

Policy Title	CREDIT & COLLECTIONS POLICY
Reference	Ordinance C1 – Financial Matters Ordinance E1 – Students of the University Financial Regulations
Version	1.0
Effective Date of Policy	1 st August 2023
Policy Review Date	1 st August 2024
Policy Owner	Head of Income
Revision Timetable	This policy will be reviewed annually by the Head of Income.

Contents

1. Document Control.....	2
2. Introduction	3
3. Customer set-up and handling.....	4
4. Credit Exposure.....	4
5. Collections.....	7

1. Document Control

1.1. Document Owner

Organisation	Role
Imperial College London	Head of Income

1.2. Document Approver

Organisation	Role
Imperial College London	Chief Financial Officer

1.3. Document Distribution

This document will be available on Imperial College London's website.

1.4. Version Control

Version	Date	History
1.0	01/08/2023	Document as approved

2. Introduction

2.1. Description

The purpose of this Credit & Collections Policy is to create a set of standardised policies and procedures for the lending activities of Imperial College London. This document has been designed to assist the Income Department and other departments of the College in the performance of their duties as well as outline the main credit processes, workflows and credit risk checks applicable to the College's customers.

This document is approved by the Chief Financial Officer pursuant to Ordinance C1 – Financial Matters and only the Chief Financial Officer or his nominees can implement changes to this document.

The core objective is to ensure a thorough loan appraisal and proper monitoring of all outstanding loans. This includes the supervision of outstanding debts and customers as well as recovery of income within the agreed credit terms.

Whilst this document pertains primarily to the functions of the Income department within the College, all staff are required to strictly adhere to the rules outlined herein as a means of reducing risks to the business.

2.2. Application

This Credit Policy expands upon point 31. in Ordinance C1 – Financial Matters which states:

30. The Chief Financial Officer is responsible for ensuring that appropriate procedures exist to enable the College to receive all income to which it is entitled, and for the prompt collection, security and banking of all funds received. The Chief Financial Officer shall make arrangements for these financial procedures to be reviewed at least once every three years, and modified where necessary.

2.2.1. For the avoidance of doubt, this Policy does not apply to Donations and Endowments.

2.3. Income Department

The primary role of the Income department is to manage, optimize and protect the College's income through an efficient credit, billing, and collections process. The overall performance of the department is measured against AR aging, customer activity, bad debt write-offs and billing performance.

The Income team's objectives are:

- Managing Risk and Return: support the business growth whilst ensuring that risks to the business are regularly monitored
- Provide timely and accurate credit management information, data and advice to the organisation
- Optimise the College's income through collecting open customer balances in a timely manner

3. Customer set-up and handling

How a customer is set up in the system will depend on the type of customer and the system used to manage that customer.

- 3.1. Individuals: The creation of Student and other Individual records falls outside of the scope of the Credit & Collections Policy. Customer Master Data for students is validated by the Admissions Office or relevant department at application stage and self-administered by students during their attendance.
- 3.2. Organisations: For new Organisations, the business instigator, or the relevant Department or Faculty must notify the Income team at least 5 working days (see 4.2.1) in advance of supply of business and/or finalisation of contract to assess the credit worthiness of the customer.
- 3.3. The Income Team will review any prospective new customers that are classified as organisations (Customer) prior to setting them up with a customer account in the system.
- 3.4. The request for a new Customer should be sent in the form of a standard Customer Request Form. Where this is not possible, alternatives such as a Purchase Order, a contract clearly defining the legal entity to be billed or a sponsorship form reviewed and agreed by the Student Fees Team may be accepted, subject to review and approval by the Account Receivable Team.
- 3.5. The Income Team will have final approval on the validity of these forms and whether sufficient information has been provided to facilitate the review and set-up of a customer.
- 3.6. Customer Master Data setup and updates to a Customer are subject to approval by, and can only be updated by, the Income team.
- 3.7. In no circumstances should a staff member be updating or amending their own or a family member's record. Where such a potential conflict exists, their line manager should be notified and another member of staff should undertake the change.

4. Credit Exposure

4.1. Credit Limits and Ratings

- 4.1.1. It is the business instigator's responsibility to ensure that any new or existing customer is assessed for credit worthiness whenever new business is proposed.
- 4.1.2. Where a third party is involved in the contract, for example in regards to the transfer of funds, then it is recommended that this party also be credit checked prior to new business being agreed.
- 4.1.3. A credit limit and rating will be applied to a customer account based on the recommended credit limit and risk level provided by an approved Credit Referencing Agency (CRA).
- 4.1.4. For the purpose of this policy, a CRA is an independent organisation that holds information about consumers or businesses (or both) and provides a credit rating or risk score based upon all of the data taken into consideration on a particular

trading entity, which is then used to assess the likelihood that credit will be repaid punctually. Preferred CRA's are Creditsafe Group, Dun & Bradstreet Inc., Graydon UK Ltd and Experian Ltd.

