fair pay magazine

3•2005

EUROPEAN INDEBTEDNESS

New initiatives in the UK and Germany

EUROPEAN PAYMENT INDEX

SMEs threatened by late payments

PROFILE

Potential in Benelux and Germany

European authorities seek solutions to debt problem

editor's letter

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Government authorities and companies in Europe are facing growing competition and demands for efficiency from the public and customers. Although an important part of an organization's business is to get paid for its products and services, many companies and authorities don't do so very well.

Intrum Justitia's annual survey of European payment habits shows that the public sector, including municipal and state agencies, is among the slowest payers. On average it takes 68 days for them to pay their bills, compared with an average of 59 days for businesses and 40 for consumers. Even though they generally demand longer payment terms, public agencies still manage to exceed contractual terms by an average of 25 days, compared with 16 for the private sector.

In other words, you have to have patience to do business with the public sector. Not only that, businesses that sell to customers who are slow to pay must have good liquidity to finance the right to free credit some customers apparently seem to think they have.

In this issue of *Fair Pay Magazine*, you will read how some authorities and large companies have arrived at a better solution. In Scotland, a large portion of credit management is outsourced to specialists. Europe's largest CMS provider has been hired by the Swedish authority CSN to collect on overdue student loans. And in France a decades-long cooperation has developed between the energy company EDF and Intrum Justitia.

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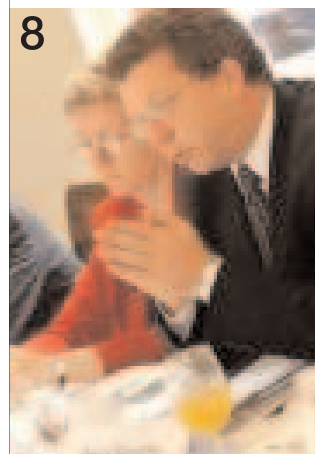

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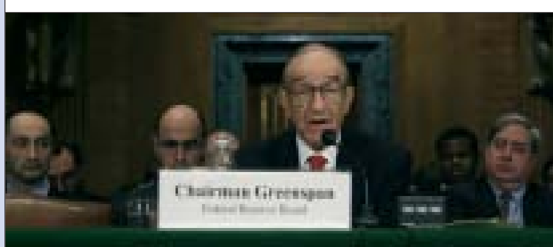
When will the bubble burst?

Housing prices have never been as high in relation to rents as they are today. The appreciation in the value of their homes has encouraged households to borrow to pay for higher consumption. Values have reached record levels in many countries. In South Africa and Ireland, housing values have risen by around 200% since 1997, in the UK and Spain by about 150%, and in Australia by 100%. France, Sweden, the Netherlands, the U.S. and Italy are close behind, with increases of between 87 and 69%. New Zealand and Denmark have noted around 60% increases. Germany, on the other hand, has seen housing prices fall by 0.2%, and in Japan's case the price drop has been as much as 28%. *The Economist*, which compiled the figures, is now warning that the real estate bubble could cause serious damage to the entire global economy if there is a dramatic drop in prices.



Greenspan continues to raise interest rates

USA Federal Reserve Chairman Alan Greenspan recently stated that the U.S. economy has picked up steam. Despite a spike in energy prices, economic growth is holding steady with inflation "under control." Greenspan agrees with many economists that the most important thing is to fight the two telltale signs of inflation – rising wages and energy costs. The central bank will therefore continue to raise short-term interest rates to dampen inflationary pressures and keep the economic expansion from spiralling out of control.

Record bankruptcies in the UK

UK The number of personal bankruptcies in the UK has passed 40,000 a year, according to a survey published on August 5. Bankruptcies have jumped 28% since 2004 and 21% in the second quarter of this year alone. This is the highest figure since statistics were first compiled. Steve Treharne, head of personal insolvency at KPMG, said: "These figures do not paint a pretty picture and cannot be unrelated to the huge rise in mortgage repossessions and the increasing bad debts reported by consumer lenders recently." He warned that the situation could spiral out of control and that it is time to "take stock of this black cloud of debt and act now to do something about it."

Germany's mountain of debt attracts investors

GERMANY International investors have often viewed the German economy as a closed circle of companies and banks that didn't seem to need, or welcome, foreign capital. A simple phone call to Hausbank or the local Sparkassan was usually all it took to borrow money at the standard interest rate, without too many questions. Those days are definitely over. A week doesn't go by now without news of some German company in dire financial straits, Agfa and VDN among recent examples.

One effect of this slump is that German banks have built up a mountain of bad loans that are weighing down their balance sheets and hindering new investments. This is attracting a number of global hedge and private equity funds that see opportunities in refinancing financially weak companies and deals in which debt is swapped for equity.

Investors – who have been called vultures and locusts by the media and politicians – often exploit the situation to profit on refinancings and trade in weakened corporate assets.

IN BRIEF

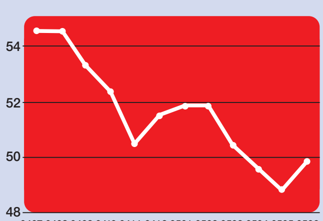
Swedes face growing debt burden

Household lending by Swedish banks and credit institutions rose during the second quarter, according to two thirds of the country's bank managers. While they expect commercial lending to continue to rise in the third quarter, total lending is likely to level off slightly over the next year. During the 12-month period ended in May, consumer mortgage loans rose by 11.7%. Sveriges Bostadsfinansieringsaktiebolag SBAB accounted for 26% of the increase. Bank loans to non-financial companies have not increased as quickly as loans to households. Business lending climbed 10% in the latest 12-month period.

ECB holds steady

On July 7 the European Central Bank left its short-term interest rate unchanged at 2.00%. The EU Parliament reacted negatively, and Italy slashed its growth forecast for 2005 to zero.

