

THE CREDIT

Outlook

Issue 01 | 2026 |
New Zealand

NZCFI MAGAZINE



**Built by credit
professionals.
*Focused on better
credit decisions.***

Economy trends • PG pitfalls • E-signatures explained •
Credit best practice

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Welcome Message



It's my pleasure to introduce the first edition of the New Zealand Credit and Finance Institute's (**NZCFI**) quarterly magazine.

NZCFI is the only industry organisation in New Zealand for all individuals working in credit. NZCFI has a long history and as many of you know, has been undergoing a strategic review and refresh over the past 12 months.

Among other things, the purpose of that exercise has been to reexamine NZCFI's place in the credit industry and how best it can serve its members and the credit industry.



Jono Cole

President

In that context, NZCFI has appointed a new board, developed and started implementing a comprehensive strategic plan, partnered with a range of key sponsors, launched a new speaker series and online learning resources and is in the final stages of new website design.

NZCFI has also strengthened relationships with the Australian Institute of Credit Management (**AICM**) and the Chartered Institute of Credit Management (**CICM**) in the United Kingdom, with a view to developing information sharing, training and tracking international trends in the credit industry.

This quarterly publication is an important part of NZCFI's new strategic plan. Our goal is to bring together engaging content covering industry trends, economic data, career development and educational material that is of interest to NZCFI's members. In this first edition, you will find pieces about mitigating credit risk in trade finance, strengthening your business' terms of trade, the essentials for credit managers, relevance of the Personal Property Securities Act 1999, as well as trends and insights from Centrix, 1Centre and profiles on NZCFI's Board.

I would like to thank all of our sponsors, AICM, CICM and 1Centre for their support as NZCFI enters this exciting new phase. Enjoy and feel free to give any feedback so that we can deliver content that matters to our members.

Personal Guarantees

Every credit professional knows the value and power of a Personal Guarantee, especially in a turbulent economy where company liquidations are on the rise and customers are paying later.

What needs to be remembered however is that not all PGs are created equally. It can be a real annoyance when you are pursuing a debt and end up running into trouble due to some deficiency or problem with the Guarantee. And like with all contracts, the difference between a smooth process and a headache-inducing issue tends to be the inclusion or exclusion of a few words.



I've listed below some common issues other credit professionals and myself have seen in the past with PGs:

Capped Credit Limit: Some PGs include the credit limit at the account opening, but do not have an accompanying clause expanding on the total liability. This means for instance, if your PG notes a credit limit of \$50,000 and the account subsequently increases to \$150,000, the PG would only be liable for \$50,000. This is a common problem and tactic Guarantors use to push back on their total liability, but this can be dealt with by ensuring that you have clauses which do not limit the total liability (i.e. an unlimited guarantee).

Not signed: This one feels like a bit of a no-brainer (and a bit ridiculous), why wouldn't you ensure that the PG is signed? But you would be surprised at how often it happens as a result of poor practice. A common one we've seen is where some credit applications have a separate signing section for Directors & Guarantors. The Director may sign the Director's signatory portion but not fill in the Guarantors portion, and some have erroneously assumed that the signature is valid for the PG as well. Don't get caught by this simple mistake.

No caveat clauses: Caveats are a powerful tool to secure your overdue debts. It is true that you need a PG to register a caveat over their personal property. But it is not true that all PGs will allow you to register a caveat. This requires specific clauses that grants you the right to do so. I've seen many teams make a request to register a caveat, only to be turned away due to their PGs not having the right wording.

Assuming PG's validity after account closure: It is common for accounts to be closed after being inactive for a while. It is also common for said accounts to then be re-opened when they want to start spending again. But a common danger is assuming that an existing PG remains valid after an account has been closed and re-opened again. If you want to rely on an existing PG, you need to advise the Guarantor explicitly and get confirmation in writing. Otherwise there is a strong argument that the "re-opening" of the account constitutes a brand new contract and trading relationship, where the previous PG will no longer apply.



Older versions: A painful feeling is spending considerable time & costs on updating your T&Cs to be as robust as possible...only to find that the 1 specific debtor you are chasing was on an older version with severely limited recovery options due to its age and limiting clauses. Conducting a T&Cs refresh for your older customers is not easy, but is essential to ensuring minimal adverse exposure. There is little point in doing a T&Cs “upgrade” if the majority of your customers will remain on older, ineffective PG terms.

I’m confident that most of you will not run into any of the issues above. Nevertheless, it’s always good to do a health check and see if there are any potential gaps that should be covered off. If you’re unsure, ask your legal advisor/counsel to review your T&Cs.



Joshua Wong is the **National Vice President of NZCFI**. He is the current Manager of the Credit Management & Debt Recovery Team at Fletcher Building and former in-house counsel at an insolvency firm.

Liquidations surge, lending recovers: A split economic recovery



Aotearoa New Zealand's business landscape entered 2026 with mixed signals, as a modest lift in credit demand contrasted sharply with rising company failures.

Business credit demand grew 0.7% year on year in the latest period, buoyed by strong sector specific momentum.

Hospitality led the upswing with a notable 38% increase in credit inquiries, supported by improving trading conditions. Education and training (+17%) and retail trade (+13%) also recorded healthy gains.

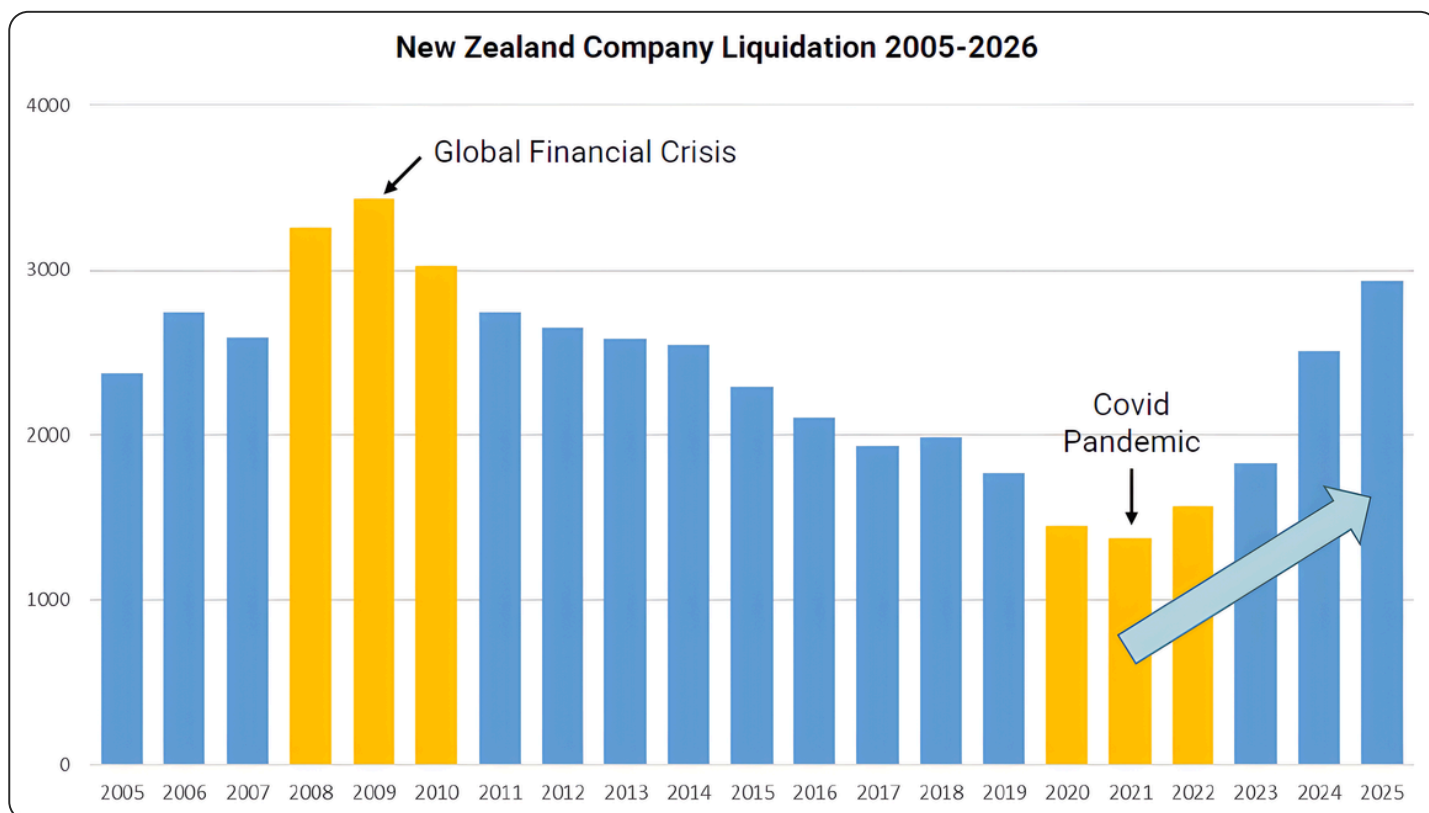
Sector	Δ Credit Demand	Δ Credit Defaults	Avg Credit Score	Δ Company Liquidations	Liquidation Rating
 Construction	-13%	-21%	756 ↑	+13%	2.3X
 Hospitality	+38%	-8%	728 ↓	+50%	3.1X
 Retail Trade	+13%	-12%	762 ↑	+34%	1.2X
 Transport	-5%	-21%	723 ↑	+27%	2.4X
 Property / Rental	+3%	+4%	807 ↓	+17%	0.8X
 Manufacturing	-9%	-11%	777 ↑	+12%	1.6X
 Agriculture	+11%	-21%	795 ↑	-11%	0.6X
All Sectors	+1%	-16%	784 ↑	+17%	1.0X

Table above shows 'Year-on-year' comparisons using 12 month rolling averages
The Liquidation rating is the proportion of liquidations divided by the proportion of businesses in a given sector.

Yet beneath this pocketsofstrength story, financial stress among firms continues to build.

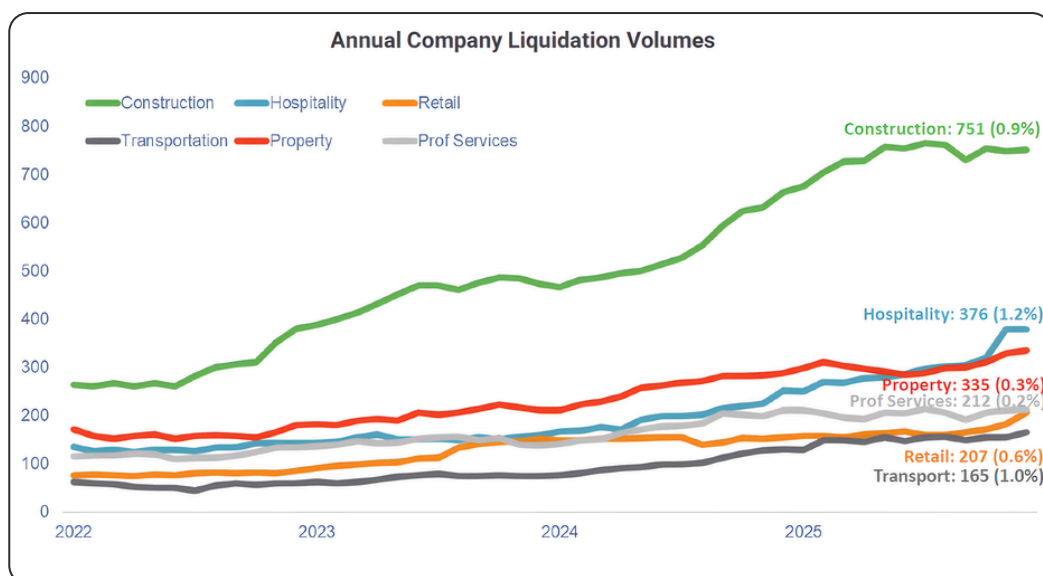
Company failures have climbed to their highest level since 2010, with liquidations accelerating across several key industries.

