement as is reasonable in the circumstances.

8.2. KCOM may also refuse service where:

- The application is in the name of a limited company and any one or more of the directors appear on the list of disqualified directors. The company may reapply when the records held at the Companies Registration Office reflect the resignation as director(s) from the company; or
- One or more directors of a limited company are under 18 years. The company may reapply when records held at the Companies Registration Office reflect the resignation(s) from the company of the person(s) who are under 18 years; or
- One or more members of a partnership are under 18 years, although the remaining partner may reapply as a sole trader or remaining members may reapply as an amended partnership; or
- Insolvency proceedings are outstanding in relation to the applicant (e.g. winding up petition issue; or
- There is any Court Judgement against a partner of the applicant or sole trader.