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Staying solvent in times of coronavirus

## Strong and steady through the crisis

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Receivables Management

## “We are seeing a mosaic of different approaches.”

**You have been in close contact with your member associations since March. How are the pandemic responses hitting the receivables management market?**

ANDREAS BÜCKER: As you would expect, it is a complete mosaic of different approaches ranging all the way from countries like Denmark, where basically no legislative initiatives were taken that would affect the collection business, to jurisdictions like Romania or Croatia, which discussed a payment moratorium until the end of 2020, or Italy, which decided in June that collection is one of the essential services and should continue as before. So there's a whole range of approaches.

**So what we are seeing is more of a patchwork than a consolidated European approach.**

Yes, but it's not all bad. The European Commission actually did a good thing with the publication of the Best Practice Guide. They didn't try to impose new legislation, which would have been a long and far too complicated process. Instead, they reached out to stakeholders, including FENCA, and said: Let's try to establish best practices to help vulnerable borrowers on the consumer end and on the business side across all jurisdictions. That's what we released on July 14.

**But can one set of rules work across the board?**

Yes, they have been designed to be adaptable to different national circumstances, which was very important to us. For example, an early draft called for a payment moratorium for business and consumers of at least six months. We opposed this because different national economies are hit differently and recover differently. So now the guidelines say three to six months, and depending on the national circumstances, it could be extended if need.

**Have you found yourself at odds with the consumer protection side on this?**

Not really. We didn't want excessively long moratoria because they are not in the interest of people who find themselves in arrears. And we share this view with the European debt advice organisation. The goal should always be to repay the loan. It makes economic sense, and it is psychologically beneficial for the person.

**That almost sounds too peaceful.**

Oh, it was not an easy conversation to have. FENCA president Claus Spetsberg and I have been through two very lengthy roundtables. But in the end, all parties – banks, consumer lenders, SMEs and

Andreas Buecker is Director General of FENCA, (Federation of European National Collection Associations), which represents the interests of European credit servicers and credit purchasers.

Company finances

## “The pain will come later. But it will come.”

**Mr. Magunia, is it not so that coronavirus assistance packages are supporting a lot of companies that were on the brink of failure anyway?**

PETER MAGUNIA: The way we see it is that even before the coronavirus crisis, many companies had made a huge effort to introduce necessary structural change, which is not easy. Now they are also being hit by this absolutely unprecedented coronavirus pandemic. Under normal circumstances, and without adapting the regulatory requirements, a great many companies would have toppled immediately. This is something that even economically strong countries like Germany cannot cushion.

**Are the economic support packages sustainable?**

It depends on whether a company makes use of the time it gains to make its strategy viable for the future and improve operational efficiency. If a company does not actively tackle these issues, then government support is nothing but a flash in the pan. The pain will come a bit later. But it will come.

**Are you thinking about measures like better working capital management in this context?**

Absolutely. Working capital management is right at the top of this list, also to protect cash flow and that's complex. A lot of companies have initiated liquidity optimization measures, but there is no concerted approach as yet. Sometimes responsibilities are spread over too many different departments, and sometimes the issue has not yet grabbed the attention of the entire management team. We recommend setting up a "cash office" where everything is concentrated and structured.

**If government assistance programs give me access to cash flow, why should I bother about working capital management at this point?**

Companies need to ask themselves: Are we currently steering our boat towards a cliff? You cannot rely on the current situation, with all the government aid and financing options available, to last. National economies cannot keep doing this. So you need to take steps now.

**What role can financial services providers play in this process?**

Apart from providing support through their products, they can act primarily as sparring partners and advisors. If, for example, a company wants to determine how much liquidity it has to raise, it needs to have an integrated business plan consisting of different scenarios: How much do I need in the event of scenario A, B, or C? But in many SMEs and mid-sized companies, this kind of planning process does not yet exist. In this situation, banks and other financing providers can be very good sparring partners and support companies that often are unfamiliar with such tools.



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