

# Intrum

MAGAZINE

THE CREDIT  
MANAGEMENT  
MAGAZINE FROM  
INTRUM JUSTITIA

NO. 1 | 2009



## PAYDAY LOANS

Many of today's young ones don't want to wait for all that glitters. They want it now

## BETTER CARE

Top Irish teaching hospital enhances care with smarter invoicing follow-up

## GET SMARTER

As credit crunch bites, the need for smarter credit management increases

# DAREDEVIL

Responsible risktaker Richard Branson  
always calculates the odds



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**Editorial:****'If you can't cope with change, you're finished...'**

**Benjamin Franklin's** insight above resonates distinctly as the business world struggles to handle the ongoing impact of the credit crunch and other economic pressures. A firm and effective credit management process, internal or outsourced, will set apart those companies that survive the recession.

We are no strangers to change at Intrum Justitia. In 2008 we took many actions to fulfil our strategic journey towards a full Credit Management Services Company.

**A steadily increasing** number of companies are rediscovering credit management as a profit centre – strict processes that allow businesses to sell more of their products and services with lower risks. Thanks to our innovative analysis approaches we are helping more and more companies to forecast their risks, or at the very least provide them more insight on different target groups.

The reality is that our credit management tools deliver more companies more ways of getting more cash in, faster.

Our job is to help you, our client, to do business more safely – based on our knowledge of the evol-

ving credit marketplace and our decades-long experience of building on the changes that are natural to business life.

**We are also** glad to have had the opportunity to meet UK biz guru Richard Branson, who is spot on in reminding us that risk taking requires calculating the risks. We agree with him that life should be both about fun and taking responsibility.

In my current role as Intrum Justitia's intermediate CEO, I would also like to take the opportunity to welcome our newly appointed CEO Lars Wollung, who as a member of Intrum Justitia's board of directors has been deeply involved in our transformation. This means our efforts to expand our offering throughout Europe will thereby continue undiminished.

**Let's work on** enjoying growing our business – profitably!

**MONIKA ELLING, CFO AND ACTING PRESIDENT AND CHIEF EXECUTIVE OFFICER, INTRUM JUSTITIA**

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**intrum justitia**

## “WE HAVE TO RISK TAXPAYERS’ MONEY”

**This year’s Laureate** in Economics in the memory of Alfred Nobel, the American economist Paul Krugman, is probably better known among the public as a columnist for The New York Times than as a researcher in economics. Since 1999 he has written a popular bi-weekly column on a vast variety of subjects. In his column, as well as in his daily blog, a frequent theme has been criticism of the way in which the Bush administration has been running the US economy. Paul Krugman, who has not hidden his support for Bush’s successor, now hopes he will get the chance to focus on his own subjects again.

“With the Obama administration I can hopefully get back to writing about international economics again,” a happy Paul Krugman said when attending the prize ceremony in Stockholm.

Paul Krugman received the award for his contribution to a better understanding of international trade patterns. By introducing economies of scale in production and allowances for different tastes among consu-

mers, Paul Krugman was in the late 1970s able to explain why similar countries import and export the same kind of goods. Krugman is also acknowledged for explaining what causes industries and people to agglomerate in cities.

In recent years, Paul Krugman’s academic research has focused on economic and currency crises. The current crisis scares him, and he thinks it is hard to foresee how long and how severe it will be. He is in favour of government rescue packages and welcomes the return of belief in the economic policies of John Maynard Keynes. Paul Krugman points out that we are all losers in the crisis. Taxpayers’ money has to be spent even though some may go to companies that will go bust and therefore maybe lost in vain.

“This is such a frightening crisis that we have to take some chances including misspent money. Simply because the alternative of being careful about our pennies, and risk going in to a depression mark two, is just too great,” says Paul Krugman.

**Words: Karin Nilsson**

### Paul Krugman

Paul Krugman was born in 1953 in New York USA. Since the year 2000 he has been professor of Economics and International Affairs at Princeton University, and is well respected for his educational skills. He has been a consultant to the International Monetary Fund, the World Bank, the United Nations, and the U.S. State Department. He is also the editor and author of dozens of books and has written several hundred articles primarily about international trade and international finance. But he is also a well-known critic of the former American president George Bush and a diligent columnist in the New York Times. His columns have given him the ear of a broader public audience.



Paul Krugman is a famous Bush critic, frequent blogger and a respected economist. This year it was his turn to be awarded in Stockholm. The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel has been awarded to 63 individuals since 1969. The prize sum is 10 million SEK.



### French business closures

**More than 28,500** French businesses went bankrupt in the first six months of 2008 as the economic environment worsened, up 15 percent from the same period a year earlier, according to a report from French credit insurer Euler Hermes. Bankruptcy procedures continued to largely affect companies employing fewer than 20 people and especially very small firms in the eurozone’s second largest economy, but the number of cases involving larger firms also grew. Sectors hardest hit were construction, real estate, retail sales and the restaurant sector.

### European satisfaction

**European leaders attending** the G20 Washington Summit last November articulated general satisfaction with the agreed action plan to encourage trade, financial stability and economic expansion. The summit, bringing together the world’s top 20 emerging and industrialized economies, opened the door to extensive reform of global financial regulation in a relatively tight time frame.