- 4.1.5. Any information provided by a CRA is a recommendation only, and a final decision will be made by the Income team as to the customer's limit and rating based on multiple factors.
- 4.1.6. The maximum credit limit applied to an account will be GBP 2,000,000.00 (2 million), even where the Recommended Credit Limit is higher.
- 4.1.7. Credit Limits and Credit Ratings are not intended to restrict supplies or services provided by the College but are applied as a guide for the business regarding the risk levels of customers and as a method of monitoring the risks of default or bad debt and enable the business to take informed decisions about continued trade.
- 4.1.8. Where a CRA Credit Limit is not available, a recommended credit limit can be provided by the Income Team based on the review of additional information which can include:
 - Recent management accounts
 - Information available to the public regarding a company's financial stability
 - A company's transaction history
- 4.1.9. Where available from a CRA, the Credit Rating of an organisation is an indicator of the business's ability to pay on-time and likelihood of business failure. At Imperial, the rating is divided into 4 segments:
 - Low Risk: A low or very low risk as defined by an approved CRA
 - Moderate Risk: A moderate risk as defined by an approved CRA
 - High Risk: A high or very high risk as defined by an approved CRA
 - Guarantor: No credit allowed, it is recommended all payments are made in advance
- 4.1.10. Where a CRA Credit Rating is not available, the rating can be provided by the Income Team based on the criteria outlined in 4.1.8.

4.2. Credit Approval Procedure

- 4.2.1. On receipt of the request for credit assessment for a customer, the Income team will provide a credit assessment ('recommended Credit Limit') within 5 working days, subject to the availability of customer financial information. This will be in writing from the Income team and will include the recommended credit terms and if any additional security (such as full or partial payment in advance) is warranted.
- 4.2.2. Credit risk monitoring will be an ongoing activity as outlined in 4.3, and notification of a significant downturn in a customer's risk profile, or the breach of a credit limit will be sent to the relevant Faculty or Support Services Finance Officer as well as the relevant Faculty and/or Research area.
- 4.2.3. The decision to proceed with trade remains the responsibility of the area instigating the business and it is the responsibility of the Finance Officer to authorise, or to obtain authorisation from the relevant Head of Department or

their nominees for, the continuation of exposure beyond that recommended by the Income department.

4.2.3.i. This extended credit will form part of the monthly credit risk report outlined in 4.3.1.

4.2.3.ii. Any risk of bad debt should be mitigated wherever possible by terms in advance of supply of goods or services

4.2.4. Where approval is issued for the continuation of trade in excess of a recommended credit limit, the department instigating the business will assume the risk of exposure and any bad debt will be written off to the department.

4.3. Credit Monitoring

4.3.1. At the end of every month, a 'Credit Limit Review' report is run. This highlights all accounts exceeding their credit limits and is reviewed by the Head of Income or their nominee for any unrecognised or high-risk exposure.

4.3.2. Any customer where ledger balances exceed GBP 50,000.00 AND where the balance exceeds the recommended Credit Limit are to be highlighted via the Credit Limit Review Report to the appropriate Faculty or Support Services Finance Officer, or their nominees, as well as the relevant business.

4.3.3. It is the business instigator's responsibility to ensure that any business that will take a customer's balance over the recommended Credit Limit has been fully credit assessed before any supply of goods or services.

4.3.4. The Income team will review any high-risk accounts for excessive risk exposure and delinquency and have the ability to place a system "hold" on the account, which prevents any further invoices being raised. All stakeholders will be notified so that further liabilities are not accrued against that customer.

4.3.5. Quarterly Risk Report: Every three months a Risk Report will be produced which highlights the College's current customer risk profile. This is reviewed by the Head of Income and escalated to the Director of Financial Services and Procurement.

4.3.6. Yearly High Turnover Reviews: Credit Limits for accounts with open balances greater than GBP 500,000.00 will be reviewed annually after the year-end procedures have been affected. This will only apply to customers not deemed to be 'exempt' from Credit Referencing as per 4.4.

4.4. Exempt Accounts

4.4.1. Any exemptions from Credit Referencing must be approved by the Head of Income or their nominee and reviewed on an annual basis by the Income Team.

4.4.2. There are four types of customers automatically exempt from credit referencing:

4.4.2.i. Students or other individuals trading with Imperial College are not subject to Credit Reference Checks and must either pay up-front for

goods and services, or in accordance with their contract. Examples of trade involving individuals include Tuition Fees, Rent and Nursery Fees.

4.4.2.i.a. Students intending to pay by instalments (see 4.5 Regulated Credit Agreements) or deemed to be in Poor Financial Standing (see 5.1 Student Fees) will be subject to their own credit related processes.

4.4.2.i.b. The Income Team will review Student and Individual accounts on a regular basis for delinquency and where invoices are not paid will action in line with the relevant contract or collections process.

4.4.2.ii. Publicly Funded Bodies, such as Healthcare Organisations (for example NHS Trusts), Research Councils, Government Agencies, Trusts and Foundations (for example Research Councils UK).

4.4.2.ii.a. Where a Publicly Funded Body is located in a high risk country (as defined by Euler Hermes Country Risk Ratings, Level 4), it will subject to the quarterly review outlined in 4.3.5.