Looking more closely at the data, 69% of liquidation applications in 2025 were initiated by Inland Revenue (IR). In addition, IR has stepped-up efforts to report significant tax arrears to provide the market with more reliable indicators of financial stress. <https://www.ird.govt.nz/updates/news-folder/2025/changes-to-sharing-information-about-unpaid-tax>



Hospitality saw liquidations rise 50%, retail trade 34%, and transport 27%. Construction remained the single largest contributor to business failures in 2025, with 751 firms entering liquidation – up 13% year on year – followed by 376 hospitality businesses.

Despite these pressures, early indications of stabilisation are emerging. Liquidation rates improved in six of the nineteen monitored sectors, with agriculture standing out as a relative bright spot.



The sector recorded an 11% decline in failures alongside improving financial health metrics, signalling some resilience in Aotearoa New Zealand's primary industries.

These businesssector developments unfolded against a broader economic backdrop of cautious recovery toward the end of 2025.

GDP grew 1.1% in the September quarter after earlier declines, although economic conditions remained soft. **Treasury noted** that elevated interest rates continued to constrain business investment heading into the final months of the year.

Nearterm growth expectations remain subdued, with **GDP forecast** to rise around 0.9% in the year to March 2026 before gradually strengthening as expected rate cuts filter through.



Upswing in household and consumer activity

On the consumer side, inflation showed signs of easing but remained a persistent pressure point.

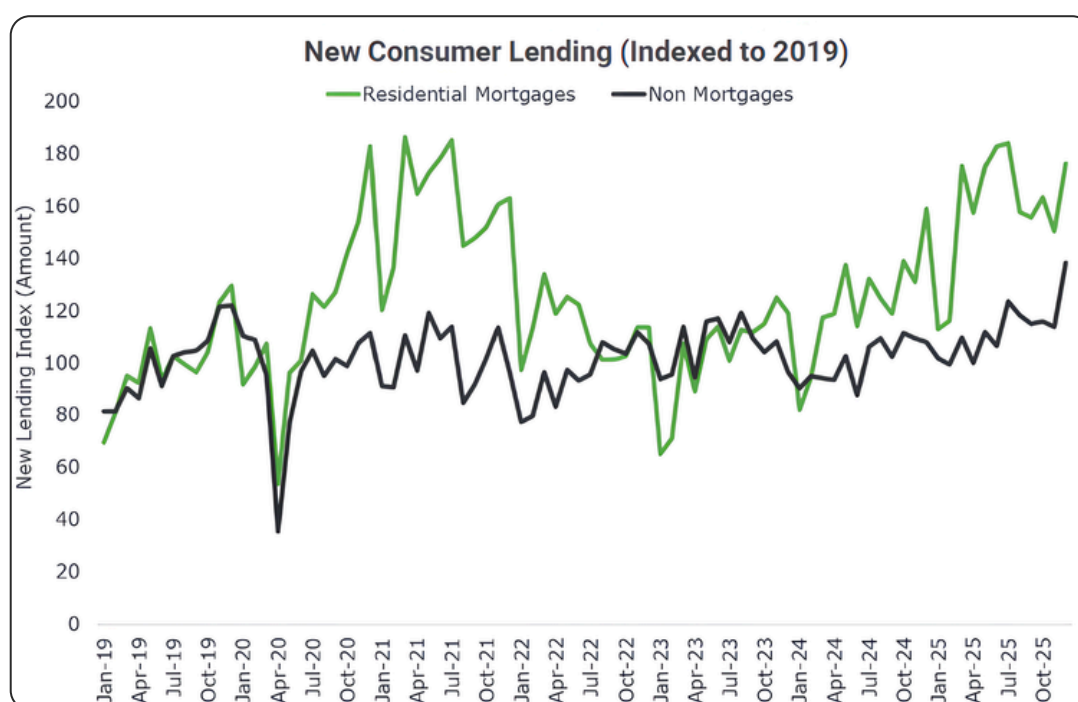
The Consumer Price Index rose 0.6% in the December quarter, nudging annual inflation to 3.1%. Retail spending dipped in December following a strong November, reflecting the ongoing influence of tight financial conditions on household budgets.

Consumer behaviour entering 2026 showed a slight recovery in confidence, supported by expectations of lower mortgage rates as the year progresses.

This shift was visible in lending activity: total new household lending grew 14.1% year on year in the December quarter.

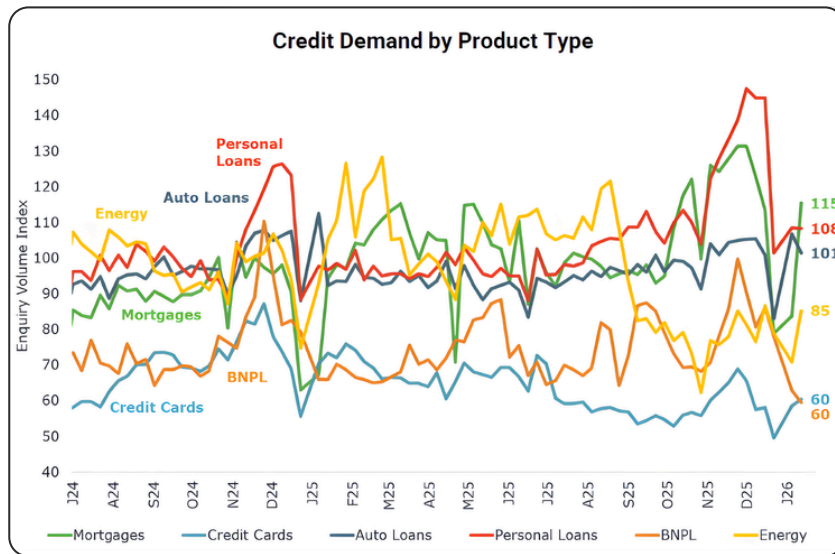
Mortgage lending increased 14.3%, boosted by a busier summer property market and a pickup in refinancing as borrowers responded to recent OCR cuts.

Non-mortgage lending rose 12.0%, driven mainly by continued strength in unsecured personal and vehicle loans.



Credit demand echoed these trends. Overall consumer credit inquiries were up 9.4% year on year in January, with mortgage applications and personal loan requests leading the uplift.

This suggests households may be preparing for improved financial conditions later in the year.



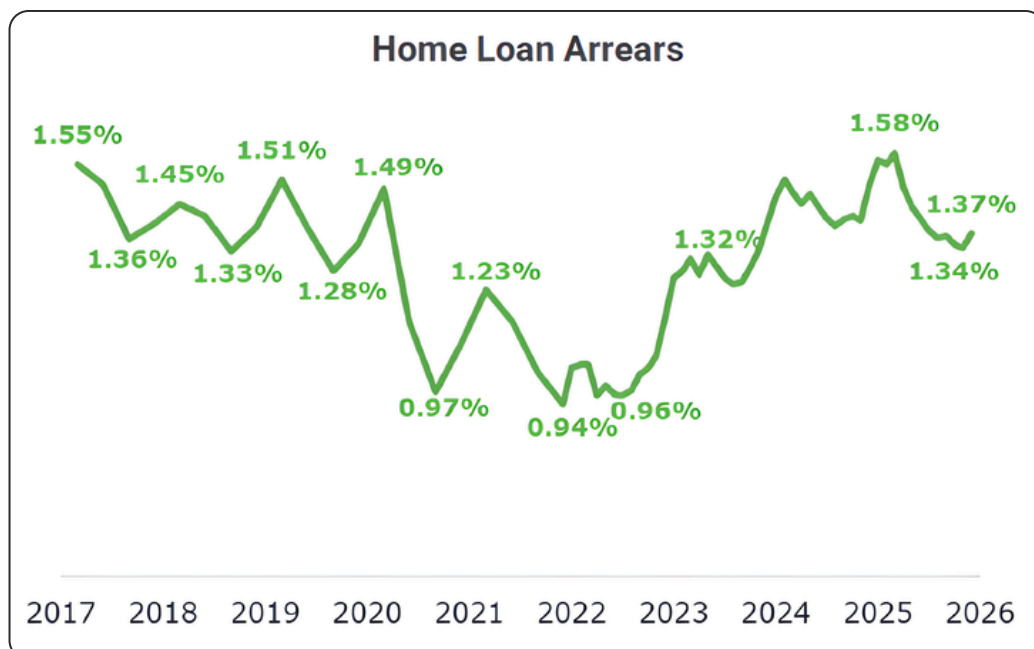
	Year-on-year change (%)
Mortgages	+27.0%
Auto Loans	+2.7%
Credit Cards	-19.9%
Personal Loans	+15.5%
Buy Now Pay Later	-6.1%
Retail Energy	-19.9%

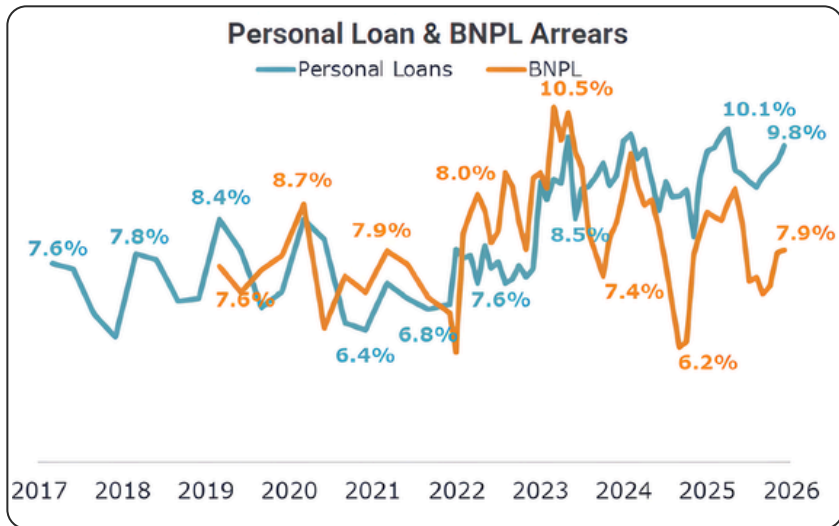


Arrears: Mixed but manageable

Arrears levels showed typical seasonal tightening heading into the summer period. In December, 12.07% of creditactive consumers were behind on payments – just above November's 11.90%, but still 0.8% lower than the same month a year earlier. The number of consumers in arrears rose to 471,000, with 87,000 90plus days past due.