Socialists voted against the ECB's report. Their leader, MEP van den Burgh, said the ECB is paying too much attention to stability and ignoring the need for growth. In its monthly bulletin for July, the ECB stated that although recent indicators point to slight improvements, "There are no signs as yet that a more stable economic recovery has already begun."The ECB went on to add that proposed interest rate levels are well-suited to the current inflation outlook.



PMI rises in June after long decline

After having reached 54 in late summer 2004, the euro zone's Purchasing Managers' Index, PMI, fell to 48.7 in May of this year, leaving speculators to contemplate whether we were on the brink of recession. The index bounced back in June, however, rising to 49.9. A figure of over 50 indicates expansion, while below 50 indicates contraction.

Sources: Financial Times, Collection Industry.com, Boston Herald, ECB, AFP, Finfacts.com, EU Commission.

Recent surveys of borrowers in the UK show consumer debt is at an all-time high, now exceeding 1 trillion pounds. This means that every man, woman and child in the country owes an average of 17,000 pounds.

British authorities adapt to rising cons

Debt for council tax, housing and sundry services runs into many millions and has to compete with credit card repayments and other loans. Councils not only have a huge challenge on their hands to collect debt, but increasingly have to do so in a changing legislative environment that, on the face of it, appears to favor debtors.

Obviously, a sophisticated approach to debt and greater understanding of risk management is needed. Forced by political change, this is beginning to happen in Scotland.

Under the Debt Arrangement Scheme (DAS), debtors will now be able to draw on the guidance of a new type of government-approved money adviser who will arrange personal repayment programs with lenders without the need to go to court. The scheme protects the debtor from creditors and provides an alternative to trust deeds and personal bankruptcy.

Almost 200 money advisers have undertaken training for the new scheme, and applications for accreditation are being reviewed with a target of 150 in place across Scotland in 2005.

All in all, Scottish local authorities have learned to be smarter. They now commonly outsource specialist services, working on a commission-only basis. Debt collection has become an extension of revenue and credit management with increasing emphasis on preventive measures and early intervention where debtors are treated as customers.

For recalcitrant – or even just uninformed – debtors, early intervention is the key going forward. Risk management is now about proactive procedures, including a structured series of telephone calls, email, text messages, personal visits and online payments. With a well-trained and knowledgeable staff, more debt is recovered.

The increasing sophistication of the sector in Scotland has led to innovative initiatives and new collaborations within the credit industry. Taxpayer and debtor profiling has successfully been implemented by Stirling Park for a variety of initiatives, such as identifying which individuals are more likely to sign up for direct debit schemes. With the support of Scottish Water, a number of pilot programs have seen significant success in getting people to agree to regular payment plans.

Historically councils have been slow to move. Although they want to recover their money as quickly as possible, they are under constant pressure to place cost above service when evaluating tenders for local debt recovery services. A shift in mindset and an understanding of risk management is beginning to take place, however. A number of councils

umer debt

have had the foresight to fundamentally change their debt management strategy in light of the legislative and public environment.

Unlike Scotland, England and Wales currently have a system of in-house recovery teams and bailiffs, who usually work on a fee basis rather than commission. The ultimate sanction for the debtor in these two countries is imprisonment.

For the councils there are two issues. The first is that once a debt is handed over to a bailiff, the latter pretty much sets the timeframe. The second is that being solely fee-based leaves no incentive for bailiffs to invest in technology and set up efficient systems that enable collection up front and prevent enforcement. This is in addition to the fact that when debtors are forced to pay generally excessive bailiff charges, they often don't have enough left over to pay the council's debt.

In England and Wales, as in Scotland, a council tax bill is issued for an estimated annual charge and everyone has the right to pay in installments. A reminder is issued shortly after an installment becomes due and is unpaid. Noncompliance with a reminder results in the loss of the right to pay by installments and no further reminders are issued. The balance remaining will become due in one lump sum payment.

The danger is that this system is reactive rather than proactive. Scottish councils are learning that early intervention is critical, and English and Welsh councils will have to follow suit. The government wants services to reflect the needs of debtors, not creditors; it wants support mechanisms in place to rehabilitate people with financial difficulties, and it wants these people dealt with promptly and efficiently.

In all three countries, local authorities will undoubtedly find themselves in a position where they have to spearhead changes and lead by example.

The public sector relies on Intrum Justitia

Tampereen Vesi, which supplies water to 16,500 households in Tampere, Finland, has chosen Intrum Justitia to manage its receivables. The partnership started in September 2004, when Intrum Justitia was chosen to handle surveillance cases valued at 58,000 euros. The company is now planning to focus on better service for its customers and looks forward to seeing its collections resolved more quickly.

France's leading energy company, EDF, has its own accounts receivable department but uses Intrum Justitia to collect faster on overdue receivables. Intrum Justitia provides added expertise and capacity and helps EDF to coordinate its collection measures. For EDF, this means maximizing results in the most efficient way possible.

In Sweden, CSN, the national authority that handles financial aid for students, receives help from Intrum Justitia to collect on student loans from 26,000 of a total of 60,000 borrowers who live abroad. Intrum Justitia was brought in after Riksrevisionen, the State Audit Institution, criticized CSN for being too lax with its claims outside Sweden.

Dublin City Council. For several years Intrum Justitia has helped Dublin to collect outstanding refuge charge accounts overdue fees from the city's 1.2 million citizens.

SMEs under threat from late payments

At a time when the European Union has put the political spotlight on growth and jobs, late payments have been identified as a crucial issue on the political agenda, a well-attended meeting in the European Parliament was told.

As indicated by a series of reports from Intrum Justitia, payment habits vary greatly across Europe. Late payments affect everyone, however. The fact is that payment risks are damaging to European business, not least small and medium-sized companies (SMEs), and therefore to the overall economy.