4.4.2.iii. Sponsors: Any company fully acting in the capacity of sponsorship for student tuition fees. As the liability for the tuition fees lies with the students, there is no requirement to undergo a credit check for these organisations.

4.4.2.iv. UK Higher Education (HE) providers. Any UK HE provider deemed to be in receipt of government funding are treated as publicly funded bodies and thereby exempt from credit checks.

4.4.3. Yearly Exception Reporting: On an annual basis after the year-end procedures have been affected, any non-student accounts deemed to be 'exempt' from Credit Referencing will be reviewed for validity. This will be signed off by the Head of Income or their nominee.

4.5. Regulated Credit Agreements

4.5.1. All students making payment by instalments fall within the Consumer Credit Policy – Students (see **Error! Reference source not found.**).

5. Collections

5.1. Student Fees

5.1.1. If any proportion of Student tuition fees and charges remain unpaid after the due date relevant to the student's agreed method of payment and where the College has exhausted its debt recovery procedures, they will be deemed to be in **Poor Financial Standing (Academic)** with the College. In all other cases of unpaid fees and charges, they will be deemed to be in **Poor Financial Standing (Other)**. In all cases of Poor Financial Standing, students will be subject to the standard debt recovery procedures which may include late payment charges as outlined in the College's late payment policy, but if they are in Poor Financial Standing (Academic), they may also be subject to Regulation 2 of the Regulations for Students which may result in the following:

- Not being allowed to proceed to the next year of the programme.
 - Any awards not being conferred, and any degree certificates not being issued.
- 5.1.2. All debt recovery procedures pertaining to students are subject to the Income team's discretion to ensure the appropriate steps are taken to allow full support from the College prior to escalation. Where debt recovery is deemed necessary then the College operates a standard process of at least four communications via one or more of the following channels: e-mail, phone call and letter, prior to escalation to an external agency.
- 5.1.3. The College uses the services of external debt recovery agencies to pursue any outstanding debts as part of its debt recovery procedures, which may result in a County Court Judgment ('CCJ') being registered against the student in the amount of the debt, plus costs, plus interest.
- 5.1.4. The final formal communication issued by the College prior to escalation to an external agency for debt recovery and/or legal action will be a Final Demand notice.
- 5.1.5. Where the customer (debtor) is identified as a consumer or sole trader, all external agencies will issue a Letter Before Action in line with the Pre-Action Protocol for Debt Claims.
- 5.1.6. The College may enforce on any CCJ's. The method of enforcement is at the discretion of the Credit Control Team Leader and can include by way of asking the court to send bailiffs to collect fees owed, by issuing an attachment of earnings order, a third part debt order or a charging order.
- 5.1.7. Any fees payable by a sponsor will remain the liability of the Student and will be rebilled to the Student's account in the event the sponsor has not paid.

5.2. Non-Student Accounts

- 5.2.1. In the event of continued non-payment, all non-student accounts will be subject to at least five separate communications via one or more of the following channels: e-mail, phone call and letter, prior to escalation to an external debt recovery agency.
- 5.2.2. The final formal communication issued by the College prior to escalation to an external agency for debt recovery and/or legal action will be a Final Demand.
- 5.2.3. Where the customer (debtor) is identified as a consumer or sole trader, all external agencies will issue a Letter Before Action in line with the Pre-Action Protocol for Debt Claims (October 2017).
- 5.2.4. Prior to legal action, all accounts with balances greater than GBP 10,000.00 will be offered the opportunity for Mediation. Balances less than GBP 10,000.00 will be at the discretion of the Credit Control management team.
- 5.2.5. Post Judgment enforcement on non-student accounts will be dictated by the type of organisation or individual and be at the discretion of the Credit Control Team Leader.

5.3. Payment Term Extensions

- 5.3.1. Any extension to payment terms for a customer must be approved by either the Credit Control Team Leader or the Student Fees Team Leader
- 5.3.2. Extensions to Student deposits may be actioned if approval has been received from the relevant Department.
- 5.3.3. All extensions to payment terms must be actioned by a member of either the Credit Control team or the Student Fees team.
- 5.3.4. In no circumstances should a staff member be updating or amending their own or a family member's payment terms or record. Where such a potential conflict exists, their line manager should be notified and another member of staff should undertake the change.

5.4. Bad Debt Write-off

- 5.4.1. Should any outstanding item fail to be resolved through collection activity or be deemed uncollectible, then a recommendation for write-off should be escalated by the relevant Credit Controller to the authorised approver.
- 5.4.2. Any escalation must be backed up by detailed documentation in respect of the debt and all collection activity taken and follow approval limits set out in the [Appendices to the Financial Regulations](#).
- 5.4.3. An item is deemed uncollectible when it becomes clear that there is no realistic prospect of recovery and/or the costs associated with the recovery efforts exceed the benefits to be derived from the recovery of the debt.
- 5.4.4. The write-off principle does not cancel the customer indebtedness to Imperial College and should therefore never be communicated to the customer. Imperial College retains the option to pursue the collection of the debt at a later date.