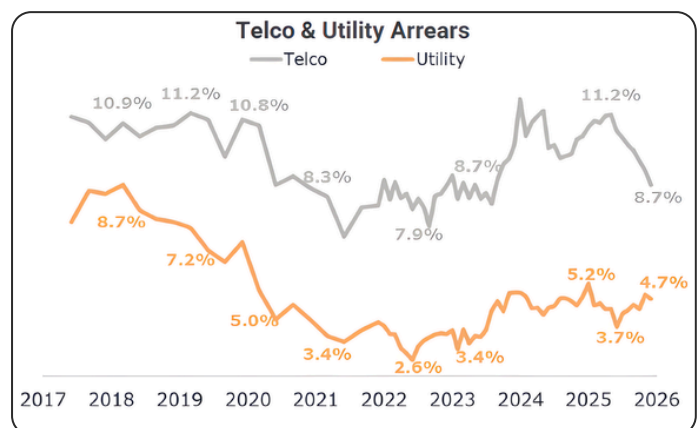
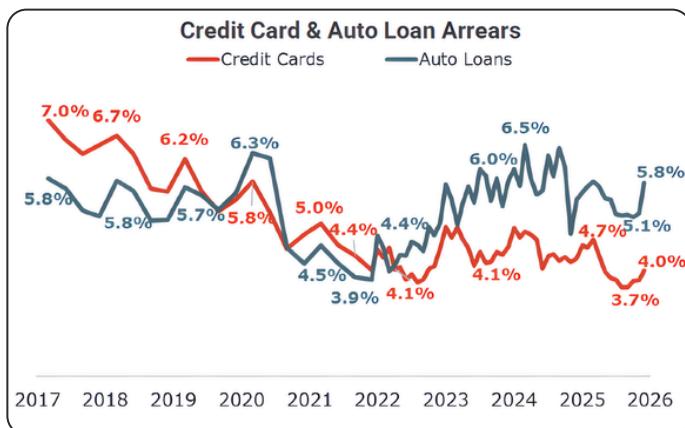
Mortgage arrears remained comparatively stable at 1.37%, 8% lower year on year. Credit card and personal loan arrears increased slightly, while Buy Now Pay Later arrears rose to 7.9% but remained below last year's levels.





Vehicle loan arrears – now 6% higher than a year ago at 5.8% – signalled growing repayment strain for some households.

Utilities showed improvement: retail energy arrears dropped to 4.7% due to lower summer usage, and telco arrears fell for a fifth consecutive month to 8.7%.

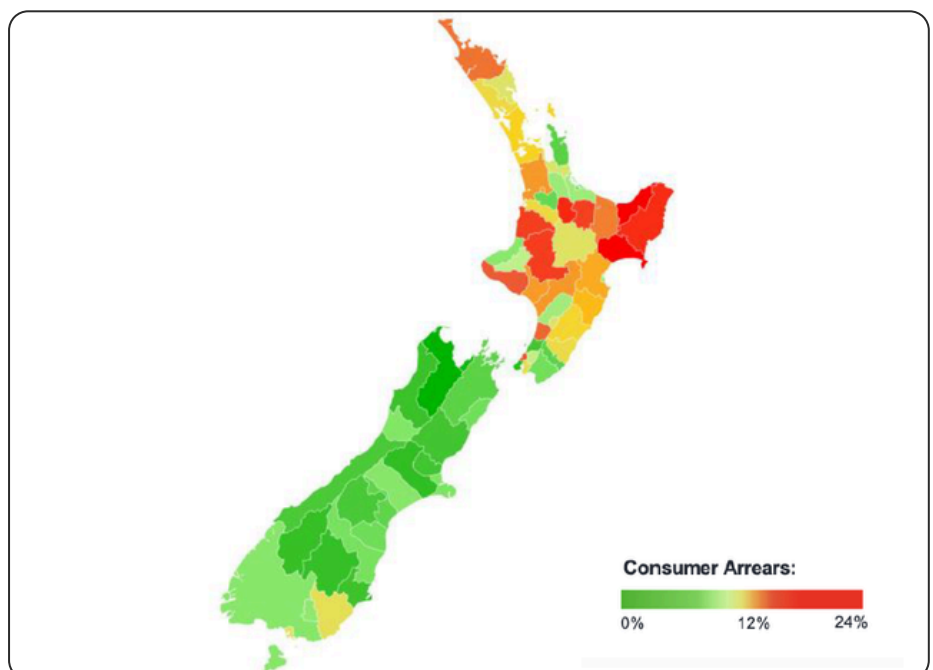


Regional variations in consumer stress are becoming more pronounced. Many South Island districts – including Tasman, Nelson, Selwyn, Queenstown Lakes, Central Otago, Buller, Dunedin, and Waimakariri – sit at or below the 10% arrears mark.

In contrast, North Island districts such as Wairoa, Kawerau, Ōpōtiki, South Waikato, Gisborne, Ruapehu, and Rotorua record arrears between roughly 15% and 18%, reflecting deeper financial pressures in lower income or more volatile local economies.

Lowest Arrears Areas		
District		Arrears %
1 Tasman District		8.16%
2 Nelson City		8.36%
3 Wellington City		8.96%
4 Selwyn District		9.19%
5 Queenstown-Lakes District		9.38%
6 Central Otago District		9.39%
7 Buller District		9.58%
8 Dunedin City		9.71%
9 Waimakariri District		9.83%
10 Kapiti Coast District		9.85%

Highest Arrears Areas		
District		Arrears %
1 Wairoa District		17.92%
2 Kawerau District		17.89%
3 Opoiki District		17.63%
4 South Waikato District		16.65%
5 Gisborne District		16.51%
6 Ruapehu District		16.01%
7 Waitomo District		15.90%
8 Rotorua District		15.85%
9 Porirua City		15.39%
10 South Taranaki District		14.96%



Looking ahead for the new year



As New Zealand moves through 2026, households and businesses alike are hoping for a more favourable economic climate.



Monika Lacey

COO, Centrix

The modest rise in new lending suggests early signs of renewed confidence, yet the elevated level of business failures highlights the ongoing fragility across several sectors – particularly construction and hospitality.

With an election year underway and Budget 2026 on the horizon, attention will turn to how policy settings might support struggling businesses and ease pressure on households.

For individuals, maintaining ontime repayments remains essential to protecting credit scores. For SMEs, prudent cashflow management and flexibility in the face of shifting consumer patterns will be key as the economy works toward stabilisation.

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NZCFI Member Spotlight: Meet Claudia Gleeson,

National Credit Manager, Plumbing World



Claudia Gleeson
National Credit Manager



What is your current position and who do you work for?

I am the **National Credit Manager** for **Plumbing World Ltd** and have held this role for 13 years.

Plumbing World has 56 stores across New Zealand, making it the country's largest 100% New Zealand owned national plumbing merchant with branches located from Kerikeri to Invercargill.

How did you get into Credit?

I left school early foregoing a tertiary education and it wasn't until some years later I realised I was stuck in a rut and knew I needed to challenge myself more. It was then I completed a NZ Diploma in Business and Diploma in Human Resources. With a short-lived foray into the wonderful world of HR I decided that wasn't for me and combined my HR role with a more financial role for Higgins Contractors Ltd which was the real start of my credit journey as it is today.

What is the most rewarding part of your job?

Being able to work alongside our customers to get the best result for both them and us by keeping cashflow moving forward while also ensuring that our customers are not unnecessarily sent to collection for a short-term issue they may be experiencing. Feedback I have received is that we have helped many customers through some very tough times all through understanding the challenges from both points of view and commitment from both parties. (The HR component helped in this area)

What is your biggest professional accomplishment to date?

Having industry leading collections in the Building and Construction sector in what can only be described in these times as very challenging. Also being awarded the Contribution Award for dedication and outstanding performance over a period of over 10 years in our prestigious company Excellence awards.



What advice would you give to emerging credit professionals?

Build strong analytical skills, assess credit risk through multiple factors including industry trends, cultivate relationships with other credit professionals (become a member of the NZCFI), keep abreast of the latest legislation, stay resilient and seize opportunities

What has been your biggest professional challenge so far?

Working through the current economic downturn and trying to balance managing our risk against the need for sales and the need for good relationship management over all stakeholders of the business

How do you handle stress and maintain a positive attitude in a demanding job?

Prioritise workload, time management skills, support from your team, don't take the negative parts of the role personally, mental and physical wellbeing and taking time out both inside and outside work.

What common misconceptions do people have about working in credit?

That credit professionals are inflexible, risk adverse, credit stops sales

What has being an NZCFI member done for you?

I have access to a network of other credit professionals, ensure I am up to date with any changes in legislation, training in a wide range of optimal topics, keeping up with industry standards. Being a member has strengthened my professional knowledge and part of an organization that reinforces credibility and commitment to best practice in the industry.

From Ink to Click:

TurnerHopkins

Barristers, Solicitors
& Notary Public

The Status of Electronic Signatures in New Zealand

The way in which New Zealanders sign contracts and formal agreements has undergone a profound transformation over the past few decades. What once required pen, paper and physical presence now can be achieved with just a few clicks on a screen.

The shift began in the early 2000's with the Electronic Transactions Act (2002) which introduced the principle of "functional equivalence" recognising that electronic signatures could carry the same legal weight as handwritten ones. Today, pursuant to the Contract and Commercial Law Act 2017, electronic signatures are firmly embedded in the legal framework enabling businesses, individuals, and government agencies the ability to transact securely and efficiently online.



The adoption of digital signing tools accelerated during the COVID-19 pandemic period as remote working and virtual witnessing became essential. Platforms such as DocuSign and Adobe Sign are now commonplace offering encryption, audit trails and identity verification to meet the reliability standards required by law. It is still the case that specific documents such as wills, powers of attorney, and statutory declarations as well as relationship property agreements require traditional signatures, however, most commercial agreements including employment contracts and property transactions can be executed electronically.

In the intention of this article is to summarise the current status, enforceability and legal issues surrounding electronic signatures and discuss steps that can be taken to establish that a document has been correctly signed where an electronically signed document is fully compliant and enforceable.

The United Nations Commission on International Trade Law (UNCITRAL) recognised the rapid global move toward digitised authentication processes. In response, it created the Model Law on Electronic Signatures, designed to assist countries in modernising and harmonising their legal systems.

New Zealand has adopted the principles of the UNCITRAL Model Law across several statutes. Today, electronic signatures are primarily governed through three key legislative instruments:

1

Contract and Commercial Law Act 2017 (CCLA) “the Act”:

A. Particularly sections 209 and 226–228, which deal with the effectiveness, reliability, and requirements of electronic signatures.

2

Electronic Transactions Act 2002:

A. This Act still provides foundational rules for electronic communication and electronic information retention.

3

Electronic Identity Verification Act 2012:

A. Section 7 governs electronic identity verification systems (including photo ID), supporting secure digital identity checks.

A common challenge to the enforceability of electronically signed documents is a claim that the person did not actually sign it; for example, they may argue that the signature is not theirs or does not match their usual signature.

Section 226 of the Act sets out the fundamental criteria for an electronic signature to be legally effective. A signature must:



Adequately identify the signatory and indicate their approval of the information in the document.



Be appropriate to the purpose and circumstances of the transaction.

In essence, this means that an electronic signature must clearly show who signed the document and demonstrate that they genuinely agreed to its contents. It must also be suitable for the specific transaction; for example, the method used should match the level of formality or security expected in the circumstances.