PHOTO SCANPIX

## Credit crunch impacts health

The credit crisis is hitting more than just pockets, it is also threatening people's health. The UK's Blood Pressure Association and Friends Provident report that more and more families are cancelling gym memberships, more people attribute their smoking habit to their financial worries, and the sales of cheaper, yet more sugary foods are higher than healthy foods such as fruit and vegetables. The combination of all these factors, says the BPA, will be a surge in the nation's blood pressure and a deterioration of their general health.

# Q & A

## ELGA BARTSCH



**Can Europe cope with recession? Will the efforts to tackle climate change suffer due to sudden cash shortages? Is the financial landscape changing? We put those questions to Elga Bartsch, chief economist for Europe at Morgan Stanley who specialises in monetary policy and climate change economics.**

**Q: Will the financial crisis force the EU into new economic integration?**

**A:** "We have already seen some closer collaboration, but this is not unique to the European Union. You also see it in wider circles, such as the G7 and recently the G20, and this comes back to the fact that most of these economies have been hit by the same shock. Many people now realise in this era of globalisation just how closely our economies, our capital markets, our financial institutions are integrated. As they say, 'no man is an island' – and certainly no financial man."

**Q: How will Europe cope with a full-scale recession?**

**A:** "It will cope with it as well as you can cope with any recession. One thing we should bear in mind is that for the euro zone as a whole, there are no major internal or external imbalances in terms of public-sector indebtedness, in terms of external debt, and we also have a central bank that never really became restrictive in its policy stance. That sets it apart from, for example, the Fed, which at one point really embarked on a restrictive policy stance. A recession is always challenging, but if you look back to the one in the early 1990s in terms of the dislocation that we saw in the main currencies which preceded the euro, or in the Nordic region, today we still have a much more orderly development."

**Q: Will a recession help or hinder efforts to tackle climate change?**

**A:** "I think in the near term we will see reduced greenhouse gas emissions. The greater involvement of governments and especially the fiscal stimulus packages that seem to be on the way could actually be used to make further inroads in tackling climate change and improving the energy efficiency of the European economy."

**Q: How has the financial landscape in Europe changed over the past ten years?**

**A:** "We have seen a great deal of integration, an increase in cross-border bank lending, in cross-border foreign direct investments in the financial industry, so the ties are much closer. And, of course, in the last ten years the comparative size of the financial industry has grown very sharply in most countries. The question is whether the financial industry has become too big. It is actually not unusual to see this in innovative industries; we saw the same with the IT industry in the run up to 2000, and it is part of the process of innovation that you see this kind of development. I think in the next ten years the landscape will change again, and probably even change considerably in the near term given the very substantial changes we are seeing happening right now, such as the greater involvement of governments in the financial industry. I think there is probably still more to come."

**Words David Wiles**

# PAYDAY PANIC

As the market for payday loans explodes across much of Europe, the number of indebted young adults lured by the quick and easy money has rocketed. In Sweden alone, the number of unpaid payday loans is expected to soar to 60,000 annually. Intrum Magazine explores this lucrative and rapidly growing industry.

WORDS JOSEFINE SWENSON & DAVID NOBLE / PHOTO GETTY IMAGES & ADAM HAGLUND





Nadia Simeonidou found herself trapped in a debt spiral taking out new loans to cover older debts.



Like many other people around Europe, Nadia Simeonidou found herself in a debt carousel, borrowing ever more to pay off short-term credit loans carrying huge interest rates. Nadia was 21 years old when she took her first loan. Newly divorced, with the main responsibility for her one-year-old daughter and a student grant as her only source of income, she desperately needed money. She was going to use a 2,400 euro bank loan toward getting her driving licence, so she would not have to rely on others to get to the daycare centre and work.

But she never did get the driving licence. Instead, the money was quickly spent on expensive children's clothes, furniture for her new flat and weekend activities with her daughter.

"I didn't want my daughter to suffer because her parents were separated. I wanted to give her everything. We bought clothes, went to the zoo and bought ice cream for all her friends," Nadia tells us.

Nadia managed to pay back the loan. But at the same time she'd had a taste of the good life and soon got herself a credit card. The effective interest rate was 33 per cent, but no questions were asked, and Nadia didn't think about the consequences.

"Not only was I a young, single mother without money, I was also feeling pretty bad psychologically around that time. It felt as though all the advertising about quick and easy money was directed at me," says Nadia today.

She is far from alone. The numbers of borrowers accessing easily available fast cash, so-called payday loans, to cover immediate needs is growing rapidly in many countries across Europe.

Payday loans are unsecured consumer credit for a few hundred euros taken out for

periods shorter than three months. The idea is to borrow the money until the next payday. But the cost can be outrageously high as many consumers in Denmark, Finland, Sweden,

Britain and elsewhere are discovering.

"The phenomena of quick and easy credit only arrived in Denmark in early 2007, but it is a rapidly growing industry – unfortunately," says Troels Holnberg, an economic advisor with the

Danish Consumer Council.

"There are already four credit companies active in the arena and the annualized interest rates they are charging range from several thousand percent up to a mind-boggling one million percent!"

Danish legislators are currently studying ways to oversee what is still an unregulated industry, but little is in place so far although

**"IT FELT AS  
THOUGH ALL THE  
ADVERTISING  
ABOUT QUICK AND  
EASY MONEY WAS  
DIRECTED AT ME"**





**Expensive clothes and an active lifestyle. Today's youth want to have it all.**

Holnberg says he has hopes a code of conduct for the lenders will soon be agreed.