"Understanding payment habits is the first step to improve the situation," said Leif Hallberg, Intrum Justitia's Director of Public Affairs, as he presented the group's new pan-European payment survey at a June 16 working breakfast in the European Parliament in Brussels. The event, jointly organized by Intrum Justitia and SME Union, a prominent business lobby, together with Moody's, a provider of independent credit ratings, gathered a large number of business associations as well as numerous members of the European Parliament, EU Commission officials and reporters.

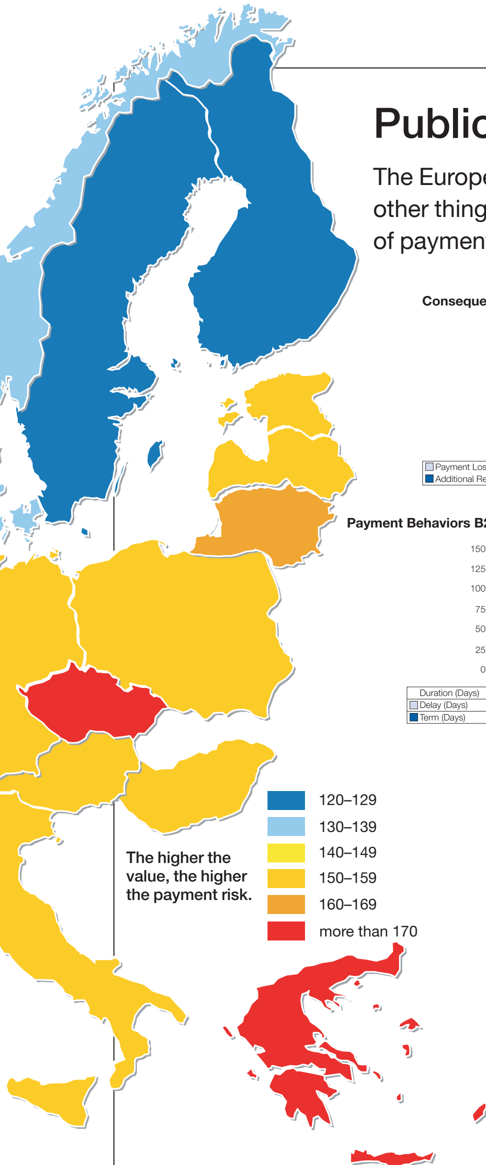
Among those attending the June 16 meeting were David Wright from the EU Commission, German MEP Alexander Radwan, Leif Hallberg from Intrum Justitia and Michel Madelain from Moody's.

This year's European Payment Index from Intrum Justitia covers payment habits in 23 countries. Business managers by the thousands regard payment uncertainties as a major obstacle to cross-border trade and therefore to growth. Another serious effect of late payments is the threat to SMEs. In 2004 between one and two thirds of companies stated that late payments were a major threat. Getting paid on time is crucial to the survival of SMEs.

"The negative effect of late payment on SME credit ratings is likely to increase with the Basel II rules, which are scheduled to take effect in 2006. In every country, working capital requirements increase more or less as a result of late or missed payments. Following the introduction next year of the new Basel II Capital Adequacy rules, the credit ratings of companies will be assessed with an even more watchful eye on their financial strength", Leif Hallberg said.

Public authorities set a bad example

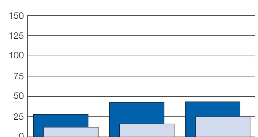
The European Payment Index for 2005 contains facts on payment habits in 23 countries. Among other things, it describes how European companies prioritize their payments, the consequences of payment losses for SMEs and the track record of public authorities as payers.



Consequences of Payment Losses

	Contribution Margin 20%	Contribution Margin 20%	Contribution Margin 10%
Payment Loss	1.9%	2.4%	2.4%
Additional Revenue	9.5%	12.0%	24.0%

Payment Behaviors B2C, B2B, Public Weighted Average (GDP)



	Consumers (B2C)	Businesses (B2B)	Public sector
Duration (Days)	39.8	58.7	68.1
Delay (Days)	12.0	16.0	24.7
Term (Days)	27.8	42.7	43.4

Negative effects for SMEs

Even small differences in payment losses can result in major problems. To cover a payment loss of, say, 1.9% at a sales margin of 20%, sales have to rise by 9.5%.

Public authorities are slowest payers

Payments from Europe's state and municipal authorities are nearly twice as late as those from businesses and consumers.

Overdue invoices have low priority

(Which invoice would you pay first?)

1. Most important suppliers
2. Invoices from the public sector (taxes, charges, etc.)
3. Interest and amortization payments to banks and finance companies
4. Oldest due date
5. Supplier who applies the most pressure
6. Good business partners
7. Largest amount outstanding
8. Other criteria

Better credit management

A two-pronged, harmonized approach is necessary to efficiently manage defaulted receivables:

1. On one hand, the credit management process used by companies must be more professional and implemented more consistently.
2. On the other hand, current legal enforcement procedures have to be reworked and internationally harmonized with a clear view to the following criteria:
   - Direct access for the creditor, or an appointed third party, to the legal enforcement procedure without necessarily having to be represented by a lawyer;
   - Easily comprehensible legislation as well as transparent processes;
   - Rapid decision-making;
   - All legal costs incurred should be paid by the defaulting debtor;
   - Extensive powers to implement decisions;
   - Unlimited ability for the creditor to charge the defaulting debtor for any internal and external reminders and administrative costs as well as higher interest.

More information on www.europeanpayment.com

Late payments, coupled with the risk-sensitive Basel II framework, could create a "vicious cycle" in which late payments hamper SMEs' access to external funding. The resulting lack of credit could in turn strike back by worsening payment terms.

