

# Background to European Credit Management Organisations and their respective Credit Environment

*An initiative of FECMA*

## Federation of European Credit Management Associations.

### Participating Countries:

*Instituut voor Kredietmanagement – Belgium*

*Dansk Kredit Forum – Denmark*

*Luottomiehet Kreditmannen ry – Finland*

*Association Francaise des Credit Managers et Conseils - France*

*Verein Credit Management e.V – Germany*

*Irish Institute of Credit Management – Ireland*

*ACMI – Italy*

*Malta Association of Credit Management – Malta*

*Nederlandse Vereniging voor Credit Management – Netherlands*

*Svenska Kreditföreningen - Sweden*

*Institute of Credit Management - UK*

## Acknowledgements

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*Instituut voor Kredietmanagement – Belgium*  
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*Svenska Kreditföreningen - Sweden*  
*Institute of Credit Management - UK*

It was the initiative of Ms Valerie Collot of the AFDCC (France) to develop and send the questionnaire to all FECMA Members.

Mr Josef Busuttill of MACM (Malta) analysed the findings and produced this paper for the approval of the FECMA Members.

**It is to be noted that all information and data provided in this paper was extracted from the responses of the questionnaires sent to the FECMA Members. Information and data is the sole responsibility of the individual association / institute providing such data.**

## 1.0 Introduction

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Although the European Union is harmonising legislation across EU member states and facilitating commerce and trade between its members, by means of Directives and Regulations, business practices still differ considerably between European countries.

Credit management practices are not an exception. As other business management practices, credit practices are effected by the business environment in which they are employed. The credit environment in different European countries may differ, however, for various reasons, which include:

- *the economic situation of the country;*
- *the level of competition;*
- *The level of recognition of the credit manager's role;*
- *the commercial culture in which business organisations trade;*
- *the accepted payment terms in an industry or market;*
- *the ease of establishing a company in a country;*
- *the availability of data and information pertaining to business organisations and individual in order to analyse and monitor the credit worthiness of the clients;*
- *the legal framework and the effectiveness of legal actions taken by the suppliers;*
- *the availability and effectiveness of outsourcing tools used to minimise credit risk - factoring & insurance;*
- *cash collection methods; and other factors.*

Credit Management associations within FECMA have discussed these pertinent differences that may exist between European countries for a number of times and it was their common objective to establish facts and issues which make the European commercial environment different or in some instances similar. This paper is the first of a series of analysis of the European credit environment that members of FECMA will be conducting.

A questionnaire was sent to all FECMA members consisting of the following issues:

- The Credit Management National Association / Institute;
- Economic Indicators of the relative Country;
- EU Late Payment Directive;
- Credit Management Practices;
- The Credit Manager;
- Lobbying Activities.

Ten national credit management associations / institutes took part in this exercise as indicated on the front of this paper.

## 2.0 Findings

### 2.1 Credit Management Associations

The first section of the Questionnaire focused on the National Credit Management Associations / Institutes.

It transpired that every Association or Institute has its own objectives and aims which may differ from other organisations, members of FECMA. The structure and composition of the associations may also differ from one another, as well as the functions and roles of these credit management associations.

Table 2.1 shows data pertaining to individual FECMA members.

	<b>Established</b>	<b>Number of Members</b>	<b>Education Programmes</b>	<b>Meetings with Members</b>	<b>Newsletter &amp; Magazines</b>	<b>Job Vacancies</b>
<b>Belgium</b>	2006	50	Course	10	Yes	No
<b>Denmark</b>	1980	80	Course	3 – 6	e-Newsletter	No
<b>Finland</b>	1961	804	Seminars	2	Luottolinkki	<i>Not Avail</i>
<b>France</b>	1970	906	Conferences Congress	10 & other	Fonction credit	Via www
<b>Germany</b>	2002	500	Cert CM Cert CC	10 – 15 & Other	Der Credit Manager	Via www
<b>Ireland</b>	1964	474	Distance & e-learning	6	Yes	Via www & e-zine
<b>Italy</b>	1974	708	Education program & seminars	10	ACMI news magazine	Via website
<b>Malta</b>	2001	<i>Not avail</i>	ICM Cert & diploma Seminars Workshops	3 – 6	e-Newsletter	No
<b>Netherlands</b>	1990	800	CCP CCM	6	De Credit Manager	Via www
<b>Sweden</b>	1968	700	Seminars	13	Kreditnytt	No
<b>United Kingdom</b>	1939	8500	Cert & Dip in Credit Management	6 - 8	Credit Mangement	Via www & magazine

**Table 2.1 Background to National Credit Management Associations**

Table 2.1 shows that although some associations have been established for more than thirty years, with the Institute of Credit Management of the UK dating back to 1939, other associations have been recently established, as is the case in Belgium, Malta and Germany.