“The big problem is that due to the newness of the industry no one really knows just how big a problem is developing.”

Finland is confronting a similar problem.

“Quick loans are very problematic in Finland because of the lack of any legislation regulating that specific sector of the financial services industry,” says Mrs. Torve Sario, head economist with the Finnish Consumers Association.

“Very few checks are made by the loan companies on the applications for short-term credit and we’ve even had incidents when people have taken out credit in the names of others. And it is not just a problem for youngsters any longer, a growing number of older Finns are now also resorting to quick loans.”

Sweden and Finland are among the countries in Europe with the biggest problems regarding payday loans.

And because they are so easy to get – in Sweden there is no requirement for a credit check or written contract – it is also easy to live beyond your means and wind up in a debt spiral. New loans are taken out to pay back those already due, which is exactly what happened to Nadia who used payday loans to carry on with her active lifestyle.

Nadia was forced to take several extra jobs just to manage the growing payments. When things were at their worst, her bills amounted to 3,500 euro per month. During a normal month she had seven or eight collection demands to pay.

In Sweden lenders are not required to mention the effective interest rate in their payday loan advertising – a rate that can often amount to 1,000 per cent. This makes it harder for the consumer to get a clear picture of how much the loan will actually cost.

“The reason behind this legal exception was to facilitate invoice credits, when you purchase something for a small amount and

### Sky-high interest rates

Below are a few examples of effective interest rates charged by payday loan companies, something they are not required by law to inform their customers of when marketing loans in Sweden.

| COMPANY        | Effective interest % |
|----------------|----------------------|
| Lenders*       | 18,228               |
| 1000finans**   | 7,850                |
| Ferratum       | 1,221                |
| Mobillån       | 654                  |
| Femhundring*** | 294                  |

\*Lenders: 15 day loan. Maximum amount is 195 euro, which requires a previous loan occasion.

\*\*1000finans: 15 day loan. Maximum amount 97 euro. No arrangement fee, but the application costs 20 euro, which is charged whether or not the loan is granted.

\*\*\*Femhundring: Maximum loan 50 euro. No arrangement fee, but 3.80 euro in SMS charges and an invoice charge of 3.40 euro.

SOURCE: AFFARSVÄRLDEN NO. 36, 2008.



**FACTS: PAYDAY LOANS**

A payday loan is basically an unsecured consumer credit of a few hundred euros taken out for periods shorter than three months. They are often offered via mobile telephone and the internet, and they are marketed as being interest free. The money is deposited into the borrowers account the same day or the day after. The price of a payday loan is often declared as being a charge for handling, administration, invoicing or SMS services. If the charges are converted to effective interest, they can often lead to interest rates over 1,000 per cent. According to Swedish legislation, there is no requirement to state the effective interest rate when small or short-term loans are marketed. This makes it difficult for an applicant to compare loan prices with other forms of consumer credit.

► pay shortly thereafter. But now this exception is exploited for freestanding credit, i.e. taking out a loan and using it for what you like,” explains Gunnar Wikström, a lawyer at the Swedish Consumer Agency.

**Payday loans** are also growing dramatically in Britain and the USA. Each month sees 23,000 new customers in Britain, where the market is worth £4 million per month.

In the USA, the value of payday loans granted has doubled to \$48 billion in five years.

Norway has sought to confront the issue of lax control standards through legislation. For example, Norwegians are required to personally prove they are who they say they are.

Other European countries, such as France and Italy, have yet to be exposed to the payday loans, perhaps due to easier access to bank overdrafts. In Italy overdrafts are estimated

by the Italian consumer association Altoconsumo to stand at almost Euro 276 billion.

“It is very positive that the pay-loan financial instrument is not yet available on the Italian market,” says Liliane Cantone, head of media relations at Altoconsumo. “But there are similar products that have

**“WE ARE A SPOILED GENERATION THAT NEVER GROWS UP”**

quick availability: overdrafts, loans aimed at buying a specified product inside shops and revolving cards, which offer more normal interest rates up to a max of 24.48 percent.”

But in Sweden, Nadia’s situation is far from unique. The emergence and establishment of new payday loan companies is exploding, as are the numbers of debtors who end up on the Swedish Enforcement Authority register.

During the first half of the year, 17,299 applications for injunctions for unpaid payday loans arrived at the authority, of which 18 to 25-year-olds made up more than one third.

“We are deeply worried by the debts that payday loans create. Indebtedness itself causes social exclusion and ill health. These companies create a false sense of effortless simplicity for those who feel they cannot make ends meet.

And it is this kind of marketing that brings us to call for better credit checks for this type of loan,” says Janne Åkerlund, Public Relations Officer at the Swedish Enforcement Authority.

**The first player** on the Swedish SMS loan market, Mobillån Sverige, was convicted by the Swedish Market Court in the beginning of 2008, in a case brought by the Swedish Consumer Agency. Not only did they

**Consumer loan rights strengthened by new EU legislation**

The EU Commission adopted a new consumer credit directive in April 2008. The directive means that all Europeans must receive the same loan information, regardless of homeland. It must also be possible to move a loan from one bank to another, and if a borrower is dissatisfied, to cancel the loan within two weeks. It will also be easier to calculate the total credit cost. The effective

interest must be stated, as must the total amount to be paid by the consumer. The regulations apply to loans between €200 and €75,000. Legislation regarding amounts below €200 will be decided by individual countries. The new law will come into force in May 2010 at the latest.

