

St. Vincent Automotive Co-operative Society Ltd.

Credit Policy

Approved January 2015 and Revised March 2019

The Board of Directors is the sole authority for authorising credit. Members of staff do not have authority to credit goods or services such as telephone top -up to staff or other persons unless where discretion is exercised under this policy. Management staff is the manager, accountant and supervisor of operations.

The below are therefore set out for the guidance of all members of staff during the execution of their duties and must be adhered to at all times. Crediting of goods and services is therefore strictly prohibited, and if it does occur, there must be justifiable reasons and must have the approval of the manager.

The manager should ensure that all staff members adhere to this policy and where there is deviation by members of staff there should be good justifiable reasons for such deviation. This should be brought to the attention of the manager at the earliest opportunity who will determine whether the cause was justified and ensure that the amounts due are collected.

A. Requirements for Approval of Applications for Credit Accounts

1. All applications for credit accounts **must** be applied for on the prescribed form and approved by the Board of Directors before credit is granted. Approval must be recorded in the minutes and on the application form and be signed by both the chairman and secretary.
2. Shareholders who apply for credit must be a member of the Society for a minimum of six months before application can be considered by the Board; unless in the deliberate judgement and knowledge of the Board the person is of such standing that the Board approves a waiver of this requirement.
3. Where an application is considered for a member, the amount of credit approved will be informed by the value of shares held by the member. The credit approved should **NOT** exceed 200% of the share value of the member. In other words, if a member has \$200 worth of shares, the credit limit should be \$400. Where the member requires a higher credit limit he may be required to purchase additional shares in the same ratio to cover the increase credit limit unless the Board in its deliberate judgement and knowledge of the member approves a waiver of the additional requirement.
4. The additional stipulation in (3) of acquiring additional shares may be waived where the member carries on a business and the credit account is to facilitate business transactions. Waiver should be only approved after cautious consideration.
5. All applications for credit for businesses will be considered after the necessary due diligence is conducted. The Board will pay attention to the business as a going concern, its history, owners' integrity, and may seek a deposit to mitigate any payment defaults or eventualities where the Board determines a need to.

6. Where a member with a record of payment default, whose account has been closed reapplies for credit, the Board will consider the circumstances of the default, whether the member had fallen on hard times or had the ways and means to pay and was negligent in paying, before denying or approving credit.
7. If a member who was in payment default was taken to court and judgement was handed down against the member, no credit shall be approved.
8. Where a member had his shares or part of his shares garnished to settle outstanding amounts the Board will take the circumstances of the situation into account before approving or denying further credit.

B. Credit in the Event of Emergencies or National Disasters and Discretionary one-off Credit

Emergencies or national disasters for the sake of this policy are defined as any event or series of events that are declared by the Government as a national emergency or national disaster. Such events include hurricanes, floods, earthquakes, fires, plane crash, mass vehicle accidents etc that require the mobilisation of multiple forms of transportation including boats. However, some emergencies or disasters may not be declared as such, but will fall under this category as well.

Where such occurs, there may be the need for crediting fuel to vehicles that are engaged in dealing with such occurrences. It may not therefore be practical to get the Board to approve credit for public service vehicles or equipment that is engaged in dealing with the occurrences. In such situations as below, the manager or senior staff members should try to contact the Chairman or executive members of the Board for consultation in the event that:

(i) That the occurrence is spontaneous (as in a plane crash), the manager or senior staff member acting in their own deliberate judgment after being given reasonable written assurances of payment by a senior Public Officer, shall issue fuel to ambulances, police vehicles, or any other official vehicle engaged with the emergency or disaster.

(ii) The manager may in his discretion and judgement where appropriate so to do grant a one- off short term credit to a shareholder who may have a reasonable explanation for requiring a one- off grant of credit. In such a case the manager should ensure that the amounts are collected at the earliest opportunity.

C. Credit Period

The Board approved a credit period of one month within which bills for the previous month are to be settled. In other words, bills for January are to be settled on or before the end of February. Prior to this, fifteen days was the credit period. This period was extended some six years ago to encourage credit customers to settle within the prescribed time, since it was felt that fifteen days were too short.

D. Monitoring and Follow up of Receivables

The following steps are to be taken on a monthly basis to monitor receivables and ensure that delinquencies are identified early and necessary action taken.

1. Review all accounts to ensure that balances are not in arrears; that is, to make sure that such balances are not outside the credit period or the credit limit. Pay special attention to habitual late payers and mark them to be 'kept in view' - KIV.
2. Use a monitoring note book so that if the computer system is down the book could be accessed to know a person's account status. Note book should show the date that the account was reviewed and stipulate the outstanding balance or part balance that is outstanding for each month over the credit period.
3. Where there is an outstanding balance that is outside the credit period, the customer should be immediately called and notified of the status of his account. He should be clearly told that his account is long overdue and that he should settle the outstanding balance by a specific date which should not exceed three days from the date of calling. He should be further told that a failure to settle the account by the specified date will leave the Society with no alternative than to close the account.
4. This account must be KIV with the intention of monitoring the date to see if payment was made. Where no payment is made, **then the account must be closed immediately.**
5. If there is persistent failure to settle outstanding account when due, the account should be permanently close.
6. Monitoring must ensure that monthly balances are paid in full. Customers who do not clear monthly balances in full but consistently have pieces of balances outstanding over the credit period must be encouraged to clear the account in full.
7. Notification to customers must be done through the telephone where fitting so to do, or, also in writing where this is appropriate.
8. On no occasion should a customer whose account is in serious arrears be allowed to remain open.
9. The Board at its monthly meetings will review the monthly ageing debtors schedule and seek necessary explanations in addition to giving directives where any account is of concern.

E. Legal Action

Where a customer who is not a member owes the Society an outstanding balance for over six months and is not making payments on this account to liquidate the debt, the customer should be written to informing him of the Society's intention to pursue legal action to recover the outstanding amount and pursue legal action.

Where the customer is a member, he should be written to advising him of the Society's intention to garnish his shares if this is the better option or advising of the Society's decision to pursue legal action.

In the event of legal action being taken, the Society should seek to recover legal costs where possible iaw Sec 114 of Act #12 of 2012.

This Policy was revised the 28th day of March 2019 by the Board of Directors in conjunction with the Supervisory and Compliance Committee.

Signed _____

Alastair Alexander – Chairman

Patricia John – Secretary