The number of members also differs considerably from one country to another, with the largest association being the ICM of the UK.

However, interesting to note is the fact that every association provides some type of education to its members. Education programmes include seminars, conferences, congresses, workshops and also recognised academic courses leading to certificates and diplomas in credit management.

Periodic Magazines and Newsletters are also common to all associations. Magazines and Newsletters are considered to be an important communication tool with their members. Nevertheless, all associations organise various meetings for their members both at national and regional level.

The structure and composition of each national credit management association has been developed to satisfy the needs of the members. This also applies to the fees structure of every organisation. Table 2.2 establishes the composition of each association and the relative membership fee structure.

	<b>Corporate</b>	<b>Individual</b>	<b>Both</b>	<b>Membership Fees (Euros)</b>
<b>Belgium</b>			<b>X</b>	375 / 125
<b>Denmark</b>	<b>x</b>			396
<b>Finland</b>		<b>x</b>		35
<b>France</b>	<b>x</b>			340
<b>Germany</b>			<b>X</b>	495 / 195
<b>Ireland</b>			<b>X</b>	595 / 195
<b>Italy</b>		<b>X</b>		
<b>Malta</b>	<b>x</b>			Based on t/o
<b>Netherlands</b>		<b>x</b>		142.5
<b>Sweden</b>	<b>x</b>			165
<b>UK</b>		<b>x</b>		19 – 89.5

**Table 2.2 Membership Structures**

Credit Management Associations provide valuable information through their websites. Members are encouraged to browse through these sites in order to learn from topical news and to share opinions and ideas. However, some associations use their website to provide data pertaining to credit history through a secured area in their website. Table 2.3 identifies the information provided by each association via web portals.

	<b>Information</b>	<b>address</b>
<b>Belgium</b>	General	<a href="http://www.ivkm.be">www.ivkm.be</a>
<b>Denmark</b>	Education Board info Comments Others	<a href="http://www.dk-r.dk">www.dk-r.dk</a>
<b>Finland</b>	Education Jobs News Forum	<a href="http://www.luottomiehet.fi">www.luottomiehet.fi</a>
<b>France</b>	Education Task groups Jobs Economic Data	<a href="http://www.afdcc.com">www.afdcc.com</a>
<b>Germany</b>	Education Jobs Activities News Reports	<a href="http://www.credit-manager.de">www.credit-manager.de</a>
<b>Ireland</b>	Events Education	<a href="http://www.iicm.ie">www.iicm.ie</a>
<b>Italy</b>	Events Education Jobs Task groups	<a href="http://www.acmi.it">www.acmi.it</a>
<b>Malta</b>	Education Articles Publications Events & Activities News Credit History	<a href="http://www.macm.org.mt">www.macm.org.mt</a>
<b>Netherlands</b>	Education Task Group Jobs Economic Data Events	<a href="http://www.vvcm.nl">www.vvcm.nl</a>
<b>Sweden</b>	Agenda Task Groups Members Conferences	<a href="http://www.kreditforeningen.se">www.kreditforeningen.se</a>
<b>UK</b>	Education Events & Activities Bookshop Jobs Members Forum Research Papers	<a href="http://www.icm.org.uk">www.icm.org.uk</a>

**Table 2.3 Associations' Web Portals**

## 2.2 European Countries' Economy

Since economic data changes over time, it is wise to browse through the following websites for updated information:

	<b>WWW economic data</b>
<b>Finland</b>	<a href="http://www.vm.fi/english">www.vm.fi/english</a> <a href="http://www.bof.fi/eng">www.bof.fi/eng</a>
<b>Germany</b>	<a href="http://www.destatis.de/e_home.htm">www.destatis.de/e_home.htm</a>
<b>Ireland</b>	<a href="http://www.esri.ie">www.esri.ie</a>
<b>Malta</b>	<a href="http://www.gov.mt">www.gov.mt</a> <a href="http://www.centralbankmalta.com">www.centralbankmalta.com</a>
<b>UK</b>	<a href="http://www.statistics.gov.uk">www.statistics.gov.uk</a>

**Table 2.4 Economic Data Websites**

In addition, the following data pertaining to credit management was revealed by the ten participant FECMA members.

