

## Openreach KnowHow

### Business processes

## Credit vetting policy

### Overview

This publication explains the Openreach credit vetting policy for WLR, LLU, Access Locate, Ethernet, GEA/FTTC, service Based Solutions (SBS) and the Agreement for the Provision of Physical infrastructure Access. It applies to new CPs applying to become customers of Openreach, as part of the customer establishment process and also applies to anticipated liability calculations for connections and ongoing rentals associated with these product portfolios, including Access Locate (Co-Mingling) and LLU (Distant Location, Co-Mingling and Co-Location). You should read this publication in conjunction with the appropriate forecasting manual and product processes and/or handbook.

### Revisions

S/N	Version	Author	Date	Description
1	V.2.1	Openreach KnowHow team	October 2009	Credit vetting policy
2	V.2.2	Openreach Finance	Jan 2011	Credit vetting policy
3	V.2.3	Openreach Finance	October 2011	Credit vetting policy

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## 1. Overriding principle

The Openreach credit vetting policy is designed to establish the customer's, or potential customer's overall credit worthiness and spending pattern. This is done to ascertain the available credit/security requirement for any new product or service required and/or increases to existing products or services requested by the customer.

### 1.1 Credit vetting triggers

Credit vetting is triggered if a customer, or potential customer:

- Is applying for a product or service for the first time under an existing contractual arrangement, or is applying to be a customer of Openreach for WLR3, LLU and Connectivity Services (Ethernet).for the first time
- Requests a novation
- Has paid five or more days late
- Has been sent a Breach Notice
- Has ordered or forecast more than the available credit threshold, including installed base
- Has asked to change the settlement method
  - Or** if there has been a:
    - Significant change of ownership of customer's business
    - Any change in the credit worthiness of the directors of the customer's business.
  - Or** if:
    - A business displays signs of failure.
  - Or:**
    - After a calendar period or when, at its discretion and acting reasonably, Openreach decides that a credit vetting is necessary.

*Please note that, in the event of a dispute between this publication and the relevant contract, the contract will always take precedence.*

### 1.2 Credit vetting limits

Credit limits are derived using internal and external measures:

- Where the customer is an existing Openreach customer but new to a product - or is an existing Openreach customer where a credit vetting has been triggered - limits set by internal and external measures will be used. NB: Internal limits will always take precedence over the external ones
- Where the customer has no history of trading with BT, limits set by external measures will be used
- Where the company is newly established with no financial history on the Dunn & Bradstreet database, limits set by internal measures may be used.
- Potential new customers for WLR3, LLU and Connectivity Services (Ethernet) will have an additional baseline deposit of £5,000-10,000, dependent on the way that the potential customer plans to connect to the Equivalence Management Platform (EMP). The sum of £10,000 will only apply when a customer instructs Openreach they will be constructing the "B2B" capability of EMP.

### 1.3 External limits

We use Dunn & Bradstreet for external credit vetting. A comprehensive report provides detailed data, including a risk rating and failure score, upon which a maximum credit limit is based for each customer.

### 1.4 Internal limits

Internal credit limits are:

- Calculated from a baseline deposit of £5,000-10,000 for WLR3, LLU and Connectivity Services (Ethernet) if the potential customer is new to Openreach
- Calculated by taking the average monthly revenue over a 12-month period and multiplying it by external the risk rating. The latter is calculated by multiplying the average payment days over the past 12 months by the failure score from Dunn & Bradstreet. The following tables illustrate how the external risk rating is determined:

Payment Days		
Category	No. of Days	Factor
A	0-30	2.5
B	31-33	2.2
C	34-37	1.75
D	38-44	1.25
E	45+	0.5

Failure Score		
Category	D&B Failure Score	Factor
V	80-100	1.2
W	55-79	1
X	36-54	0.9
Y	16-35	0.75
Z	.01-15	0.6

Here's the risk rating multiplier:

Category	V	W	X	Y	Z
A	3	2.5	2.25	1.88	1.5
B	2.64	2.2	1.98	1.65	1.32
C	2.1	1.75	1.58	1.31	1.05
D	1.5	1.25	1.13	0.94	0.75
E	0.6	0.5	0.45	0.38	0.3

### 1.5 Additional information

We may consider additional information from the any of the following companies: Graydon, Dunn & Bradstreet, Bureau van Dijk, Equifax, Moody's and/or Standard and Poors.

### 1.6 Available credit/security requirement

This figure is calculated by taking the credit limit, deducting any debt (including monies not yet due) and the anticipated liability. If the result is a positive value, it's the amount of the available credit. If it's a negative value, it's the amount of the security required to proceed with the contractual terms.