Importantly, the law does not require that the electronic signature exactly replicate the person's handwritten signature. Instead, it focuses on the intention and approval.

Section 228 of the Act explains what makes an electronic signature reliable, including sufficient proof that:

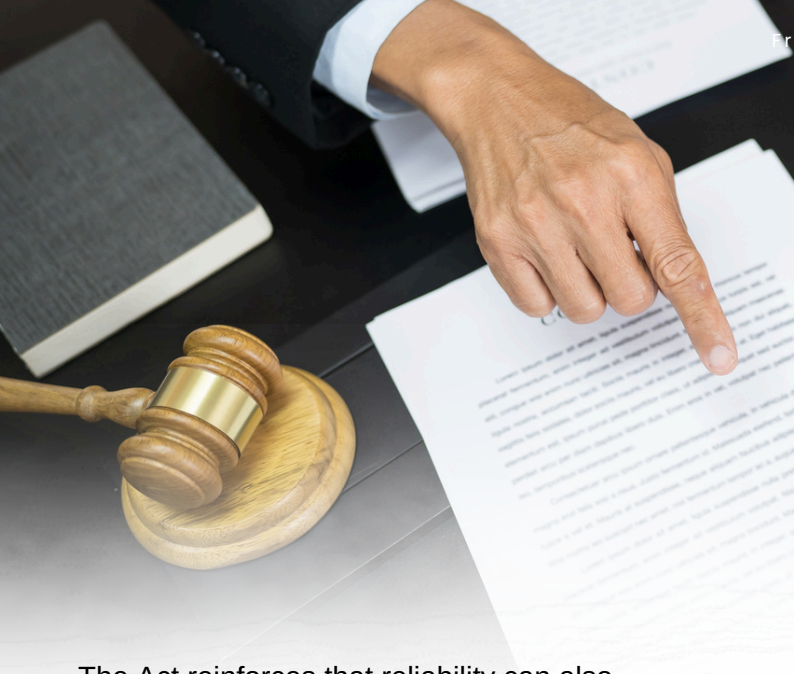


The signature links to the correct person, e.g., the debtor signing a personal guarantee or a company director signing on behalf of the company.



The signatory had control over the means of signing, ensuring that someone else did not sign on their behalf.

Clients frequently have their documents completed by an employee. While we cannot control who is completing the document, receiving the document electronically signed by the actual signatory will support the argument that the person signing the document had control over the means of signing.



The Act reinforces that reliability can also be established by other evidence, giving the court flexibility to accept electronic signatures if the surrounding circumstances demonstrate authenticity.

It is important also to remember that not all documents can be electronically signed. Like, for example:



Wills.



Affidavits.



Enduring powers of attorney (EPOAs).



Statutory declarations.



Any documents that must be sworn or affirmed under oath.

To provide evidentiary support for enforceability, particularly with high-risk documents such as personal guarantees, the following forms of evidence can be useful:



Email or communication chains:

Demonstrates mutual agreement to use electronic signatures and confirms the intention to sign.



Signature Audit Trail / Transaction Logs

Provides timestamps, authentication steps, IP addresses, and chain-of-custody information.



Witness Testimony

Supports intent, authority, and voluntariness, especially when witnessing is required.



Document Metadata

Confirms the integrity of the document, verifies it hasn't been altered, and authenticates signing details.



Secure Authentication Methods

Multi-factor authentication, password-protected access, or identity verification reduces the likelihood of fraud.



Digital Signature Certificate (DSC)

A third-party certificate strengthens proof of signatory identity and compliance with legal standards.



Confirmation from the Signature Service Provider

Shows the platform complies with New Zealand's electronic transaction requirements.



Version Control History

Confirms the signed version is the agreed final document.

Electronic Signatures and Personal Guarantees

While the legal rules governing electronic signatures apply broadly across contracts, personal guarantees carry higher legal and financial consequences. As such, businesses and creditors typically take additional precautions to minimise challenges to enforceability.

The same legislative requirements apply to personal guarantees as to any other electronic agreement under the Electronic Transactions Act and CCLA. However, because personal guarantees impose personal financial liability, courts scrutinise the circumstances more closely.

Businesses often implement additional protections from the ones already discussed above, including stronger authentication, explicit acknowledgements of liability, enhanced identity verification, and clear communication confirming the debtor's intention.

These steps reduce the likelihood of disputes over signature authenticity and ensure that the creditor can readily enforce the guarantee if required.

It is important to note that the Property Law Act 2007 (PLA) requires personal guarantees to be in writing and signed by the guarantor. Case law confirms that a typed electronic guarantee satisfies the "in writing" requirement.

Executing a personal guarantee as a deed can provide additional formality and stronger evidentiary value. For individuals, this means the signature must be witnessed by someone who is not a party to the deed, with the witness recording their name, place of residence, and occupation or description.

The same principles for electronic signatures also apply to electronic witnessing of signatures.



Conclusion

Electronic signatures are a fully recognised and enforceable method of executing documents in New Zealand, provided the statutory requirements of the Contract and Commercial Law Act 2017 are met. While the signature itself does not need to replicate a handwritten signature, it must reliably identify the signer and demonstrate intent.

For high-risk documents such as personal guarantees, parties should ensure robust evidence accompanies the signing process. Transaction logs, records of email correspondence, metadata, identity verification, and explicit communication are crucial tools for establishing reliability and authenticity.

As electronic signing continues to dominate commercial practice, understanding the requirements of Sections 226–228 of the CCLA is essential for both businesses and individuals seeking certainty and enforceability in their digital transactions.

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Barristers, Solicitors
& Notary Public

Navigating Credit Management for New Zealand businesses.

As many of us know, credit managers play a pivotal role in safeguarding business financial health. While there are many ongoing business challenges, effective credit management is essential for minimizing bad debts and ensuring cash flow stability. We'll explore recent insolvency trends, practical tips for credit professionals and strategies to mitigate risks.



Rising Insolvency Trends:

We have seen a notable uptick in business insolvencies. According to data from the NZ Companies Office, company liquidations reached 2,503 in 2024, a sharp increase from 1,827 in 2023. This represents a nearly 37% rise.

The trend has continued into 2025. In the first half of the year alone, 1,270 liquidations were recorded, suggesting 2025 could surpass previous years if the pace continues. Quarterly figures paint a similar picture: Total insolvencies jumped 31% from 569 in Q1 2024 to 748 in Q1 2025, with voluntary administrations and receiverships also on the rise.

These statistics highlight the distress of sectors like construction, retail and hospitality, where cash flow issues often lead to collapse. For credit managers, staying vigilant on these trends is crucial for informed decision-making.

Essential Tips for Credit Managers

To navigate this environment, credit managers should adopt proactive strategies grounded in best practices. Here are some key things Credit Managers should consider:

1

Conduct Thorough Credit Checks:

Before extending credit, verify customer creditworthiness via a third party. Investigate company history, directors and financials to spot red flags early.

2

Establish Clear Credit Policies:

Define credit terms, credit limits and conditions upfront. Include clauses for interest on overdue payments and use standard application forms to gather essential data. Speak to a professional to ensure these are watertight.

3

Monitor Accounts Receivable Diligently:

Use automated systems to track and monitor all debtors for adverse changes and act swiftly on overdue accounts. Prompt action can prevent small issues from escalating into bad debts.

By integrating these tips, credit managers can reduce exposure to insolvency risks while supporting business growth.



Looking Ahead:

As New Zealand's economy evolves and with projections of modest growth in 2025, robust credit management remains vital to success. Safeguards, like those offered through specialised insurance products like Trade Credit Insurance, can provide an extra layer of security against non-payments. Ultimately, a balanced approach combining data, strong policies and adaptive strategies, will empower credit managers to thrive.

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Why automate your Cash Allocation



As managers, we are all constantly being asked to 'do more with less'.

The pervasive solution offered to that challenge nowadays is 'Artificial Intelligence' and 'Machine Learning'.

Of course there are lots of cutting edge credit AI options to evaluate. However most of those are not yet proven, and are therefore not ready to run your daily mission-critical tasks.

Automating your Cash Allocation is one project that is ready now - providing a low-risk, low-effort opportunity to increase your overall automation, using 'tried and proven' technology.

Cosyn and our customers can definitely attest to the significant benefits that automated allocation has brought - having implemented multiple systems for many customers across New Zealand and Australia, currently processing over \$3.5 billion per month!

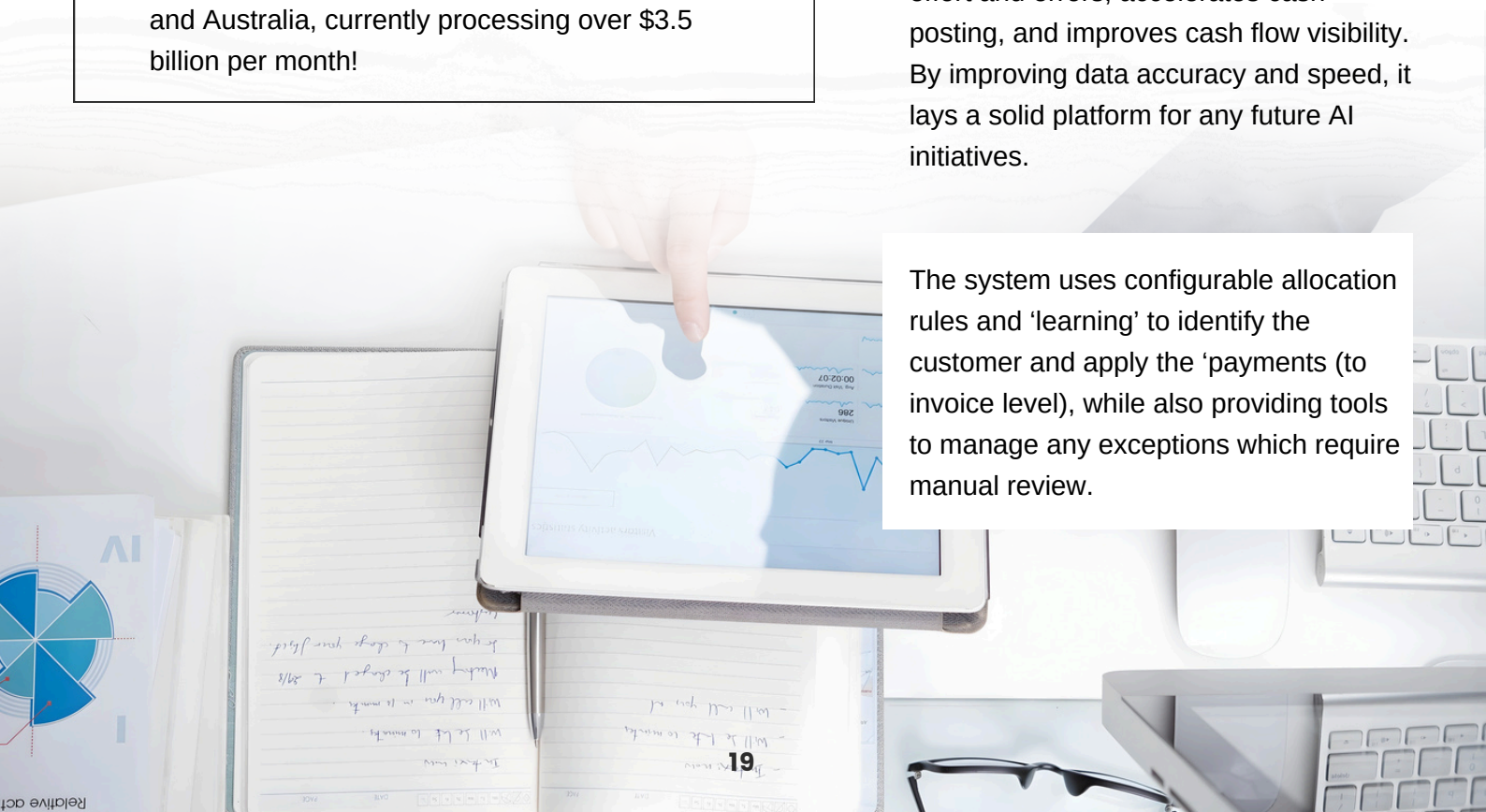
What is Automated Cash Allocation

Automated cash allocation is the process of automatically matching and posting your incoming payments to the correct debtors and invoices, using a combination of artificial intelligence, machine learning, and robotic process automation.