"Existing legal enforcement procedures aren't enough to combat late payments," Hallberg said. "The EU directive on combating late payment in commercial transactions and other payment-related EU initiatives are vital steps in the right direction, although the directive needs to be better 'marketed' to have a real effect in member states. Further legal and regulatory measures are nevertheless required to improve the health of European business, including correct payment behavior."

The purpose of the Brussels working breakfast was to examine the consequences of Basel II and the current EU late payment directive from a practical point of view. In his opening remarks, moderator Alexander Radwan, a German Member of the European Parliament and President of a 50-strong group of European parliamentarians with a keen interest in SMEs, stressed the importance of bringing lawmakers and high-level practitioners together.

David Wright, Director of the European Commission's Internal Market and Services, explained that the economic growth needed to reduce high unemployment in the EU must come about by facilitating for new SMEs. To achieve economic growth, the European Union needs a considerable change in its attitude toward risk-taking, he added.

Michel Madelain, Group Managing Director of Moody's, stressed that credit ratings can be a useful tool for SMEs, which gain insight into their credit profiles and benefit from this assessment in their interaction with partners and creditors.

Responsible lending is a buzz phrase often heard these days when European governments address the relentless tide of consumer credit. In the United Kingdom and Germany, regulations are on track to protect consumers against loan sharks that operate on the fringes of the lending market.

Credit shake in UK and G

The German government is supporting consumer protection through the introduction of the responsible lending principle.

The British government has been working for years to revise its credit laws. The consensus is that radical reforms are needed to match the credit culture that has become part of the fabric of people's lives.

There are now 71 million credit cards in circulation in the UK, with borrowers' appetite for credit pushing banks to launch ever more innovative products, including flexible mortgages, overdrafts and a host of personal loan deals.

Following publication of the December 2003 white paper "Fair, Clear and Competitive – the Consumer Credit Market in the 21st Century," the UK government has legislated to improve the transparency of information available to consumers. This has resulted in the Consumer Credit Bill expected to become law by the end of 2006.

The bill marks the final stage of the most significant reform of Britain's consumer credit laws in 30 years, designed to help consumers by creating a fairer, clearer and more competitive credit market, while enhancing protection, particularly for the most vulnerable.

Among the changes is the detail of information lenders are required to provide to consumers on their credit accounts.

UK consumer minister Gerry Sutcliffe said the bill completes much-needed reforms and equips the credit sector to meet the challenges of the modern market.

"The consumer credit market was last reformed 30 years

The British government has been working for years to change credit laws to suit today's credit culture.

e-up underway Germany

ago, and since then it has changed immeasurably," he said. "While credit is a useful tool for the majority, unfair lending and ill-informed borrowing decisions can cause real problems for some people."

The Consumer Credit Bill includes an Alternative Dispute Resolution (ADR) service, which will enable borrowers to launch fast-track complaints against lenders. The ADR is expected to come into force in April 2006, falling under the remit of the Financial Ombudsman Service, a self-regulatory industry body responsible for savings, investments and loans.

The Office of Fair Trading (OFT), the consumer watchdog, will be allowed to make more rigorous background checks on people who apply for a consumer credit license, and new investigative powers will enable it to question the business associates of a broker or lender under probe. The OFT will also have powers to fine banks and credit card companies up to 50,000 pounds.

Simon Oliver, Press Officer at the UK Department of Trade and Industry (DTI), said the bill represents a significant advance in ensuring responsible lending: "It will replace the old 'extortionate credit' test in the 1974 Consumer Credit Act with an updated 'unfairness test.' This will look at all of the circumstances of the relationship between the parties (consumer and lender) and allow courts to decide whether there has been any unfairness."

A number of banks and credit card companies have raised doubts that the increasing regulatory burden will actually make consumers better off. They also fear the bill will increase the costs of lending.

Meanwhile, Which?, formerly known as the Consumers' Association, and the Citizen's Advice Bureau (CAB) have welcomed the Consumer Credit Bill, but called for the inclusion of measures to make lenders responsible for sharing more information about borrowers. Which? also wants the UK government to use the bill to force credit card companies to calculate interest in the same way, so that borrowers can easily compare the price of different cards.

CAB is focusing on the problem of over-indebtedness by providing free, independent advice to the growing number of consumers seeking help with their debt problems. In the last seven years it has seen an increase of nearly three quarters in the number of problems that have been reported.

CAB has stated it hopes that tightening the credit system will help to eliminate rogue companies and loan sharks. Certainly if they continue to operate they will face stiffer penalties for unethical business practices.

DTI, for its part, has introduced regulations aimed at

> "The consumer credit market was last reformed 30 years ago, and since then it has changed immeasurably."
>
> UK Consumer Minister Gerry Sutcliffe

ensuring transparency in advertising, pre-contract information and agreements.

"We have also introduced the Early Settlement Regulation, which entitles the debtor under a regulated consumer credit agreement to a rebate when all or part of the amount payable to the creditor is paid before the due date," DTI's Oliver said. "All of these regulations are aimed at allowing consumers enough information to make informed decisions about their borrowing, and will encourage responsible lending from the credit industry."

Oliver added that DTI also continues to work closely with the credit industry to ensure that Codes of Practice (Banking Code and FLA Code, among others) include provisions to encourage responsible lending.

According to Oliver, the UK Department for Constitutional Affairs is continuing to develop legislation – the Courts and Tribunals Bill will be introduced when parliamentary time allows – to protect consumers, particularly vulnerable ones. The legislation ensures that if they go to court, the process will be fair, cost-effective and speedier.

In Germany, the Federal Ministry for Consumer Protection, Food and Agriculture, BMVEL, also supports the principle of responsible lending, to encourage and enjoin lenders to provide extensive information. This includes information that helps consumers make informed decisions and understand the impact of a loan on their financial situation.

