

## Business Processes

### Credit Vetting and Financial Health Check Policy

#### Overview

This publication explains the Openreach Credit Vetting and Financial Health Check policy for registered businesses both in the UK and globally. The policy applies to existing and new customers who purchase any Openreach products and services. It applies to new Communications Providers applying to become customers of Openreach, as part of the customer establishment process.

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
4	V.2.4	Group Billing and Customer Establishment team	November 2016	Credit Vetting policy review
5	V.2.5	Openreach rebrand programme	September 2017	Rebrand only – no content changes
6	V.2.6	Group Billing and Customer Establishment Team	May 2018	Credit Vetting policy review

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## 1. Overriding principle

The Openreach credit vetting policy is designed to establish the customer's overall credit worthiness and spending pattern. This is completed to ascertain the 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 may be triggered if a customer:

- Is applying to Openreach for the first time or is adding to their existing portfolio.
- Requests a novation
- There is material adverse change in the customer's financial position which results in a reduction in the customer's issued credit rating or (in the absence of such a credit rating) a financial score provided by an accredited ratings agency.
- There has been a non-payment by 5 days or more from the due date of an invoice which is not the subject of a bona fide dispute.
- Has been sent a Breach Notice
- Has ordered or forecast services where the combined totals of the order and any existing services amount to more than the available credit threshold.
- 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 period of time, at its discretion and acting reasonably, Openreach decides that 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 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 Dun & Bradstreet database, limits set by internal measures may be used.

### 1.3 External limits

We use Dun & Bradstreet for external credit vetting to obtain a risk rating and failure score, upon which a maximum credit limit is based for each customer.

### 1.4 Additional information

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

## 2 . Security

### 2.1 Available credit/security requirement

New Customers to Openreach will be required to pay an establishment deposit of £10,000.00 for the following scenarios:

- a) connectivity via our portal
- b) develop your own Business to Business Solution (B2B)
- c) develop your own Application Programme Interface (API)

Existing customers wanting to develop their own Business to Business (B2B) Application and/or Programme Interface (API) solution in order to connect with Openreach will be required to pay an establishment deposit of £10,000.

Payment in advance will be requested for connection and one off charges if the customer's credit limit is lower than the sales value.

A security deposit will be requested for 3 months' sales value if the customer's credit limit is lower than the sales value.

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 charges.

A deposit is the normal form of security (CHAPS/BACS payments into a bank account nominated by Openreach). Any deposit or guarantee or payment for the Service in advance required to be provided by a customer, shall be no greater than the estimated value of charges under the Contract for three months. The amount or requirement for the deposit or guarantee or payment for the Service in advance should be reviewed by the parties at regular intervals (and at least annually).

Invoices for payments in advance will be issued to customers including standard rate VAT.

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

## 2.2 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 refuses to pay the establishment deposit of £10,000 and any required security deposit based on their forecast, Openreach reserves the right to refuse to complete the customer establishment process.

## 2.3 Application of security

Openreach may use any security held to pay any overdue amounts that are not in 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.

## 2.4 Refund of deposit

### 2.4.1 Establishment Deposit

If a customer paid the establishment deposit of £10,000 when they applied for service and they have been invoiced less than the total sum of £10,000 during 12 months from the date of live connectivity (portal connectivity/API development), the establishment deposit will not be returned to the customer.

If a customer has paid the establishment deposit of £10,000 for their B2B and they have been invoiced less than the total sum of £100,000 during the 12 months from their date of live connectivity, the establishment deposit will not be returned to the customer.

### 2.4.2 Credit Vet Security Deposit

Where a customer provides a security deposit based on their creditworthiness, it will be held until 12 consecutive months of payments have been paid on or by the due date, after which the customer will have the value of their deposit credited against any current BT invoices from that date. Interest on deposits held by Openreach will be paid at the Bank of England Adjustment Interest Rate.

## 3 Invoice Settlement options

Payment shall be by way of Direct Debit unless otherwise agreed with Openreach Finance in accordance with the Openreach Credit Vetting Policy. Where applicable the Communications Provider shall maintain the Direct Debit instruction at all times up to date and in effect.

## 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**
- Insolvency proceedings are outstanding in relation to the applicant (e.g. winding up petition issued)
  - **Or**
- The customer refuses to pay the required deposit or payment in advance
  - **Or**
- The Director of the Limited Company has been associated with another Limited Company that has previously been in default with BT Group plc