The goal is 90+% auto-allocation (to invoice level), updated into your ERP/Financial system, before you start your working day.

This process streamlines the accounts receivable department, reduces manual effort and errors, accelerates cash posting, and improves cash flow visibility. By improving data accuracy and speed, it lays a solid platform for any future AI initiatives.

The system uses configurable allocation rules and 'learning' to identify the customer and apply the 'payments (to invoice level)', while also providing tools to manage any exceptions which require manual review.



How Automated Cash Allocation works



Bank Statement Fetch and Import:

The system fetches the bank statement each night from the bank and imports it. Other 'bank statement-like' payments can also be included, such as credit card settlement transactions.



Customer and Ledger Import:

The system imports your latest Debtor file and AR Transaction file. This provides the latest data for matching.



Remittance Advice Processing:

Emailed remittance advices can be fed in from monitored mailboxes and 'read' electronically, in advance, to help with matching. Some systems can reach out to Debtor Portals to retrieve remittances at the appropriate time.

Normally, automated matching can be achieved without a remittance. But there may be debtors with large numbers of invoices or complex payments that a remittance can assist with (unilateral claims/deductions, short payments, etc.).

If remittance advices are received before the payment, the remittances can be matched and prepared in advance, saving significant time and delay during those 'peak allocation' days - around month-end.

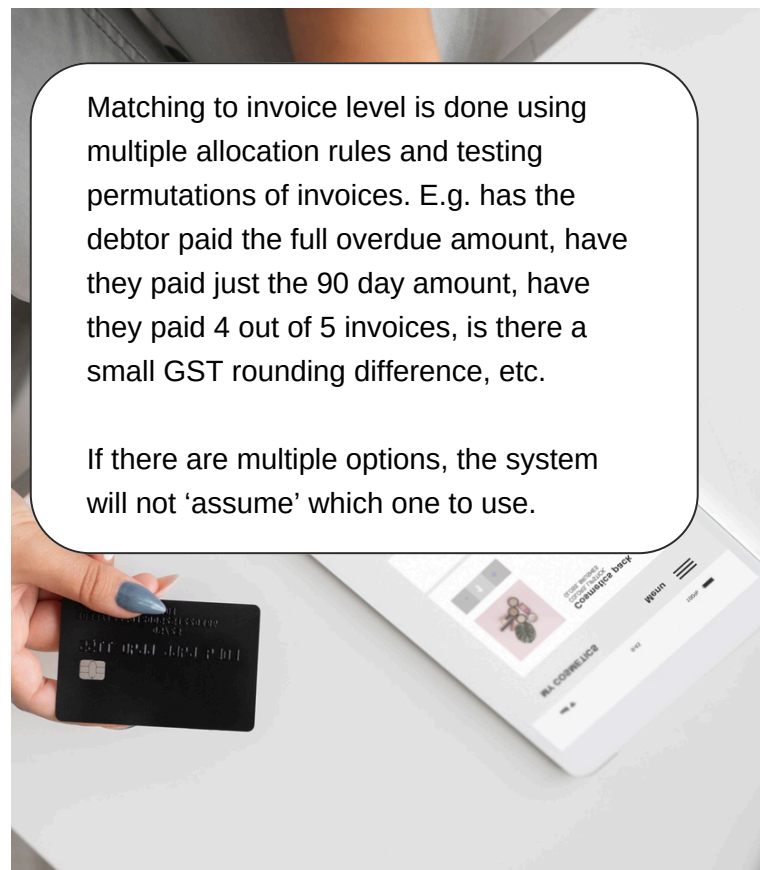
Customer and Invoice Matching:

The system is trained to identify and extract the DEBTOR NUMBER, INVOICE NUMBER, etc. from the bank statement payment data. It then uses that data to automatically identify the debtor and match the payment to the correct open invoice(s).

In New Zealand we are fortunate that banks provide relatively structured data to help with that. Certain banks will even provide the 'Payer Bank Account', making matching even easier.

Matching to invoice level is done using multiple allocation rules and testing permutations of invoices. E.g. has the debtor paid the full overdue amount, have they paid just the 90 day amount, have they paid 4 out of 5 invoices, is there a small GST rounding difference, etc.

If there are multiple options, the system will not 'assume' which one to use.



**Automated Allocation:**

Once a match is found, the system automatically creates a Payment Journal for your ERP/financial system, to post the recently-matched payments to the corresponding debtor/s and invoice/s in the ledger. The ERP/financial system is always the 'source of truth'.

**Payment Match Exception Handling:**

If the system cannot automatically match a payment as a result of missing or incorrect information, it flags the payment as an exception for your cash allocator to resolve.

But it does not simply leave you on your own to sort out these exceptions yourself. The system provides an easy-to-use interface that suggests and recommends possible options, for simple 'single-click' allocation (reducing data entry).

**Continuous Improvement and learning:**

The system's accuracy and efficiency will improve over time, by remembering the payment data matching and where it was allocated. For example, if payer x makes payments for multiple debtor numbers, that information will be remembered. You have the option to tailor matching rules based on any exceptions that occur.

**Recycled Payments:**

Some systems can be told to post the payment as an 'unallocated payment' (so that it is reflected on the account) but continue to retry matching each day, based on the latest transaction data. For example if a credit note has now been approved and processed, the payment may now match. You may also have requested and received a remittance advice which can now automatically apply the 'unallocated payment' to the correct debtor and invoices.

The Outcome and Benefits of Automating Cash Allocation

Depending on your current process and business processes, you may experience some or all of these benefits.

**Reduced Unallocated Cash**

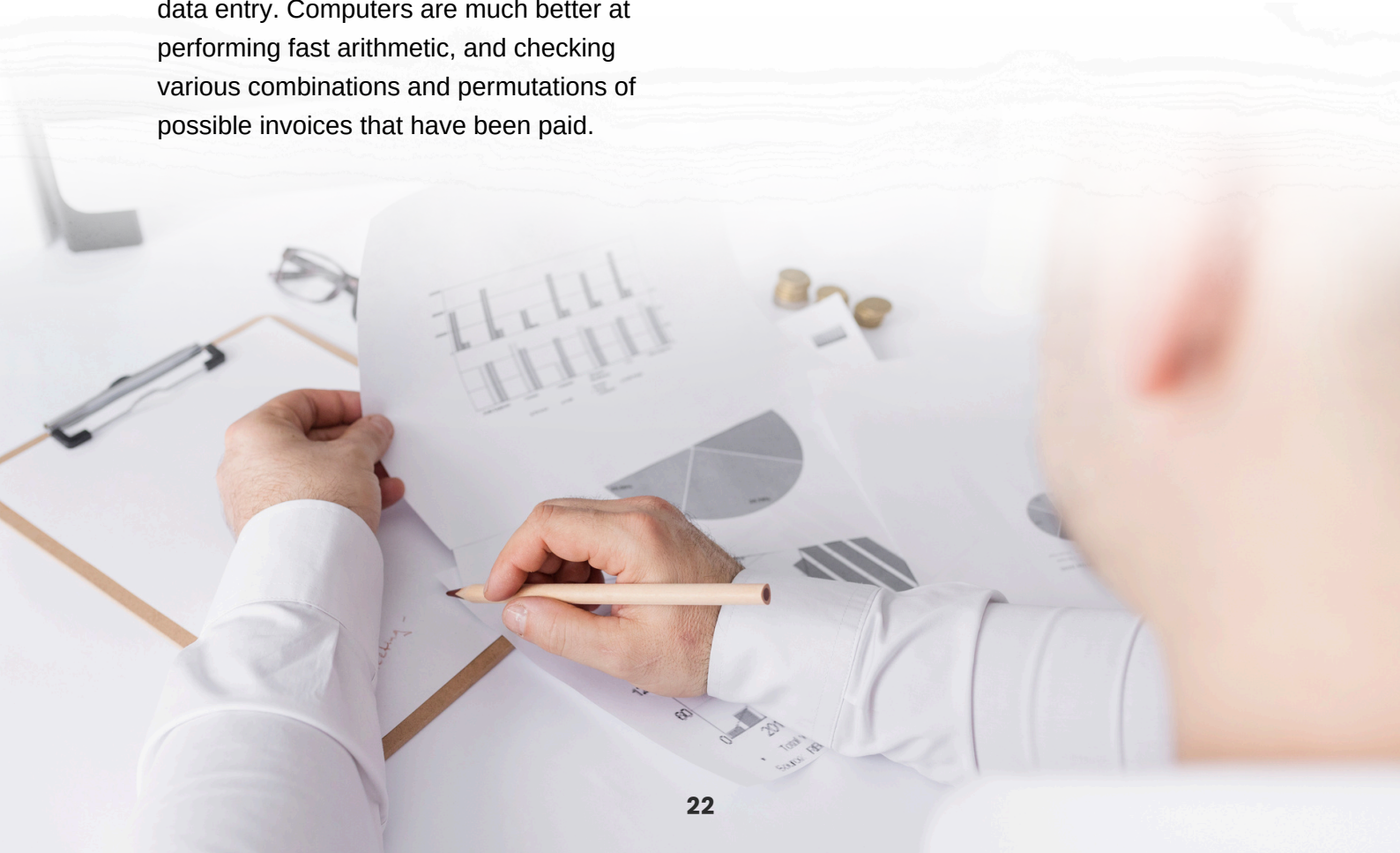
Automation reduces 'Unallocated Cash' and provides better visibility into the true outstanding debt and cash flow status.

**Reduced Debtor reconciliation time and effort**

Automation decreases the risk of human error in any repetitive and time-consuming process.

**Faster Cash Posting means earlier reporting and collection**

Automation accelerates the process of applying cash. The bulk of your allocations are complete before you get in to work. That allows you to start collecting earlier, with confidence. Your statements and reminders can be sent out earlier, meaning you get paid sooner.