Federal Minister Renate Künast appointed Dr. Dieter Korczak to draw up an expert opinion on behalf of BMVEL, which aims to examine lending practices in Germany and finding benchmarks for responsible lending policy. Dr. Korczak is currently Managing Director of GP Forschungsgruppe and author of several lifestyle and social science books, including "Quality of Life in Germany."

The planned revision of the EU Consumer Credit Directive prompted Dr. Korczak's analysis. BMVEL endorses the inclusion of the principle of "responsible lending" to commit lenders to adequately consider the consumer's financial circumstances and ability to repay in their lending.

The expert opinion heavily criticizes the scoring models currently used by the banking industry to assess consumer creditworthiness, because they do not account for risks that frequently cause repayment problems such as job loss, divorce or poor money management skills. They are also shaped by subjective factors through the choice of criteria, and frequently discriminatory through the inclusion of information such as residential area or nationality of the borrower.

Moreover, "score values" for bank customers are anything but transparent, with no possibility of control or objection, or for that matter liability claims if ratings turn out to be wrong. On top of this is the fact that banks are increasingly eliminating individual counseling for consumer credits, replacing it instead with automated procedures.

Dr. Korczak has been analyzing the aggressive advertising practices of banks, which regularly talk customers into believing they can quickly and easily buy what they want by borrowing at today's favorable terms. Given that so many people poorly manage their money, they lack the ability to realistically assess their financial situation and withstand the advertising pressure of the banking industry.

All parties questioned in the analysis, including credit agencies, information services, consumer protection groups and debt counselors, regard individual loan servicing ability as the key criterion for responsible lending. Dr. Korczak uses the following benchmarks: borrowing of up to 15% of net family income is generally considered low risk, between 15 and 30% very risky and over 30% high risk.

In view of Germany's three million overindebted households, BMVEL says it makes an important contribution to debt prevention in line with the priorities set by the federal government.

Sources: UK Department of Trade and Industry, German Federal Ministry for Consumer Protection, Food and Agriculture, financial news media.

QUICK FACTS

Intrum Justitia is Europe's leading Credit Management Services (CMS) group. Its objective is to measurably improve clients' cash flows and long-term profitability by offering effective services and high quality in relation to both clients and debtors in each local market. Intrum Justitia's services cover the entire CMS chain, from credit information via invoicing and reminder management to debt surveillance and collection of written-off receivables. The Group has more than 90,000 clients, revenues of SEK 2.9 billion and around 2,900 employees in 22 European countries. The company was founded in 1923 in Sweden and has been listed on the O-list of Stockholmsbörsen, the Stockholm Exchange, since June 2002. The head office is located in Nacka, outside Stockholm, Sweden. President and CEO: Jan Roxendal. For more information on the Intrum Justitia Group, visit **www.intrum.com**

Intrum Justitia Group	**2004**
Revenues, SEK M	2,740
Operating profit (EBITA), SEK M	430.6
Cash flow from operating activities, SEK M	485.3
Collection cases in stock, million	11.6
Total collection value, SEK billion	79.4
Average number of employees	2,945

For definitions, see www.intrum.com

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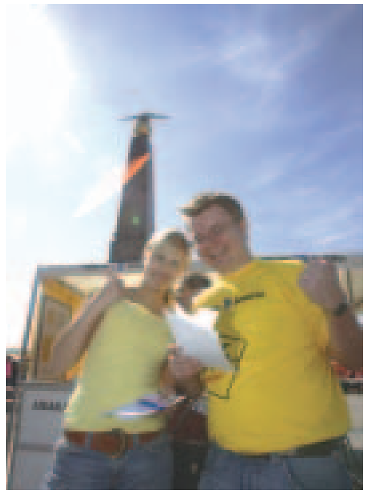
Debtors find advice under a tent



FINLAND Intrum Justitia Oy in Finland is the first, and probably only, CMS company in the world to have used a "tent campaign" to offer people advice on managing their debts. For the fourth year in a row, the company is manning a tent throughout the summer in Helsinki's Market Square and the first Mondays in June, July and August in Central Square in the country's second city Tampere (Tammerfors).

"With this campaign and our motto, '*Fair pay … please*,' we hope to maintain respectful relationships with both creditors and debtors and ensure that debts are fairly handled between our clients and their customers," said Thomas Feodoroff, Managing Director of Intrum Justitia in Finland. Intrum Justitia always tries to be accessible to help individuals and businesses solve their debt problems.

Intrum Justitia strengthens its position in Polish debt market

POLAND The Polish Securities Exchange Commission (Komisji Papierów Wartościowych) has approved Intrum Justitia's application to establish an Investment Fund Society ("IFS") in Poland. According to regulatory changes, an IFS is important for companies investing in portfolios of written-off receivables.

The Intrum Justitia IFS will manage one or more investment funds, which will invest in various types of portfolios and have different investor structures. The investment funds will issue investment certificates to investors within the Intrum Justitia Group and its partners in order to fund portfolio purchases.

Intrum Justitia is already an experienced debt purchaser in the Polish market, having invested in more than 100 portfolios (with about 1 million cases) since 2000. The IFS will generate new local collection cases and bolster Intrum Justitia's position as market leader.

As an alternative to using Intrum Justitia to collect written-off receivables through conventional outsourcing, companies can sell their receivables. This is often a good alternative if they are looking to cut administrative costs as well as to realize the hidden value of their written-off receivables and accelerate cash flows.

Redemption of Intrum Justitia shares worth SEK 590 million

In April the Annual General Meeting of Intrum Justitia AB resolved to offer shareholders the right to redeem their shares for a cash payment of SEK 84 per share. The offer was a success, with a total of 7,029,353 tendered for redemption, representing an acceptance level of 99.25% and a value of approximately SEK 590 million. The redemption proceeds were paid to shareholders on June 30.