As a result of the above directive, the Swedish Ministry of Justice will present a

departmental memorandum concerning a new bill around the 2008/2009 New Year. At the same time, the Swedish Consumer Agency is working on its part to prevent indebtedness, and together with the Swedish Enforcement Authority and Financial Supervisory Authority has started a campaign in the country’s high schools called Watch Your Cash (Kollpacashen.se). Its aspiration is to in-

contravene good marketing practice, they also levied unjustifiably high charges – in this case 58 euro for a one-month loan of 290 euro.

Another prosecution against the company Ferratum Sweden is currently being considered by the same court.

“We can’t drag every payday loan company to court, but we hope that the case against Ferratum can answer a few of the remaining legislative questions. In this way we can create a precedent that will apply to all the players in the industry,” says Gunnar Wikström at the Swedish Consumer Agency.

Together with the Swedish Enforcement Authority, the agency has also requested the Ministry of Justice to review the legislation.

That so many young people these days have such poor control over their private finances has several causes, Nadia believes.

“Demands from society just get bigger all the time. You have to have designer clothes and a fancy place to live. At the same time, fewer and fewer are getting steady jobs after college. What’s more, we are a spoiled generation that never grows up,” Nadia says.

Nadia’s parents stood by her through thick and thin. Over the years, whenever she broke down and told her father about her debts he helped her over the crisis. After six years of unrepaid loans, her dad had had enough. It was a turning point for Nadia.

“Right up until the last I thought he would always come to my rescue.”

Today Nadia has a grip on her finances, thanks to her participation in the Swedish TV3 series *Lyxfällan*, in which consumers are given help solving their financial problems. Nadia took out two larger bank loans in order to pay off her payday loans and set up a repayment plan for the future. In 2013 she will be completely debt free. ▀

crease understanding and create an interest in personal finances among the young.

As we mentioned in *Intrum Magazine* no. 3 2008, *Intrum Justitia* has also launched a new website called *My money* ([Mymoney.intrum.se](http://Mymoney.intrum.se)). The site provides private individuals with articles offering advice and comments on current events within the area of private finance.

## Different countries, different rules

The legislation regarding payday loans varies widely between different countries. Sweden and Finland are among those countries with the biggest problems regarding payday loans and indebted youth.



### FINLAND

The availability of payday loans offered via mobile phones, has grown significantly over the past years and the number of market players is now over sixty. Legislation provides no requirement for identification from loan applicants, and so even minors can take out loans using their parents’ mobile telephones. The first case is now being studied by Finland’s Market Court.



### USA

Payday loans are growing fast in the USA too. In five years the value of payday loans granted has doubled to \$48 billion.



### HOLLAND

The Dutch have succeeded in heading the bad guys off at the pass with the aid of effective newspaper and TV campaigns. Another reason why payday loan companies have found it hard to get established is that most banks offer overdraft facilities on accounts, which are used regularly.



### DENMARK

In Denmark the payday loan companies are in principal governed by the same rules as other credit providers, although their exact position is fuzzy. The government is working to establish special guidelines for payday loan companies.



### SPAIN

Spanish law doesn’t allow SMS loans. All types of loans require written contracts and high customer creditworthiness.



### NORWAY

In order to provide a loan in Norway a licence is required from the Financial Supervisory Authority. According to Norwegian Law, borrowers must be able to physically identify themselves. Therefore it is not possible for a Norwegian to borrow money via SMS. However, the company Folkia offers so-called micro-loans, against identification and a signature at the post office after a credit check has been carried out. The effective interest rate is between 300 and 1,300 per cent.



### SWEDEN

During the first half of 2008, 17,299 applications for injunctions for unpaid payday loans via mobile phone, so-called SMS loans, arrived at the authority, of which 18 to 25-year-olds made up more than one third. Now the numbers of unpaid payday loans are skyrocketing towards 60,000 per year. The Consumer Agency is working to compel loan companies to show their effective interest rates.



### BRITAIN

Payday loans increased by 55 per cent in Britain between September 2007 and May 2008. Every month another 23,000 new customers enter the market, who together borrow £4 million.



### ICELAND

Iceland currently has no companies offering payday loans, even though legislation there is similar to Sweden’s

# Enhancing frontline care

The mission was to deliver more resources to frontline care in one of Ireland's top hospitals by sensitively encouraging people to pay their outstanding medical bills faster. Today patients are benefiting as the vision comes true.

WORDS DAVID NOBLE / PHOTO MAXWELL PHOTOGRAPHY



“

By using an external supplier for billing follow-up, we free resources for front-line services

The patients receiving care from nurses and doctors in the near 300-year old, yet modern St James Hospital in Dublin probably never give a thought to the need for complex, highly efficient back office processes required to fund their treatment.

With around 780 beds and 3,500 staff, the St James Hospital in the Irish capital prides itself on its commitment to delivering health care innovation as Ireland's largest acute general teaching hospital. But that mission stretches to also encompass innovative back office approaches designed to use available funding ever more efficiently to deliver greater resources to the front line of care.

As Director of Finance at the St James Hospital it is Brian Fitzgerald's task to make sure the hospital has the resources necessary to deliver the best possible care in the fastest possible time for all patients accessing the hospital's services.