- 
- » **Early alerting to missed payments /disputes**
If the payments are allocated earlier, the collection system can alert you earlier to payments that have missed specific overdue invoices. That might indicate a disputed invoice or other process failures (which can then be addressed earlier).
- » **Scalability and smoothed month-end workload**
Automation easily handles fluctuating payment volumes without a proportional increase in staffing. Peak times such as month-end can be catered for, and you can finally allow your team to be flexible with leave-taking. Remittance Advice OCR provides the ability to process remittances in advance of peak-period payments.
- » **Increased productivity frees the team to perform more 'value-add' tasks**
Automation frees up the accounts receivable team to handle exceptions and other more value-added tasks, instead of doing manual data entry. Computers are much better at performing fast arithmetic, and checking various combinations and permutations of possible invoices that have been paid.
- » **Customer Experience Improvement – accurate allocations**
Since cash is allocated accurately, the customer statement is more accurate and collection is no longer about 'what did you pay' but 'when will invoice x be paid'. Customer's time will not be wasted by unnecessary calls, which they will appreciate!
- » **Single process (if multiple ERP systems) e.g. acquisitions**
If you have multiple ERP/Financial systems, the system can be implemented across all of them. This then gives a single, consistent, automated, friendly allocation process, regardless of the ERP system, its age, etc.
- » **Improved General Ledger bank reconciliation**
The cash allocator never has to enter in the payment amount. The payment allocation and the bank reconciliation are both taken from the common uploaded bank statement file. As a result, no manual data entry mistakes can be made.



Conclusion



Trevor Middleton

Author, Cosyn /On Guard

Automating allocations is proven, low-risk technology that can provide immediate benefits right now. It also provides a high quality data platform for future AI initiatives.

In part two of this 'Automating Cash Allocation' series, we will discuss how to measure Automation success, and the specific business scenario challenges for Allocation automation.

If you need any help with your automated Cash Allocation, help preparing a business case, or just want to bounce ideas, feel free to contact me via trevorm@cosynsoftware.com.

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Understanding the Importance of the PPSA for Your Customers

The Personal Property Securities Register (PPSR) is a crucial tool for businesses, but not all customers are aware of its significance. Cheryl O'Brien from Fletcher Building Limited shares insights on the benefits of educating customers about the PPSR and how to effectively communicate its importance.

When Fletcher Building first started registering security interests on the PPSR, they encountered varied reactions from customers. Cheryl O'Brien, Head of NZ Payroll and Credit Management and Debt Recovery at Fletcher Building Limited, recalls that many customers misunderstood the term 'personal property' in the context of the PPSA. "I remember some of our customers worrying that we were trying to gain possession over their personal things," she says.

As one of the largest listed companies in New Zealand, Fletcher Building is a significant manufacturer, home builder, and partner on major construction and infrastructure projects. It was ten years ago when they first embraced the PPSR in one of their New Zealand business divisions, whose customers ranged from homeowners and residential builders to steel fabricators and subcontractors.

“



Cheryl O'Brien

We had a hugely diverse customer base and we realised early on it was in our best interests to raise awareness about the PPSA within our customer base.

Educating customers about the PPSR is essential for protecting their credit risk and trading position. If customers understand the importance of registering with the PPSR, they can mitigate the impact of not getting paid by a customer or recovering from customer insolvency. Cheryl explains that building knowledge and awareness of the PPSA and PPSR is an essential part of doing business on trade credit terms. "I don't believe you can ever over-communicate on this topic. The more customers understand the basics of this complex legislation, the smoother the process for everyone."

Fletcher Building uses several methods to communicate the PPSR to its customers:



Conversations with Key Customers:

For larger customers, Cheryl and her team speak to them in person to manage expectations upfront. Some of the reactions from customers have included: "Why are you registering against me personally?", "No one else registers, why do you?", and "I don't want to know about it." Cheryl explains that she is empathetic but ready with answers that will put their concerns to rest. "I talk through what the legislation means, including the definition of personal property. I reassure that it doesn't impact on their business unless they don't pay for product and that it is our policy to register against all trade credit accounts under this legislation."



Customer Roadshows:

After several customers were hit by bad debt a number of years ago, Cheryl said they had the idea to start doing roadshows. "We knew we had to get the message out there. So, we went directly to our customers and spoke to them in their workplace. The roadshows went down well, and our message spread further afield as people began to talk about our visits."



Customer-Facing Staff Training:

Equally important was educating the sales and customer-facing team. Cheryl explains that her team holds training sessions at sales meetings to give staff enough knowledge about the PPSR to answer customer questions. "We don't expect the sales team to understand the intricacies of the legislation, but we want them to know enough to be able to talk confidently about the PPSA. We put together a training pack of ten slides that we use during the training session to break the message down in simple terms. Included is a bit about the legislation, what it does, how to register and the benefits."

The proactive adoption of the PPSA legislation has significantly benefited Fletcher Building by reducing losses and securing the debtors book. This strategic approach has provided ongoing value, demonstrating the credit community's commitment to leveraging legislative tools for credit risk management.

The Rise of AI in Business: Turning Potential into Performance



Artificial Intelligence (AI) isn't new. But what is new is its accessibility — and the speed at which it's advancing. For decades, AI was the domain of scientists, researchers, and the tech companies, especially the larger companies. Today, it's powering everyday tools inside almost every business, from small tradies to global enterprise.

For me, AI is not about replacing people or making automated decisions for us. It's about removing friction, unlocking insights previously hidden in complexity, and strengthening our ability to make better decisions — faster and more confidently.

At 1Centre, we believe AI is here to **augment or boost human intelligence**, not override it.

Decisions remain in human hands when it comes to user experience, risk profiling, antifraud exposure and more - now however, we can be informed by real-time data, explained insights, immediacy in Q&A's 24/7, instant visibility – the list goes on.

The Evolution of AI: From Concept to Everyday Business Essential

1950s–1980s | Rules-based logic + early neural networks.



This refers to the first-generation logic which most of us know as 'if' 'then' logic – still used today. For example, 'if' the DOB falls within this range 'then' it can pass.



The neural networks refer to the early or first basic attempts at making AI behave like the Human brain.

1990s–2000s | Automation + web-scale data processing



Automation refers to using computers to perform repetitive tasks automatically like sorting emails or documents, or automatically processing transactions.



Web scale refers to the emergence of internet and cloud computing – think google. I can still remember the days when google wasn't a thing.

2010s | Deep learning + cloud computing accelerates progress.



Deep learning is where things start becoming interesting. Above I referred to basic neural networks, well, Deep learning is a more advanced version of this with layers – think facial recognition or language translation to name a few.



We all know the term 'cloud computing', put simply it's allowing you and me to essentially rent computing power on demand, enabling us to store and access our data from anywhere in the world and the list goes on.

2020–2023 | AI becomes mainstream — speech, images, predictive engines



As capability has evolved it's allowed AI to become mainstream so you and I can access it at very little cost which is super cool in my books. I think about Siri or Alexa, my 11year old uses voice-to-text to speed up whatever it is she's doing. We could all list the tools we use on the daily that have now become mainstream.

2024+ | Generative AI + Explainable AI reshape business operations.



We've all been exposed to this major shift. Generative AI in business has transformed a lot of repetitive tasks in particular, by using Gen AI Agents. At 1Centre we have an Agent, her name is Poppy. She can understand customer requests, reason with customers, take action and create new content If required. She's available 24/7 and if she can't assist, she'll reach out to one of the team to help.



Explainable AI focuses on transparency. So why did the AI recommend this? Or what data influenced this? For us at 1Centre is ensures every risk insight or identity verification can be understood and trusted.



AI has shifted from:

To provide additional context using AI is not a set and forget software. It's constant, continuous, essentially does not have an end date. For example, we've been iterating 1Centre Anti-fraud for the last 5 years since its inception – if we didn't, we'd already be behind exposing our customers to the ever-evolving risks in play transacting online, diminishing the user experience and not keeping up to date with the latest tech.



Old AI



Programmed rules



Niche research



Reactive analytics



Technology-led



New AI



Systems that learn and improve



Universal business adoption



Predictive and proactive intelligence



Customer and business value-led

This transition represents one of the most significant leaps in business capability we've seen in many decades.

AI Adoption: Businesses Are Moving from Curiosity to Core Strategy

Once considered experimental, AI is now a strategic business imperative. And if that sounds crazy... check the numbers. Talk to your peer group. Talk to your board. Talk to your competitors. The shift is already happening – at speed.



9 in 10 organisations globally are investing in AI.



75% of executives say AI is essential for future competitiveness.



Up to 40% productivity gains reported in teams using AI-powered tools (*McKinsey, PwC*)



Here's what I think: This isn't hype. This is hard-evidence momentum.

AI is reshaping how organisations operate, profit, and serve customers. And the companies lagging behind aren't ignoring AI because they disagree with its direction necessarily — they're ignoring it because:

- 1 They can't keep up
- 2 They don't know where to start
- 3 They believe 'this too shall pass'
- 4 The belief that it's up to someone else to deal with
- 5 or AI doesn't impact me

Do you remember not that long ago when any request involving technology was sent straight to the IT team? The CEO or CFO approved it, IT delivered it — maybe 6-12 months later depending on business priorities.

Those days are gone.

AI is breaking out of its old silo. It is no longer a technology function — it's

A capability function;

A growth function;

A risk management function;

A customer experience function.

We're now seeing AI embedded directly into the operations of businesses, in particular the repetitive and/or resource intensive tasks that now technology can do at the click of a button:

- ➡ Risk & compliance ➡ faster, cleaner, more confident decisions
- ➡ Sales & onboarding ➡ frictionless pathways and sales channels to revenue
- ➡ Supply chain & operations ➡ resilient, adaptive performance
- ➡ Finance ➡ better cashflow ➡ prediction and smarter working capital
- ➡ Customer experience ➡ proactive, personalised, human-centred engagement

This shift matters. Because organisations winning today aren't just experimenting with AI — they are operationalising it. The adoption story isn't about if anymore — it's about **where, how quickly, and with what strategic advantage.**

It's no longer a technology transformation. It's a business transformation.

And the businesses embracing it today are building the competitive moat everyone else will be forced to climb tomorrow.

Where AI Creates the Most Immediate Value

Businesses are already using AI to:

Business Area	AI Benefits
Customer onboarding	Faster approvals, reduced forms, fewer touchpoints
Risk intelligence	Better detection of anomalies + fraud prevention
Revenue optimisation	Better customer visibility + proactive growth opportunities
Productivity	Reducing manual tasks so teams focus on high-value work
Customer experience	Instant intelligent responses + personalisation

This is the world ICentre is building in and for — where trade moves more efficiently because intelligence is embedded into every interaction.

What's Coming Next: The Future of AI in Business

Over the next 3–5 years, we will see some major shifts:



Real-Time Decisioning Intelligence

Businesses will move beyond dashboards or static reports to continuous data insight — regulated, explainable, and proactive. Open API's and access to once inaccessible data enables endless possibilities to go direct to the source of where all the data is.



Industry-Specific AI Models

Not just general chatbots — but AI built for:

- ✓ Trade credit
- ✓ Supply ecosystems
- ✓ Finance risk
- ✓ Payments and behaviour signals



Autonomous Operations

Not autonomy from humans — but automation to serve us every day. Technology lifts the load; people drive the direction for example.



AI-Enabled Collaboration

Systems that talk to each other, matching supply and demand dynamically across industries.



Guardrails Become Crucial

The rise of:

- ✓ Ethical frameworks
- ✓ Data rights and governance
- ✓ Transparency standards.
- ✓ Trust as currency

And that's why 1Centre focuses so strongly on explainability, privacy, and supplier-owned data — trust can never be automated.