	<b>Average Payment Terms</b>	<b>Payment Delays</b>	<b>Payment Duration</b>	<b>Public Payment Terms</b>	<b>Public Payment Delay</b>	<b>Public Payment Duration</b>	<b>Number of Bankruptcies</b>	<b>Established Companies</b>
<b>Belgium</b>	35	17	52	52	23	75	7,799	18,865
<b>Finland</b>	21						2,272	26,876
<b>France</b>	52.3	14.1	66.4	50.3	18.4	68.7	40,600	318,800
<b>Germany</b>	26	16					118,274	928,000
<b>Ireland</b>								
<b>Italy</b>	70	15	85	90	338	428	115,583	421,291
<b>Malta</b>	60	varies						4,000
<b>Netherlands</b>	30	45-60		30	45-60			
<b>Sweden</b>	29	2	31	31.4	6.5	37.9	6,600	39,300
<b>United Kingdom</b>	22						46,650	394,000

**Table 2.5 Payment Practices in European Countries**



### 2.3 European Directive on Late Payments 2000/35/EC

A published leaflet of the Directorate-General for Enterprise of the European Commission on late payment revealed that in Europe, one out of four insolvencies is due to late payment resulting in a loss of 450,000 jobs each year. The payment delays in commercial transactions across the EU are quantified at EUR 90 billion a year (around Lm39 billion per year) and they account for EUR 10.8 billion in terms of lost interest. Additionally, outstanding debts worth of EUR 23.6 billion are lost every year through insolvencies caused by late payment.

The purpose of this law is therefore, to protect creditors supplying goods and services in receiving adequate compensation. This compensation is primarily in the form of interest at rates higher than those normally applied, when payments owed for the price of goods / services are not effected on the due date, whether this time is agreed upon between the parties or automatically applicable "ex lege".

This Directive covers all commercial transactions, whether in the private or the public authority or even between the private and the public sectors. The definition of public authority, given in this same law, states clear that it means the Government, Local Councils and other public bodies which are financed for the most part by the State or Local Councils.

This law does not apply to transactions made with consumers, to claims made for torts and quasi torts, and to payments made as compensation for damages including from insurance companies.

All EU Member states are obliged to transpose this Directive into their own national legislation.

Questionnaire asked the date of the transposition of this Directive into the national Legislation and its effectiveness, including the interest calculation.

	<b>Transposed on</b>	<b>Effectiveness</b>	<b>Interest Charged</b>
<b>Belgium</b>	August 2002	Not evident	
<b>Denmark</b>	May 2001	Not evident	7% + ECB rate
<b>Finland</b>	May 2002	Not evident	7% + ECB rate
<b>France</b>	May 2001	Not evident	7% + ECB rate
<b>Germany</b>	January 2002	No measure	8% + ECB rate
<b>Ireland</b>	August 2002	Not evident	7% + ECB rate
<b>Italy</b>	October 2002	Not evident	7% + 2,83
<b>Malta</b>	July 2005	Still early	7% + CBM rate
<b>Netherlands</b>	End 2002	Not evident	Contract basis
<b>Sweden</b>	May 2001	Not evident	Unclear
<b>UK</b>	1998	Slight improvement	8% + ref interest

Table 2.6 Transposition & Effectiveness of EU Directive 2000/35/EC

It is evident that the EU Directive regarding late Payment in Commercial Transactions has been transposed accordingly by all countries with very little or no effectiveness. It also shows that interest charged on late payments are in accordance to the EU Directive (7% plus the European Central Bank Rate). However, in the UK and Germany, the interest on commercial late payment is 8% plus the ECB intervention rate.

## 2.4 Credit Management Practices

Each European country has its own specific legislation, regulations, payment and collection practices, different sources of information and risk minimisation tools.

Table 2.7a & 2.7b compare and contrast differences and similarities between countries.