“We have an annual budget of €450 million, which may sound a lot, but in today's economic reality we have to find every way to make that funding work

harder to deliver our top-class emergency and elective medical and surgical services,” Brian stresses.

It is a money-management environment where every efficiency makes a positive difference. That long-range efficiency focus led Brian Fitzgerald to the decision to engage an external resource for billing follow up.

“My team and I calculated that using an outside resource to do follow up would deliver efficiencies of scale in our billings and collections process,” Brian told *Intrum Magazine*.

“In parallel, I anticipated that there would be a review at national level of administration resources employed in the health service and that this function had the potential to free up resources for front line services.”

**With his deep** experience with the hospital and wider health service stretching back many years, Brian realised that the hospital and its patients could also benefit from the investments companies such as *Intrum Justitia* make in technology, communication, HR, training and collection techniques.



“After in-depth discussions internally and externally with the collections industry, we reached the conclusion that the possibilities of having this function managed from an external perspective were very real and achievable,” Brian recalls.

Despite having used the services of Intrum Justitia in other areas for many years to provide debt collection services, Brian nonetheless put the new contract out to tender. He was almost overwhelmed by the large number of tender submissions from both national and international service providers.

**An evaluation committee** was established to review the submissions. Their final recommendation was to use Intrum Justitia, after which exclusive negotiations were started prior to agreeing a contract.

The St. James Hospital is breaking new ground in Ireland by using an external supplier for billing follow up. As far as Brian Fitzgerald is aware, the agreement with Intrum Justitia is the first of its kind in the republic, although he knows other hospitals

are looking to do something similar now they have seen how successful it has been.

The implementation and delivery of the service is already paying off for both St James Hospital and patients alike.

“Intrum Justitia worked very closely with us from the start and the new contract is achieving value for money,” Brian said.

“I am happy with the decision and I am particularly happy with our chosen partners. This has been a win-win situation for all parties involved. If Intrum keep their eye as firmly on the ball as now, I am sure that together we will continue to improve and enhance the external management approach.”

Brian Fitzgerald is convinced that similar innovative approaches will be explored in the future.

“There is no doubt that we in the public sector, and in particular the Health Service, must look to new initiatives to handle back office functions, which will enable us to deliver greater resources to the front line of care.” ▀

**Ensuring a budget of €450 million works harder at delivering enhanced health care demands ever smarter ideas from Brian Fitzgerald and his team. (In this picture from left to right: Nick Biggam, Intrum Justitia, Brian Fitzgerald, St James Hospital, and John Cahill, Intrum Justitia).**



risk

“Calculate the company’s risks,” says **Richard Branson**, the man who almost died crossing the Atlantic in a balloon. “But remember to have fun and be sure to take responsibility,” he adds.

WORDS KARIN NILSSON / PHOTO BULLS & SCANPIX

# Responsible taker

**S**uper entrepreneur, billionaire, PR genius, adventurer, environmentalist and leadership guru – the epithets of Sir Richard Branson are numerous. In the early 70’s he created the record company Virgin Records and signed bands like the Sex Pistols and Culture Club. Today the brand name Virgin has a lot

more to it. The Virgin group consists of 350 companies, employs approximately 50,000 people in 29 countries and in 2006 saw global revenues topping USD 20 billion, according to the company.

Learning from building his empire, Richard Branson has written and published books and given a huge number of speeches ▶

► on how to be a successful leader. He is a man who says he wants to share and give back.

“A good entrepreneur needs to be a good motivator of people. That is really important. And also a good delegator and a listener. But above all you have to have fun,” says a smiling Richard Branson on a visit to Stockholm, Sweden, to attend a leadership seminar.

**According to Forbes’** 2008 ranking, Richard Branson is the 236th richest person in the world with an estimated net worth of approximately USD 4.4 billion. But along with wealth comes responsibility, Richard Branson believes. So in 2007 he announced a prize of USD 25 million to stimulate technology that will result in a net removal of anthropogenic, atmospheric greenhouse gases. He has joined forces with the likes of Nelson Mandela to support various social projects, finances a charity foundation and invests in the development of bio fuels for the airline business. Showing social responsibility is the hallmark of a great top executive, Branson argues.

“I believe successful companies foster a sense of pride among the people working for them – this creates passion and makes people an integral part of the mission and brand.”

Even though the new boss in the White House is not a business leader with a company to run, Richard Branson admires Barack Obama’s leadership skills. Branson is convinced the new President’s mix of management and political skills points to a brighter future ahead.

“Not only is he a great politician, but Obama definitely has great leadership qualities. He has put together a top team that has raised a huge amount of money and run a successful campaign.”

But a company’s responsibility also embraces traditional values such as seizing business opportunities and promoting growth.

“Now is a good time to expand if you have the financial resources today,” argues Richard Branson, “and financially strong companies



In three years Richard Branson plans to be the first to sell tourist trips into space. “I will definitely go - and take my father along”, he said on a visit to Stockholm.

have a duty to grow and employ people who have lost their jobs. It is a way to help and also stop the slide into deeper recession.”



The recession might have proven less harsh if the homework on risks had been done

“In times of recession, countries need entrepreneurs more than ever, especially nations like Sweden who rely on five or six big companies. That is quite dangerous, particularly in times like these. Therefore, we need an army of entrepreneurs who pick up the people who will lose their jobs

in the next year or two and create new businesses.”