A good prescription for Belgian hospitals

BELGIUM In the last year Intrum Justitia has built a strong client base in the Belgian healthcare sector. In June and July it tried an original approach to generate attention among the country's hospitals, using a direct mail promotion in the shape of a blue pill container with the label, *"A mild remedy for indigestion from accounts receivable."* Enclosed was an information sheet explaining what Intrum Justitia can do for them. They were also notified that they would be getting a call from the company's telemarketing team. The entire campaign focused on the "softer," more human approach Intrum Justitia has become known for.

On behalf of Uneto-VNI, the Dutch association of installation contractors and technical retailers, Intrum Justitia has investigated payment behavior in the installation industry. The conclusions are clear. Contractors have more problems with clients in default than other industries.

Poor payment habits hurt installation contractors

The topical nature of payment problems was confirmed by Hans van den Berg, who heads business affairs at Uneto-VNI, giving him considerable contact with industry members. "When I announced we were doing a survey on payment behavior in our industry, we received about 175 responses within a few hours. Everyone wanted to cooperate. Eventually 446 companies took part."

The nationwide survey, conducted by Intrum Justitia, gave the installation industry low scores in several respects. On average Dutch consumers settle claims with electrical contractors after 30 days and companies after 48 days, with a national average of 41.6. "One thing I find striking is that even the government exceeds the payment period considerably," said van den Berg.

The main cause of the poor payments appears to be the superficial relationship between installation contractors and their clients. The contractors themselves think the problem is due to their clients' financial problems, to deliberately late payments (for example, to benefit from the accrued interest) and to administrative shortcomings. In addition, disputes over completed work are a cause of unpaid invoices.

Plenty of attempts are made to collect outstanding sums. Making calls, sending notices and personal contact are the most common tactics. When these actions fail, contractors often turn to debt collection agencies.

"As an industry organization we have had a master contract with Intrum Justitia for years, and large scale use is made of the scheme," explained van den Berg. "Unfortunately there is a small group of members who take no action at all. When the sums of money involved are small, they don't believe the time and cost of the collection process is justified by the results they can achieve."

This is a pity, since installation companies incur considerable damage. In 2004, 70% of them wrote off irrecoverable claims, at an average loss of just over 4,000 euros per company. It takes an extra turnover of 80,000 euros to compensate for this loss. In all, Uneto-VNI's members write off around 15 million euros a year.

At the moment discussions are being held with Intrum Justitia on what should be done next. "Many contractors don't realize how much economic damage defaulters cause. We hope to draw on Intrum Justitia's experience to help members set up good credit management systems," stated van den Berg.

"I have come to know Intrum Justitia as a partner who will think proactively with us," he continued. "They realized that we, as a trade organization, must offer our members business information. Today's entrepreneurs expect this of us. They are not members just to be 'part of a club' but also to find support for their entrepreneurial ventures."

Uneto-VNI

Uneto-VNI represents 6,000 installation and electrotechnical retailers in the Netherlands, from one-man businesses to public companies. In total, its members employ around 120,000, making Uneto-VNI one of the country's largest employer organizations.

For more information: www.uneto-vni.nl

The French approach to public service

In the French public service system, debtors are treated with respect. And with its Fair Pay philosophy, Intrum Justitia provides a perfect response to the expectations of parties on both sides of the debt equation.

France's leading utility, EDF, has over 35 million European customers. Now that the energy market has been opened to competition, EDF has to reconcile its mission as a public service with demands for efficiency and profitability.

EDF has its own debt collection service which, after sending out an initial series of reminders, outsources files to a dedicated team at Intrum Justitia. The advantage of this approach is that EDF has two teams that are able to optimize the actions carried out at various steps in the debt collection cycle.

The receivables managed by these teams are mostly from consumers for accounts canceled for non-payment and, for example, from people who are moving home or have become overindebted. Receivables are also recovered from business accounts, as in the case of damage to premises.

With the market now open up to competition, the EDF Group is positioning itself to become a leading energy company in Europe.

The group is a key player in electricity generation, distribution and supply. Managing a generation mix with a capacity of 122.6 GWe, it provides energy and services to 41.6 million customers throughout the world, including 35.6 million in Europe.

The EDF Group comprises Electricité de France (EDF) and a network of affiliates and companies worldwide.

Source: www.edf.com

When a debtor is nearly insolvent, care is needed when recovering receivables. Recovery measures are determined based on the circumstances faced by the individual customer. For a person unable to pay his or her electricity bills due to genuine difficulty and who is willing to resolve the situation, Intrum Justitia can suggest that thay set up an instalment plan. For those who are creditworthy but not interested in discussions, legal proceedings will quickly follow the attempts at amicable recovery.

Intrum Justitia has a mandate to act on EDF's behalf, and if a collection case needs special attention or measures the Intrum Justitia team contacts EDF mediators or, in special cases, the overindebtedness committee.

The Fair Pay philosophy developed by Intrum Justitia over decades is important to convincing clients of the importance of preserving their image. In EDF's case, its collection measures must ensure that debtors are treated respectfully. Recourse to legal proceedings is done judiciously, and priority is given to formulating amicable solutions. Intrum Justitia acts with complete transparency and makes a particular point of respecting the rules of procedure.

Imbued with EDF's culture and wholly dedicated to recovering EDF's receivables, the Intrum Justitia team, based at St Herblain, is particularly adept at judicial debt collection and has unique experience with EDF's files that have accumulated over the decades. The results are obvious: 97% of the procedures brought before the courts are accepted by the judges.