	<b>Belgium</b>	<b>Denmark</b>	<b>Finland</b>	<b>France</b>	<b>Germany</b>
P & L Accounts Publication	Full	Full	Full	Full	Depends
Penalties if not published	Yes	Yes	Yes	Yes	Depends
Method of Payment (Domestic)	Wire Electronic	Wire D Debits	Wire	Wire	Bank trf
Method of Payment (Export)	various	LC Wire	Wire Swift	Wire DC Deposit	
Cash Collection methods	Letters	Letters Phone	Letters Phone Legal	Email Phone Letter	Letters Phone
Actions against drawers of Dishonoured Cheques	Yes – Info made public	Yes		Yes	Yes
Credit Reference Agencies	Graydon D&B	D&B KOB RKI Debitorregistret	Suomen D&B	Coface BeD BEIC	DID Creditreform Burgel Atradius
Cash collection / Legal actions	Intrum Justitia	Lindorff Connection F Advokater K Inkasso I Danmark	I Justitia Lindorff Erapavia	Intrum F Creances Recofact Serecco	Lawyers
Credit Insurance	Euler Hermes Atradius Coface Delcredere	Atradius	Euler H L Atradius	Euler Hermes Atradius Coface AIG	AK Coface EHK Gerling Atevis
Factoring Companies	Fortis IFB Eurofactors	Atradius Nordisk	Aktiv Parkerhs	Eurofactor Atradius GE Capital Factorem Cofacredit Fortis	AK Coface Atradius DF Bank Dresdner F InfoScore Fortis
Use of European Arbitration	Nil	No		No	no

**Table 2.7a Credit Management Practices**

	<b>Ireland</b>	<b>Italy</b>	<b>Malta</b>	<b>Netherlands</b>	<b>Sweden</b>	<b>UK</b>
P & L Accounts Publication	Full	Full	Full	Full	Full	Full
Penalties if not published	Yes	Yes	Yes	Yes	Yes	Yes
Method of Payment (Domestic)	Cheque D Debit Electronic	Wire	Cheque Electronic	Wire	Wire	Cheque BACS
Method of Payment (Export)	Electronic LC	Wire, L/C Down payment	Swift Electronic	Wire LC	Wire	BACS Swift Draft
Cash Collection methods	Letters Phone	Emails Phone calls letters	Letters Phone	Letters Phone emails	Email Phone Letters	Letters Phone
Actions against drawers of Dishonoured Cheques	Yes	Yes	Yes		Yes	Yes
Credit Reference Agencies		Lince Altarex Crif Experian Cerved Bureau Van Dijk	MACM	D&B Experian	UC Soliditet	Equifax Experian ICC D&B Graydon
Cash collection / Legal actions		Altarex Lince / Finservice Crif / Cribis teleservice Intrum Justitia	Lawyers	I Justitia Incasso NIB Transfair AB CreditForce	Intrum Svea Gothia Kapitainkasso	
Credit Insurance		Euler Hermes Atradius Coface	Nil	Atradius Euler Coface	Euler Atradius Coface	AON Atradius Coface ECGD Euler
Factoring Companies		Ge commercial finance Coface Fortis / Atradius Unicredit Factoring Intesa	Nil	IFN ING L Landen FCF	Amfa Gothia Svea	
Use of European Arbitration		No	no	No	no	No

**Table 2.7b Credit Management Practices**

## 2.5 The Credit Manager

The last section of the Questionnaire focused on the Credit Manager in every country. Table 2.8 shows the findings from the research study.

	Belgium	Denmark	France	Germany	Ireland	Italy	Malta	Netherlands	Sweden	UK
Average Salary (Euros)	48K – 84K	68.9K	49.4K	25K – 50K	55K – 60K	40/60K		50K	50K	45K-60K
Average Age			41	31-50	40-50	31-40		45	45	35-60
Men / Women				78% / 22%	60%/40%	25%		81%/19%	80%/20%	Equal
Gender equality			No		Yes		Yes		Yes	Yes
Reporting	CFO		CFO General Manager		Fin Dir	CFO	CEO Fin Cont	CFO GM	F Cont	CC
Education Level	Bachelor Masters		Masters High School University Grad	High School Econ background	Degree diploma	Degree	A Level	High School	GM	MICM FICM

**Table 2.8 The Credit Manager**

## 2.6 Other Activities

Credit management associations take part in other activities, especially lobbying. Lobbying issues vary according to the country and it is done with the respective governments.

Those associations which do not currently lobby are in the process to form the appropriate structure to do so. It is only through effective lobbying that the members of the associations / institutes will benefit from improved credit environment.