Some say that Richard Branson, who in 1999 was knighted for “services to entrepre-

neurship”, has taken too large risks. And when he decided to start Virgin Airlines in the 1980s there were many pessimists. But he succeeded and is now engaging in even more adventurous projects. In three years time he plans to be the first to sell tourist trips into space through Virgin Galactic. The first flights will rocket skywards from the New Mexico desert – and later from Kiruna in northern Sweden.

“I will definitely go and take my father along,” says Richard Branson.

His adventurous side has also made him attempt to break several world records. Not all have been successful and at one time he wrote a farewell letter to his wife, convinced that his balloon was drifting off into space. Luck was on his side and he made it home safely.

Richard Branson insists he calculates all the risks carefully. He also reminds us that even





**RICHARD BRANSON**

Born in England in 1950, married with two children, founder and chairman of Virgin Group which today comprises 350 companies, has a blog.

**WORLD RECORD ATTEMPTS**

**1985** Branson attempted the fastest Atlantic Ocean crossing but his sailing boat "Virgin Atlantic Challenger" capsized.

**1986** A new – this time successful – sailing attempt across the Atlantic.

**1987** Branson was the first to cross the Atlantic in a hot air balloon.

**1991** Branson crossed the Pacific from Japan to Arctic Canada in a hot air balloon.

**Between 1995 and 1998**

Branson together with Per Lindstrand and Steve Fossett made several attempts to circle the globe by balloon. In 1998, they made a record-breaking flight from Morocco to Hawaii, but they were beaten in the race around the world.

**2004** Branson set the record for the fastest crossing of the English Channel by an amphibious vehicle.

**2008** Branson and his children made an unsuccessful attempt to cross the Atlantic in a speedboat.

though the Virgin Group has businesses in a huge variety of areas he knows what he is doing and has always engaged appropriate partners in new areas. A diversified group is a good way of spreading risks in a turbulent time.

**But it has not** all been plain sailing and there have been times when moving into new business areas has proven more difficult than anticipated. For example, in 1987 to help prevent the spread of AIDS and other venereal diseases, Richard Branson decided to sell condoms. Soon after, he got a letter from a pregnant woman who was not satisfied with the quality of the product. Branson tells us how he wrote back and apologized. About 8 months later a new letter came, this time with a picture of a happy mother and a newborn baby, and

a request for Richard Branson to become the godfather.

"If only all complaints would have such lovely results and a happy ending," says Richard Branson, who soon after sold the rights to manufacture the condoms.

Learning from mistakes like this is an integral part of being an entrepreneur, he argues, and claims that the recession that we face today might have proven less harsh if the homework on the risks involved had been done properly.

"One of the first rules of a good entrepreneur is to protect against the downside and ensure you know the worst-case scenarios for

every decision you make. It is obvious that a number of bankers and mortgage companies did not do this," says Richard Branson.



I still believe that capitalism is the best way to bring wealth to people

But testing times also create business opportunities. During the summer of 2008 Richard Branson tried to buy the troubled British mortgage bank Northern Rock. His plan came to a halt when the bank was taken over by the British government.

Even though the world economy is now in free fall Richard Branson has not lost faith in capitalism.

"We must learn from this and make sure it doesn't happen again. But I still believe that capitalism is the best way to bring wealth to people," says Richard Branson still smiling. ▶

# GET SMART FAST OR GET PAID LATE

**The credit crunch is biting as the grim economic chill settles over Europe, leaving many individuals and businesses alike struggling to make ends meet. Ongoing research by Intrum Justitia across Europe shows that for small and medium sized businesses it has never been more important to get paid – hopefully on time.**

WORDS DAVID NOBLE / PHOTO GETTY IMAGES & BJÖRN ENSTRÖM

**G**et smart fast in getting paid for goods or services delivered or risk being forced out of business.

That is the harsh message from detailed research published in an Intrum Justitia white paper based on interviews with around six thousand chief executives and top frontline managers across 25 European countries.

Financial turmoil, unemployment rocketing to levels not seen for decades, companies folding at record levels and tight credit conditions have boosted fears about domestic and pan-European outlooks. And the true extent of Europe's debt problem is something that few in today's market environment could hazard a guess at.

"Our research shows that anyone today trying to guesstimate the real extent of the

European debt problem is probably going to get the figure wrong," says Leif Hallberg, Intrum Justitia's Brussels-based Director of European Public Affairs.

"There is little doubt the debt problem is far bigger than most think. Intrum Justitia's last European payment survey (EPI) in early 2008, before the current crisis exploded, indicated that late payment was already then costing companies approximately €25bn annually. That's one figure we know – and it demonstrates the need for more decisive political action by both regulators and businesses themselves."

As Europe's economies stumble, Intrum Justitia's monitoring of credit management trends in its annual EPI survey delivers timely insight into the true cost of late payment.

Even before the meltdown last

autumn, the research showed late payment was costing European businesses a whopping €25bn, as Leif Hallberg mentioned, with invoices being paid on average after 55.5 days – or almost four weeks late! European public bodies doggedly remain the worst payers, taking an average of 65 days to pay an invoice compared to 40 days for consumers.