Final Thought

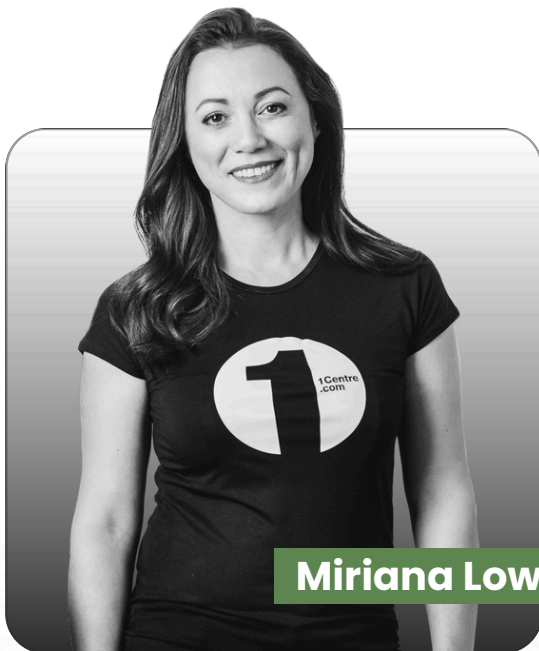
AI won't replace businesses. **But businesses using AI will outperform those who don't.**

This is not hype — it's a clear and accelerating.

The future of trade belongs to organisations who combine:

-  Human judgment
-  Data-led intelligence
-  Ethical, secure AI design

At 1Centre, we are committed to leading that future — building a trade ecosystem where AI doesn't just streamline operations...It **transforms confidence, resilience, and growth** for every business who touches it.



Miriana Lowrie

Founder & CEO, 1Centre

“

I've been asked to put some thoughts down about Artificial Intelligence (AI), my perspective, and views on how AI is evolving. Goes without saying all of us have been exposed to AI in some way or another, especially over these past few years with the explosion of ChatGPT, Microsoft Co-pilot, Google Gemini among others.

Mitigating credit risk in trade credit

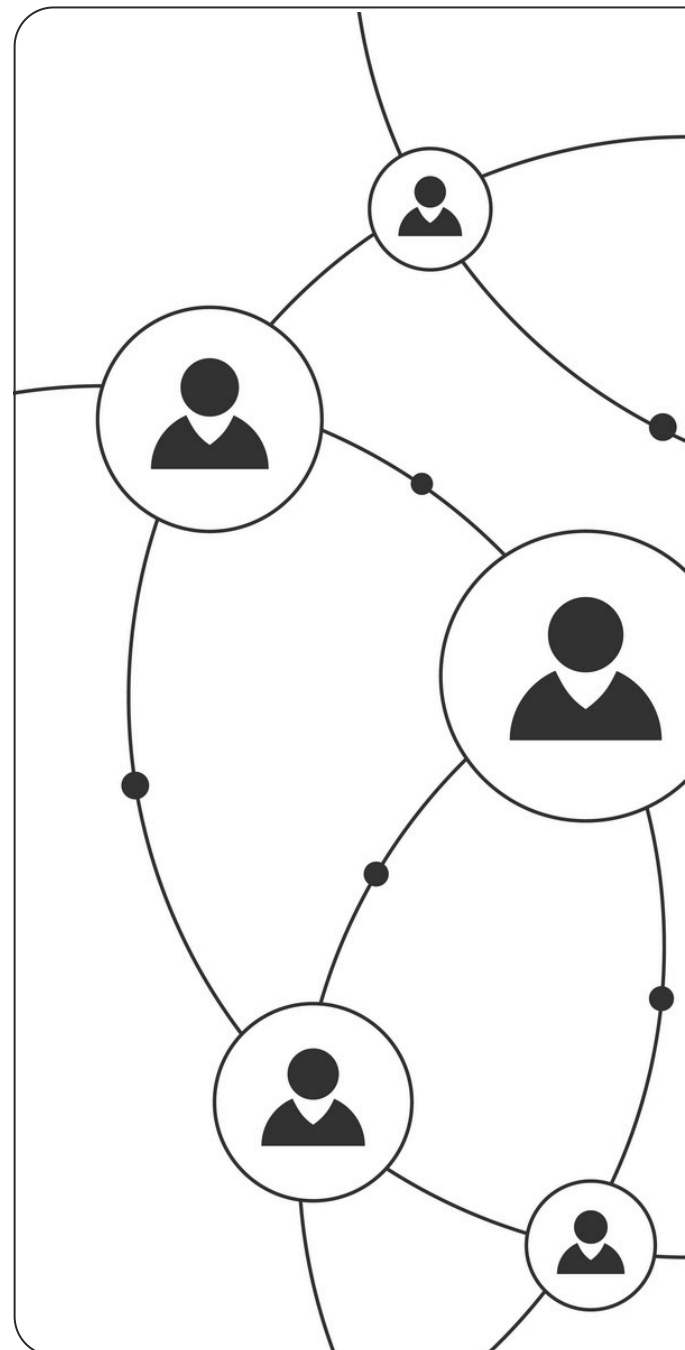


Trade credit is an important tool for businesses looking to grow. Allowing customers to pay later helps build relationships, drive sales, and maintain cash flow. But it comes with risk. Customers may pay late or, in the worst-case scenario, may not pay at all. The impact of such events can be significant, especially if a business is overly dependent on one client, one industry, or one region.

Trade credit is only effective when managed strategically.

Effective management of trade credit always starts with a clear risk appetite. The Board must define the level of credit risk the business is willing to accept and communicate it clearly throughout the organisation. Without this clarity, operational teams may unknowingly take on exposures that exceed the business's tolerance, or they may be overly cautious and miss growth opportunities. Establishing a clear risk appetite ensures that all mitigation strategies are applied consistently and aligned with the company's overall strategy.

Diversification is one of the first tools to put that risk appetite into practice. By spreading credit exposure across multiple clients, sectors, regions, and product lines, businesses reduce the likelihood that a single default will have a major impact. Relying too heavily on a small number of clients or a single sector increases vulnerability, while a more balanced approach helps smooth cash flow and strengthens resilience. While diversification provides a layer of protection, it is only one element of a broader strategy for mitigating credit risk.





There are several other strategies that businesses can use to manage exposure. Minimising exposure through credit limits and offering terms only to customers with strong payment histories helps contain potential losses. Accepting calculated risk can also support growth. Engaging with new clients or high-potential accounts always carries uncertainty, but when managed within clear limits and with contingency plans, it allows opportunities without compromising financial stability.

Trade credit insurance provides an additional layer of protection, safeguarding against unexpected defaults and ensuring that at least a portion of lost revenue can be recovered. Outsourcing credit management is another approach that provides immediate benefits. Specialists in verification, monitoring, and collections have expertise and resources that most businesses do not, reducing administrative burden while increasing confidence in customer reliability.



Strong operational practices and portfolio monitoring underpin all of these strategies. Credit assessments and collections guidance must be thorough and regularly updated. Monitoring outstanding balances and payment trends is vital. Leveraging technology to track exposures across customers, industries, and regions allows businesses to make informed decisions and respond quickly when issues arise. Using data and analytics turns risk management from a theoretical principle into a practical, day-to-day framework.

By combining diversification with targeted mitigation strategies, businesses can reduce volatility in cash flow, protect margins, and improve overall resilience. Active management of trade credit risk creates stability, which can improve relationships with banks, investors, and suppliers. It also allows businesses to pursue growth opportunities with confidence, knowing that risks are being managed rather than ignored.

Diversification provides a foundation, but active mitigation strategies, operational rigor, and a clear risk appetite are what make it work in practice. Businesses that combine these approaches are better positioned to withstand market shocks, maintain profitability, and grow sustainably. Credit risk does not disappear entirely, but it can be managed effectively, giving businesses the confidence and stability they need to thrive.

About the Author



Meurig Chapman is the **Founder of Happy Prime Risk Consultancy**, specialising in credit risk and financial risk management. He is also the coordinator of the Credit Risk and Fraud Summit, bringing together industry leaders to share insights and drive best practices across the financial services sector.

With extensive experience across banking, finance, and corporate sectors in New Zealand, UK and Australia, Meurig helps businesses identify, assess, and mitigate risk while enabling sustainable growth. Passionate about practical, real-world solutions, he writes to share insights on risk management, credit strategy, and industry best practices.

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Best Practices for Effective Credit Control and Their Benefits

Best Practices for Effective Credit Control and Their Benefits

Credit control is a crucial aspect of financial management that ensures businesses maintain healthy cash flow and minimise the risk of bad debts. Implementing effective credit control practices can help businesses manage their accounts receivable efficiently and improve overall financial stability. Here are some best practices for credit control, along with their benefits:



Establish Clear Credit Policies:

Define clear credit policies that outline the terms and conditions for extending credit to customers. This includes setting credit limits, payment terms, and criteria for creditworthiness. Communicate these policies to your customers to ensure they understand their obligations.



Example: A company sets a credit limit of \$10,000 for new customers and requires payment within 30 days. They provide a detailed credit policy document to each customer upon account setup.



Benefit: Improved cash flow by ensuring timely payments from customers.



Conduct Credit Checks:

Before extending credit to new customers, conduct thorough credit checks to assess their financial stability and creditworthiness. Use credit reporting agencies and financial statements to gather relevant information. This helps in making informed decisions and reducing the risk of bad debts.



Example: A business uses a credit reporting agency to check the credit history of a potential customer. They find that the customer has a history of late payments and decide to offer a lower credit limit with stricter payment terms.



Benefit: Reduced risk of bad debts by identifying potential risks early on.



Monitor Accounts Receivable:

Regularly monitor your accounts receivable to identify overdue invoices and potential issues. Implement a system for tracking payments and sending reminders to customers with outstanding balances. Early detection of payment delays allows for timely intervention and resolution.



Example: A company uses accounting software to track invoices and sends automated reminders to customers with overdue payments. They follow up with phone calls if payments are not received within a week of the reminder.



Benefit: Enhanced customer relationships through clear communication and timely follow-ups.



Maintain Accurate Records:

Keep accurate and up-to-date records of all transactions, including invoices, payments, and communications with customers. This ensures transparency and helps in resolving disputes quickly. Use accounting software to automate record-keeping and streamline the process.



Example: A business maintains detailed records of all customer interactions, including emails and phone calls, related to payment issues. This helps them quickly resolve disputes by referring to the documented communication history.



Benefit: Efficient dispute resolution and minimised disruptions to cash flow.



Implement Collection Strategies:

Develop effective collection strategies to recover overdue payments. This may include sending reminder letters, making phone calls, and negotiating payment plans with customers. In cases of persistent non-payment, consider involving a collection agency or taking legal action.



Example: A company sends a series of reminder letters to a customer with an overdue invoice. When the customer still does not pay, they negotiate a payment plan that allows the customer to pay in instalments. If the customer fails to adhere to the plan, the company engages a collection agency.



Benefit: Effective debt recovery and reduced financial losses.



Offer Incentives for Early Payment:

Encourage customers to pay their invoices promptly by offering incentives for early payment. This can include discounts, rebates, or other benefits. Early payment incentives not only improve cash flow but also strengthen customer relationships.