The anticipated liability is calculated using a forecast for a fixed period as advised by Openreach (or known base if a novation) and priced using the relevant price lists on the Openreach website. If the customer is undertaking customer establishment for a new product, or service their first forecast will be used for the purposes of this calculation.

Anticipated liability applies to connections and ongoing rental for WLR, LLU (Distant Location, Co-Mingling and Co-Location, tie cables, tie cable pull through, MPF, SMPF and Essential Services Supply), Access Locate (Co-Mingling), Ethernet and GEA-FTTC.

## 2. Security

A deposit is the normal form of security (cash, cheque or CHAPS/BACS payments into a bank account nominate by Openreach).

Certain customers may also be asked to pay for products and services in advance (known as the Advance Payment Scheme). This scheme normally ceases after 12 consecutive months, providing that Openreach has received all estimated payments on time; otherwise the 12-month period will re-commence from the month following any month when an estimated payment was not received on time.

*Please note that the amounts paid in advance under the Advance Payment Scheme may be different from the amounts finally invoiced for the product/service. If the amount is lower, the credit will be offset against the next invoice. If the amount is higher, the additional amount will be taken with the next payment.*

Depending on circumstances, other types of security may be acceptable. For example:

- A guarantee from a recognised bank, or similarly acceptable institution, for the equivalent value of the deposit. It's the customer's responsibility to obtain this guarantee for Openreach, in an acceptable form, and ensure that it remains in place for the required term

- A company guarantee to the full value of the customer's potential or actual indebtedness might be acceptable, if agreed with Openreach in advance
- Openreach may also accept an alternative type of security, or a combination of the above, at its discretion.

### 2.1 Failure to provide security

If no security is provided, action may be taken by Openreach in accordance with the product terms and conditions. This may include not taking or processing any new orders, as well as restricting services and suspending in-flight orders. Openreach may then cancel in-flight orders to the value of the security. If the potential customer is applying to order WLR3, LLU and Connectivity Services (Ethernet) and refuses to pay the baseline deposit of £5-10,000 and any required deposit based on their forecast, Openreach reserves the right to refuse to complete the customer establishment process.

### 2.2 Application of security

Openreach may use any security held to pay any overdue amounts that are not in a valid dispute. The customer has five days to top up the security to the required level. Failure to do so may mean the provisions in 2.1 being invoked.

If an overdue payment is received after the deposit has been applied for but before the invoice has been settled, Openreach will credit the deposit account with the amount received and cancel any notification to top up the security.

### 2.3 Refund of deposit

If a customer paid the baseline deposit of £5,000 when they applied to be a customer for WLR3, LLU and Connectivity Services (Ethernet), and they have been invoiced less than the sum of £15,000 during 12 months from the conclusion of customer establishment OR they have not concluded the customer establishment process, the sum will not be returned to the customer. If a customer paid the baseline deposit of £10,000 when they applied to be a customer for WLR3, LLU and Connectivity Services (Ethernet), and they have been invoiced less than the sum of £100,000 during 12 months from the conclusion of customer establishment OR they have not concluded the customer establishment process, the sum will not be returned to the customer. Where a customer provides a deposit derived from their credit status, it will be held until 12 consecutive months of payments have been paid on or by the due date, after which the customer will be repaid or have the value of their deposit credited against any current BT invoices. Interest on deposits held by Openreach will be paid at the Bank of England Base Interest Rate.

## 3. Settlement options

All customers are required to pay by Direct Debit. After 12 consecutive months of payments being paid on or by the due date, the customer may request an alternative settlement method and a credit vetting will be conducted. Using the appropriate credit banding, the alternative settlement options are as follows:

Code	V	W	X	Y	Z
<b>A</b>	CHAPS/BACS	CHAPS/BACS	DD	DD	DD
<b>B</b>	CHAPS/BACS	CHAPS/BACS	DD	DD	DD
<b>C</b>	CHAPS/BACS	CHAPS/BACS	DD	DD	DD
<b>D</b>	DD	DD	DD	DD	DD
<b>E</b>	DD	DD	DD	DD	DD

## 4. Refusal of service

Openreach will refuse service if:

- The application is in the name of a limited company and any one or more of the directors appear on the list of disqualified directors. The company may reapply when the records held at the Companies Registration Office reflect the resignation as director(s) from the company
- Or**

- One or more directors of a limited company are under 18 years. The company may reapply when records held at the Companies Registration Office reflect the resignation(s) from the company of the person(s) who are under 18 years  
**Or**
- One or more members of a partnership are under 18 years, although the remaining partner may reapply as a sole trader or remaining members may reapply as an amended partnership  
**Or**
- Insolvency proceedings are outstanding in relation to the applicant (e.g. winding up petition issued)  
**Or**
- There is any Court Judgement against the partner or sole trader  
**Or**
- They refuse to pay the required deposit or payment in advance