"Many large companies are reportedly concerned about whether their suppliers can get credit enough for continuing to produce and supply. This is all the more reason for such companies – as well as governments and public authorities – to start to pay promptly on due dates instead of jeopardizing the survival of SME's by extending payment duration," says Leif Hallberg. ▶



Late payments remain one of the most significant barriers to trade



Shopping malls across Europe feel the credit pinch as consumers cut back spending.

#### Powerful advice for 2009

- ✓ Analyse risk portfolios.
- ✓ Monitor customer credit-worthiness.
- ✓ Review customers frequently.
- ✓ Open contact prior to invoice due date, discuss delivery, the invoice and payment.
- ✓ Follow-up directly after due date if invoice is unpaid.
- ✓ Use a professional intermediary to follow up claims.

► “Cash flow is a particular problem for small companies during this critical time for the economy, and tackling late payments would do more to help small businesses than loosening lending criteria. It is very important that there is still money flowing towards SMEs, which are the most important source of growth and employment creation in the EU.”

Around one billion invoices that are defaulted on in Europe every year turn into debt collection cases, something that has several dire consequences.

“Late payments remain one of the most significant barriers to trade across Europe,” says Leif Hallberg. He says the latest survey had made it clear that late payments lead to serious hesitation about pursuing cross-border business.

**Most at risk** of late payments are professional services industry players such as lawyers, solicitors, recruitment, architects and translators, according to the research. Best off is the utility industry that has the rather low write-off percentage of 1.5 percent; perhaps normal considering few can do without water and energy.

So what are the ring-fencing solutions businesses can use?

The core message from Intrum Justitia’s latest white paper is that today’s economic challenges can only be countered by creation of good and sustained credit management processes, from prospecting to collecting, and using proven tools and techniques that deliver tangible value.

There is no magic bullet, according to Leif Hallberg, but he says tried, tested and proven tactics to avoid or manage late payment risks already exist.

“Our research shows the lowest payment risks are found in the Nordic countries where there exist readily available addresses and data, regulated structures, fast legal processes for small claims and compensation fees for late payments that are simply not present in most other European Union countries,” he says.



The construction industry has been hard hit as house prices go into free fall.

**Industries where written off percentage is highest:**

- Professional Services.
- Construction & building industry.
- Education industry.
- Media industry.
- Business Services.
- Wholesale and Retail.

Nonetheless, many businesses, authorities and ordinary people are suffering as a result of the credit squeeze, what’s the best advice Intrum Justitia can hand out to all the various players right now?

“My view is that businesses, and espe-

cially SMEs, need to review their credit situation and bank borrowing lines and without further delay identify their need to outsource credit management to an outside professional CMS facilitator,” says Leif Hallberg. ►

## GET YOUR FREE COPY

€25 billion is what late payment costs business across Europe. Want to better understand the threats and challenges of outstanding invoices – and how to deal with them efficiently? We

will happily send you your copy of Intrum Justitia’s EPI – White Paper. All you need do is go to [www.intrum.com](http://www.intrum.com) and order the white paper online.



**US\$2.8**

trillion, the global financial crisis losses by November 2008

(Bank of England)

### Ooh la la: Finding ways to beat the crunch

Brits are far more likely than their European counterparts to share a bath or cuddle up in bed in an effort to save energy and money, according to new research. A survey of 6,000 adults across five European countries (France, Spain, Sweden, Germany and the UK) by the UK's Energy Saving Trust and undertaken by ICM Research, has found that a third of Brits (35 percent) would now share a bath or shower to save money on their electricity or gas bill compared to just eight percent of Swedes. And while 36 percent of Brits would cuddle up in bed to keep warm only around a quarter of Spaniards (23 percent) and 28 percent of French would do the same.

### Broke Britons

Bankruptcy in the UK is rocketing as Britons battle the economic downturn with official figures showing almost 14,000 people registering for bankruptcy in the third quarter last year. Ten percent up on the same period in 2007, it is the second highest number recorded by the Ministry of Justice since 1995. Company liquidations jumped 10.5% in the same period compared to the year before. Experts say the rises are due to recession, fast rising unemployment, higher debt levels, very tight credit conditions and more people being trapped in negative equity.



## Credit card bills driven up by minimum payments

**A minimum repayment level on a credit card may extend the length of a debt because it acts to reduce how much people pay back, according to new research in the United Kingdom.**

A study involving 413 volunteers aged between 18–68 (54% female, 46% male) by Warwick University psychology researcher Dr Neil Stewart reveals how credit card users can become fixated on paying the minimum level of the debt on their card bills.

The research focused on the psychological phenomenon of 'anchoring', where arbitrary and

irrelevant numbers bias people's judgments. It showed that for people who make only partial repayment of the outstanding balance – about 35 percent of cardholders – the suggested minimum payment on the credit card statement acts as an anchor and lowers the actual repayments people choose to make.

"The result of my experiment should be of real concern to credit card companies," Dr Stewart says.

"Although a consumer safeguard, minimum payments distort the behaviour of many customers in a way that can dramatically increase the interest paid and duration of

their debt. Having a minimum payment led to just 23 percent of those surveyed deciding to pay a full bill, while no minimum led to 40 percent paying a whole bill."

Warwick University has created a web-based decision tool to help people see the link between monthly repayments and the total cost and length of a loan ([www.warwick.ac.uk/go/decisiontool/](http://www.warwick.ac.uk/go/decisiontool/)).