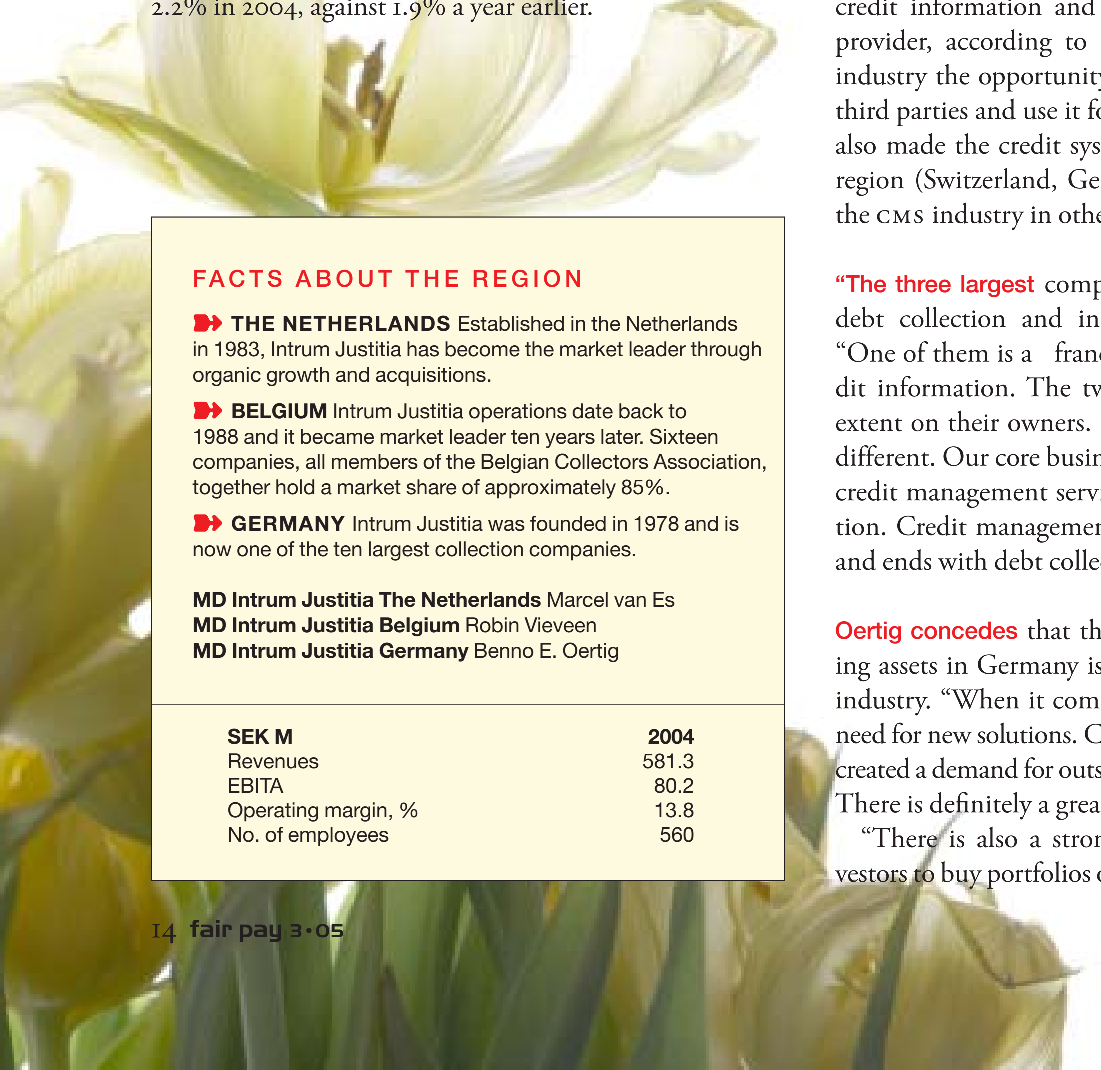
The Intrum Justitia organization set up for EDF ensures physical proximity and "à la carte" service, whereby Intrum Justitia develops services specifically to meet the requirements outlined by EDF. One example is Intrum Justitia staff's visits to the 100 EDF customer centers, which facilitate customized reporting and create a shared vision of how to approach debt collection.

At this stage, the advantages of this long-term dedicated collaboration and expertise are tangible, and a unique relationship has been established with the EDF Group.

Fertile ground in Germany

Mountains of debt and a market looking for new solutions make Germany fertile ground for credit management services.

The German economy has been struggling for years, with growth virtually nonexistent. One result is a huge volume of nonperforming assets, now up to 300 billion euros, or 60% of Europe's total. Unpaid receivables totaled 2.2% in 2004, against 1.9% a year earlier.



FACTS ABOUT THE REGION

THE NETHERLANDS Established in the Netherlands in 1983, Intrum Justitia has become the market leader through organic growth and acquisitions.

BELGIUM Intrum Justitia operations date back to 1988 and it became market leader ten years later. Sixteen companies, all members of the Belgian Collectors Association, together hold a market share of approximately 85%.

GERMANY Intrum Justitia was founded in 1978 and is now one of the ten largest collection companies.

MD Intrum Justitia The Netherlands Marcel van Es
MD Intrum Justitia Belgium Robin Vieveen
MD Intrum Justitia Germany Benno E. Oertig

SEK M	2004
Revenues	581.3
EBITA	80.2
Operating margin, %	13.8
No. of employees	560

"This is an increase in payment losses of 15% in one year's time, which is fairly dramatic but also signifies great potential for us," said Benno E. Oertig, Acting Managing Director for Intrum Justitia in Germany. "Together with the 300 billion euros in nonperforming debt, we are in for a really interesting time."

Although payment duration averages a little less than 40 days, only 4% of German companies hope for an improvement in payment morale.

The German market is used to obtaining custom-tailored credit information and collection services from a single provider, according to Oertig. This gives the collection industry the opportunity to share credit information with third parties and use it for internal scoring processes. It has also made the credit sysem in Europe's German-speaking region (Switzerland, Germany and Austria) interesting to the CMS industry in other countries.