Example: A business offers a 2% discount on invoices paid within 10 days. Many customers take advantage of this discount, resulting in faster payments and improved cash flow for the business.



Benefit: Improved cash flow and strengthened customer relationships.



Review Credit Policies Regularly:

Regularly review and update your credit policies to adapt to changing market conditions and customer behavior. This ensures that your credit control practices remain effective and relevant. Seek feedback from your finance team and customers to identify areas for improvement.



Example: A company reviews its credit policies annually and adjusts based on feedback from the finance team and changes in the market. They recently updated their policies to include stricter credit checks for new customers.



Benefit: Adaptability to market changes and maintaining competitiveness.



Train Your Team:

Provide training to your finance and sales teams on credit control practices and procedures. Ensure they understand the importance of credit control and are equipped with the skills to manage accounts receivable effectively. A well-trained team can significantly improve credit control outcomes.



Example: A business conducts quarterly training sessions for its finance and sales teams, covering topics such as Terms of Trade, PPSA, credit risk assessment, collection strategies, and customer communication. This ensures that all team members are knowledgeable and capable of managing credit control effectively.



Benefit: Increased financial stability and improved credit control outcomes.

By implementing these best practices, businesses can enhance their credit control processes, reduce the risk of bad debts, and maintain a healthy cash flow. Effective credit control not only improves financial stability but also contributes to the overall success and growth of the business.

Fortify your terms of business

Fortify Your Business: Terms of Trade as a Critical Line of Defence

As a business owner, it is prudent to protect your interests. Most business owners establish essential layers of protection, by structuring their businesses appropriately and securing essential insurance coverage to minimise potential personal exposure from creditors.

Yet, one critical safeguard that is often overlooked is having a set of clear, well-drafted Terms of Trade defining the rules of engagement with customers. Without a robust set of Terms of Trade, businesses leave themselves vulnerable to late payments and costly litigation.



What are Terms of Trade?

Terms of Trade is a written contract between your business entity and customers, containing terms like payment obligations, delivery expectations, liability limitations, and dispute resolution mechanisms (amongst others).

It can be tempting to copy generic Terms of Trade, but this often leads to inconsistencies and gaps in protection. For the Terms of Trade to provide the intended protection, they should be specifically tailored to your business operations and be clear, comprehensive, and easy to understand.

Key provisions

What sorts of things should your Terms of Trade cover?



Payment Terms

Clearly outline payment terms, such as due date, accepted payment methods, and whether prices include or exclude GST. For international transactions, ensure currency of payment is clearly specified and include exchange rate implications, such as who is responsible for bank charges or currency conversion fees.



Interest, Costs, Suspension

Include the right to charge interest on the overdue amounts, whether at a fixed interest rate (for ease of administration)

or a variable rate (if you prefer flexibility tied to market condition). Include the right to recover legal and debt collection costs in the event of non-payment and to allow your business to suspend delivery of future orders for non-paying customers until all outstanding amounts have been paid in full.



Delivery, Transfer of Risk, and Insurance

Clearly state delivery obligations, such as who is responsible for delivery costs and ensure that the delivery and collection arrangements work practically. State clearly when the transfer of risk in goods occurs according to your business operations and ensure your insurance coverage is aligned with the transfer of risk. Failure to match insurance terms with the passage of risk could leave your business exposed to financial loss in the event of damage, theft, or loss.



Security Interests

Include a provision to retain title of goods with a right to recover possession until full payment is made, providing your business with security interest in the goods supplied and proceeds arising from the sale of the goods. This allows your business to register a financing statement on the Personal Property Securities Register (PPSR).

Some businesses may choose to perfect their security interests by registration on the PPSR, while others may not. The key is to include the right and then make an informed decision based on the specific business circumstances (such as registering security interests with key customers or clients who have significant outstanding balances). Even if the security interest is unperfected, it still takes priority over unsecured creditors, offering an additional layer of protection.

Warranty for Goods and Services

Clearly outline the scope of warranty, including duration, process for claiming, specific defects covered, and limitations on repair or replacement obligations.

Warranties stated must not take away or reduce your customer's statutory rights. Any terms that attempt to restrict these rights may be considered unfair and unenforceable under the Fair Trading Act 1986 and the Consumer Guarantees Act 1993.



Limitation of liability

The limitation of liability provision should be crafted carefully, as it depends on whether your customers are consumers or businesses.

If you are dealing with businesses, there is a greater flexibility in limiting liability. In these cases, you should seek to contract out of the Consumer Guarantees Act and the Fair Trading Act as far as possible, and to limit or exclude liability for indirect, consequential, or punitive damages. Where appropriate, include caps on damages.

Termination

Clear termination provisions should include specifying the conditions under which your business or customers may terminate, the processes for doing so, whether there are any fees associated with early termination, and any obligations that survive termination.

Limitations about what can be included

As tempting as it may be to draft a set of Terms of Trade which absolve you of any liability, be aware of the inclusion of any aggressive and unfair terms and conditions in your Terms of Trade as they may be found unenforceable under the Fair Trading Act in respect of consumers and small business to business contracts of an annual contract value of \$250,000 or less.



Factors to take into account when determining if a contractual term is unfair include whether the term:

- ✓ would cause significant imbalance between the parties' contractual rights and obligations;
- ✓ is not reasonably necessary to protect a legitimate interest of the person whose benefit it is for; and
- ✓ would cause detriment.

Obvious examples of unfair terms include heavily one-sided termination provisions, unilateral variation provisions, and limitations and exclusions of liability.



Securing a customer's agreement to the Terms of Trade

Once you have established the Terms of Trade, it is crucial that your customers have agreed to them prior to the supply of goods or services, such as having your customers sign a document containing the terms or accepting them via an online portal before completing orders.

Merely displaying the Terms of Trade on your website or printing them on the back of invoices is insufficient as these approaches fail to confirm that your customers have notice of and agreed to the Terms of Trade before placing an order.



Investing in a well-drafted Terms of Trade

The cost of obtaining a well-drafted, tailored set of Terms of Trade is a worthwhile investment – far better than spending that money on litigation down the track. Many disputes can be avoided simply by having clear, enforceable Terms of Trade from the outset. Rather than being tied up in legal battles, businesses can then focus on growth, profitability, and building strong customer and supplier relationships.

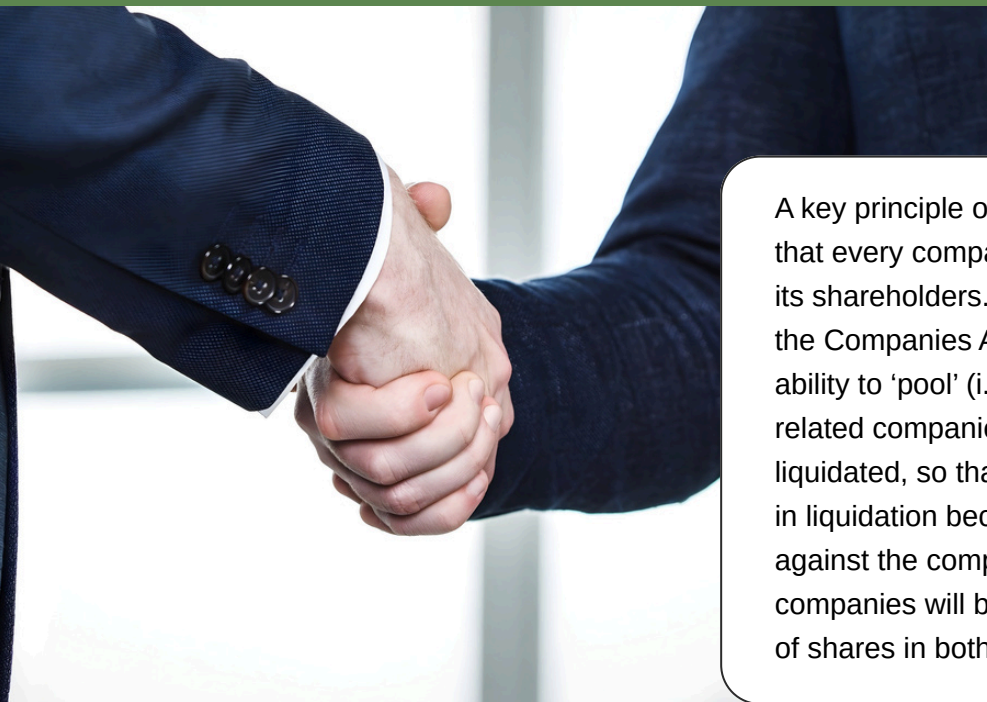
Are your assets secured against liquidation?



Did you know that the liquidator of a company can sometimes lay claim to assets held by other companies in your group? This article will outline when a liquidator can do that, and things you can do to increase your chances of defending this challenge.



When can a liquidator of a company lay claim to assets held by other companies in your group?



A key principle of New Zealand company law is that every company is a legal entity distinct from its shareholders. However, under section 271 of the Companies Act (Act) the courts have the ability to 'pool' (i.e. consider as one) the assets of related companies when one or more is liquidated, so that a related company which is not in liquidation becomes liable for the claims made against the company in liquidation. Your companies will be related if you own the majority of shares in both companies.

So, when will a court order the pooling of assets? Section 272 of the Act sets out the guidelines for orders. In deciding whether to make an order, the court must have regard to:

- ✓ the extent to which the related company took part in the management of the company in liquidation;
- ✓ the conduct of the related company towards the creditors of the company in liquidation;
- ✓ the extent to which the circumstances that gave rise to the liquidation of the company are attributable to the actions of the related company; and
- ✓ such other matters as the court thinks fit.

Instances where orders have been made

The courts have relied on the following factors to reach the decision that a pooling order should be made:

- 1 Two companies operating as one with each taking part in the management of the other. Issues may arise when the directors are the same for the company in liquidation and the related company.
- 2 Employees working for various companies and paid from whatever source had funds.
- 3 Considerable inter-company borrowing and intermingling of funds, especially if financing arrangements, flows of funds, inter-company lending and cross-guarantees form a web that cannot easily be disentangled.
- 4 Invoices to one company paid by the other.
- 5 One bank cheque account for all companies and one payroll for all employees in the group.
- 6 Companies having separate bank accounts but these being nothing more than channels through which funds passed to and from the principal company's trading account.
- 7 A subsidiary company being dependent on its parent company for support with no assets of its own.
- 8 Creditors' confusion as to which company they had contracted with.
- 9 Creditors would or might be better off if a pooling order were made.
- 10 Separating the companies would involve preferring some creditors and shareholders over others.



Take aways and recommendations

The more you are able to run each of your companies as a separate standalone operation, the better your chances of defending a pooling claim.



We recommend you:

- * consider whether your group's assets should be owned by a trading trust and leased to your companies. Trusts are not subject to the pooling regime;
- * consider running each company as if it were a standalone entity with its own management, independent cashflow generating ability, and business model;
- * have proper accounting practices in place, with separate, well-managed bank accounts and detailed financial records;
- * ensure you have current documentation to deal with contractual arrangements between companies e.g., leases and services agreements;
- * pay the market rate for inter-group transactions;
- * consider appointing additional directors to ensure the directors for each company are not the same; and
- * talk to your lawyer and accountant about whether there are other measures you could take, specific to your business.



Jone Cole

Partner, AWS Legal



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