Designed to work with all kinds of debt and loans, from credit card debt to mortgages, the tool demonstrates how increasing low repayments only a little bit can lead to dramatic savings.

## INTRUM JUSTITIA IRELAND RECEIVE TOP CREDIT MANAGEMENT AWARD

### On Friday 21st November 2008

Intrum Justitia Ireland were honoured with the Consumer Credit Team of the Year Award, for the best consumer credit team in Ireland in 2008. The company were selected from a large number of top businesses in Ireland by a panel of Industry experts, based on relative performance and KPI improvements over the year, endorsements given by a number of key clients and in recognition of the levels of innovation as well as attention given to staff and customers throughout their collections operation. Nick



Biggam, Managing Director, accepted this award on behalf of the company from Joe Mead, Head of the Financial Services Ombudsman in Ireland, at the annual awards dinner for the Irish Institute of Credit Management.

Commenting on the award, Nick said: "This is a very important award within the industry which we are proud to receive. It is a reflection both of the significant advances we have introduced within our collections operation in Ireland during 2008 as well as our good and growing relationships with many key clients."



### Eurozone slips into first-ever recession

▶ The dark clouds of economic downturn gathered over Europe as 2008 drew to a close with the eurozone officially slipping into the grip of full recession in November for the first time since the launch of the euro. Further gloom was fuelled by predictions that Europe faces a deep slump for another two years.

Describing the situation in the markets as precarious, Joaquim Almunia, the EU's economics commissioner, said: "The crisis is not yet over. It is very hard to estimate how deep the financial crisis will be, how long it will last, and what negative effects it will ultimately have on the real economy."

Mr Almunia said growth in the eurozone this year will be just 0.1 pc in 2009, and 0.9 pc in 2010, with a "significant" risk of an even deeper downturn.

He warned some budget deficits will balloon out of control if governments resort to fiscal stimulus to cushion the blow. The European Commission has said the dramatic rise in the bond costs of Italy, Greece, and other heavily-indebted states suggests markets may be losing confidence in the state finances of these countries and the imbalances that built up between North and South "may turn out to be particularly damaging".

In October 2008 the eurozone's manufacturing index plunged to a record low of 41.3. Plunging vehicle sales have led to a severe auto crunch in a number of countries, including Spain, Italy and Germany.

# Credit crunch focus at Intrum conference

In conjunction with the prestigious Brussels think-tank, Centre for European Policy Studies (CEPS), Intrum Justitia public affairs in late November organised a conference looking at how seriously businesses were affected by the current credit crunch coupled together with the devastating effect of late payments.

Apart from Michael Wolf, the outgoing CEO of Intrum Justitia, speakers included a former secretary general of the Basel committee on banking supervision; a Commission official from the Directorate General of Economic and Financial affairs as well as a senior economist from the OECD.

During the conference it was pointed out that for the first time since World War II all western countries are now finding themselves in a recession. Yet at the same time statistics proved that SMEs were no worse off than the most recent recession in the early 1990s, although the ever worsening late payment habits as well as being forced to extend credit lines made things worse.

It was also acknowledged that enterprises in general were forced to borrow (where they could) for the short term and no longer for long terms as before. Yet, where French SMEs found it very difficult to receive credit, it was easier for German busi-



nesses to get the needed funds from banks, according to one speaker.

Several speakers noted possible helpful solutions included the EU Services Directive (to be implemented in late 2009) as well as electronic invoicing to be adopted by EU leaders in early 2009.



What exactly comprises a 'vulnerable consumer' asks a top EU conference.

## Can behavioural economics improve consumer policies?

This was the question that was raised during a conference in late November in Brussels organised by the Commission. Behavioural economics is a new rapidly expanding discipline that studies how consumers make choices and draws insight from both psychology and economics.

Among the many topics that were raised during the conference, attention was given to the Unfair Commer-

cial Practices Directive that prohibits misleading and aggressive marketing. However, during the conference it was pointed out that the term "vulnerable consumers" was not defined adequately in the Directive and was referred to as "useless".

In response, the Commission said that it would carry out a major survey in 2010 throughout the EU that would incorporate factors such as age, level

of education and financial situation to have a better understanding into consumers' level of "vulnerability".

Financial education was also addressed. Although it was acknowledged that financial education was now more seen in secondary schools, more needed to be taking place in primary school as because most financial habits were formed in people under 18 years.

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## European Payment Index – 2008

The European Payment Index report indicates that the fundamental changes required to combat late payment are still missing in the majority of countries. Payment risks have increased in several countries and 55 percent of the companies surveyed expect it to get harder to receive payment.

- ✓ Interesting and essential information about payment risks in Europe.
- ✓ Covers 25 European countries.



## EPI 2008 – White Paper

The cost of late payment to European Businesses reached an awesome new record during 2007, with invoices on average being paid after 55.5 days – almost four weeks late. Want to better understand the threats and challenges of outstanding invoices and how to deal with them efficiently? We will happily send you a copy of Intrum Justitias EPI – White Paper.





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## 90,000 CLIENTS. 24 MARKETS. 1 COMPANY.

Intrum Justitia is the leading provider of credit management services in Europe for a simple reason – we combine local expertise with the muscle of a true pan-European company. We not only know local legislation and payment patterns, we know how to make business work across borders.

Wherever you do business, Intrum Justitia is there to turn credit from administrative expense to profit centre.