"The three largest competitors all offer a combination of debt collection and information services", said Oertig. "One of them is a franchise, however, mainly in B2B credit information. The two others are dependent to some extent on their owners. Our position in Germany is quite different. Our core business is definitely the whole range of credit management services, with a clear focus on prevention. Credit management starts by preventing credit risks and ends with debt collection as a way to reduce risks."

Oertig concedes that the current volume of nonperforming assets in Germany is a big challenge for the collection industry. "When it comes to outsourcing, we clearly see a need for new solutions. Clients want better results, which has created a demand for outsourced credit management services. There is definitely a great opportunity for us to grow.

"There is also a strong interest from international investors to buy portfolios of written-off debts," he continued.

Staying a step ahead in Belgium and the Netherlands

The credit management markets in the Netherlands and Belgium are highly diversified, with a surplus of local players that offer limited services. "This situation actually benefits Intrum Justitia, as we are a one-stop shop that covers all aspects of the credit management business," said Marcel van Es, head of Intrum Justitia's operations in the two countries.

The CMS markets in the Netherlands and Belgium are very different, the Dutch being much more mature. There are less than 200 collection agencies in Belgium, while the Dutch market has nearly 800.

Belgium has bailiffs, who have a monopoly and can charge collection fees that commercial collection agencies can't unless agreed to by the creditor and debtor. Moreover, the bailiffs have strong ties to the political establishment.

"They have a strong lobby with the political parties, which has paid off in terms of favorable legislation," van Es said. "At the same time this means great opportunities for us, because commercial collection agencies and CMS providers are not as well established. Our biggest competitors are owned mainly by banks or mail order companies."

Intrum Justitia is the market leader in both countries, with over a 25% share in each. In the competitive Dutch market, the top 20 companies cover 80%.

"Outsourcing isn't used much in Belgium. In the B2B market, less than a third of outstanding receivables are outsourced, and about the same number goes for the B2C market, so there is a lot of ground to be gained," van Es said.

In the Netherlands, on the other hand, outsourcing is considerably more popular. "The legislative situation is more open in the Netherlands, and bailiffs aren't as common," van Es said. "Collection agencies and CMS providers are undergoing a certification process initiated by the industry and supported by the government. And there are new laws on debtor fees."

Marcel van Es,
Regional Managing Director for Belgium and the Netherlands.

Age: 38.

Family: Married with three children.

Hobbies: Vintage cars, reading.

He notes that Intrum Justitia can offer B2B clients a specialist approach, which includes online reporting. "Small companies are in danger of going bankrupt if their invoices aren't collected," he added. "They can clearly benefit from our online reporting tools, which could be critical to their success and sometimes even survival."

Being a market leader and pan-European CMS provider, Intrum Justitia can influence public opinion in Belgium and the Netherlands. With access to European lobbyists, it can also play an important role in legislation.

"A large part of our success is having the best, most competent people. Our human resources are vital to us, and we've only seen the beginning of our potential," he concluded.

"If you can manage the risks, this kind of investment should yield a high return. Intrum Justitia has the right knowledge, and we are experts at collecting."

He also stresses Intrum Justitia's Fair Pay philosophy, which involves less pressure and more motivation to encourage debtors to pay. What's more, Intrum Justitia is introducing innovative methods of credit management, all of which have helped it to gain a large market share in Switzerland.

"Debt collection is complex and requires individualized solutions that provide greater value. In Switzerland, for example, we have always been very innovative and made the most of our know-how and experience," Oertig said. "Our goal is to extend our expertise of corporate structures and processes also to the German market."

Sender:
Intrum Justitia AB
SE-105 24 Stockholm
Sweden

new on tv

Debt collection makes for popular Dutch TV viewing

Say "Het Inkassobureau" to practically anyone in the Netherlands and they are bound to think of the television drama that plays out against the backdrop of the country's pressing debt problem. In this primetime series, Dutch viewers get to follow a debt collection agency, the starring role played by none other than Intrum Justitia.

It begins like a detective show, with dramatic music and situations unraveling at home, in the office or in the field with locksmiths, bailiffs and debtors, the latter with their faces obscured. Viewers of the long-running series excitedly follow the anything-but-monotonous CMS industry.

Since this is TV, drama sometimes trumps reality and "creative" explanations from debtors are the norm.

One tried by saying, "I couldn't read your letter. I'm blind." He wanted his dunning letter in Braille. Another suddenly changed identity and hung up the phone when he heard it was a collection company calling.

But the man with the magic rabbit took the prize. He kept his bills in a high hat, where each month a magic rabbit would pick out three to pay. "My rabbit hasn't gotten to your bills yet," he said.

Normal conversations with normal debtors are also shown in the series. Like the man who calls in a panic about a debt he presumes to be 200 euros. After a simple check, he was happy to find out that it was really only 55.

Unfortunately, things aren't always that easy. Douglas, who handles the firm's special cases, investigates a debtor who owes more than 22,000 euros. An employee is sent out to to do some detective work and snoop around various companies with ties to the debtor. The excitement builds and eventually they find their man.

Happy endings are commonplace in today's CMS industry. As long as the collection firm can start a dialogue with the debtor, there is usually plenty of opportunity for a happy, though less than entertaining conclusion.

For television purposes, the road to a happy ending can't be quite that simple. In one episode, viewers follow a lengthy rental dispute. A Spanish-speaking family reaches a settlement but still hasn't paid. Bailiff Wim is called in to evict them.

Joined by a locksmith and movers, Wim enters the family's apartment to empty its contents. The tenants suddenly arrive home, and we expect harsh words and conflict. Instead Wim speaks calmly with them. If the family can pay their debt, they won't be evicted.

As it turns out they do have the money, but it is spread out among their belongings, now packed in boxes. After a wild search, Wim collects the debt. The episode ends with smiling tenants and a heartwarming scene in which Wim helps the family's little daughter unpack her toys.