



Easy As

PPS Registrations: Why your SME should utilise PPS registrations to improve sales and reduce debt write-offs

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Why do you need to know about the PPS?

Providing finance, goods or services on credit to a new or existing customer increases the need for credit tools. The Personal Property Securities Act (**PPS**) and its national 24/7 online register, called the **PPS Register**, provides the ability for you to secure the debt owed to you using all of your customer's assets (except for land). In the event of your customer's bankruptcy or default, an effective PPS registration not only gives you priority to be paid ahead of others and to being placed in the same position as that of a secured creditor, but it also enables you to avoid claims by a liquidator to pay back that which you were paid.

Basically, PPS registrations will...



1. Put you in the best possible position to get paid.



2. Provide the opportunity to repossess your assets.



3. Lead to more sales opportunities.



4. Reduce the risk of liquidators' clawback claims.

Created to increase your rights, not reduce

In 2012, the PPS Register was created to **promote finance to and from small to medium sized-enterprises (SMEs), and create a single national online register** – this replaced the 80+ state and commonwealth laws and registers. Prior to the PPS, providing credit involved a great deal of risk and limited financial security. Now that the PPS is in place, it gives suppliers and other creditors additional security and higher priority to be paid ahead of others (such as banks). This enables the extension of more credit and therefore the ability to generate more sales.

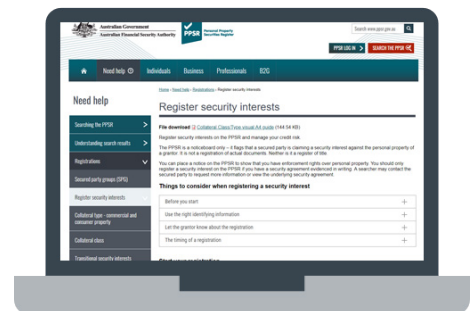
Why should I register on the PPS Register?

By undertaking a PPS registration process, you obtain new and widespread benefits. A proper PPS registration process will reduce debtor days and financial risk, as well as improve cash flow and increase sales.

Increase sales? That's correct... increase sales! PPS registration is more than risk; it's about the opportunity to expand your market by giving you the security needed to sell to marginal accounts and to increase existing clients' credit lines.

One part registration + One part contract document

When a customer enters into a suitably worded contract with you (called a **"security agreement"**), the PPS Register allows you to register a **"security interest"** in your favour. Your registered security interest secures the obligation owed to you through your customers' equipment, inventory, the proceeds from the sale of your inventory, and your customers' other assets. Once the registration is completed, it protects all customer transactions for seven years (with a government fee of \$6) or unlimited years (with a government fee of \$115); protecting you as a secured creditor.



Types of PPS registrations

There are generally two types of registrations under the PPS:

1. AllPAAP registrations

Pronounced “all papp”. It is a registration over “All Present and After Acquired Property” of a customer.

An AllPAAP registration is a registration over all assets of your customer, subject to any previous in time registrations (eg your customer’s banker will often be registered before you). The person who lodged first (first in time, first in right) generally gets first rights over a customer’s assets. The PPS registration elevates the status of your accounts receivable to that of being a secured creditor.

AllPAAP registrations are commonly used when providing loans, selling services, or in situations where a customer “consumes” your goods (eg you supply electricity).

2. Purchase Money Security Interest (PMSI) registrations – SUPER PRIORITY

Pronounced “pim-zee”. This is used where you provide credit for a customer to acquire, lease or hire your property.

A PMSI registration provides the same benefits as an AllPAAP, plus priority over your primary inventory or equipment that you provided and the proceeds of those goods – such as amounts payable to your customer and the end buyer.

PMSIs are most commonly registered by suppliers of goods, and where a customer is a:

- building company,
- consignee,
- reseller,
- wholesaler,
- lessee of the goods, or
- will use them in manufacturing further goods.

PMSIs will also make you a secured creditor and your accounts receivable more valuable.

This reduces credit risk insurance costs resulting in a good defence to clawbacks by liquidators.

PPS is a team effort

For a PPS registration program to be successful, there needs to be cooperation. Your accounts receivable staff are essential as PPS is a means of mitigating your company’s financial risk. But a successful program also needs to include your sales people. After all, it’s very likely that your sales staff will be:

- acting as the conduit for the account opening contract documentation (ie Security Agreement), and/or
- possibly wanting to know which of your competitors might also be selling to your existing or potential customers (and so might also have registered against such customers on the PPS register),

which means they too have a vested interest in the program.

“My sales team and customers won’t want this!”

Why not? Your sales team should be excited about the opportunity to both:



extend more credit, and



have the beneficial knowledge of who else is supplying your customers and potential customers.

AND TO KNOW THAT



your customer’s only involvement in the process is agreeing to a security agreement. (This agreement or contract may be a stand-alone document or can be added to a standard credit application or other document).



There is no cost to your customer. As can be seen, the costs associated with the PPS registration is usually nominal of \$6.



There is no impact to your customer’s credit rating. The filings will appear on the credit report, but simply to provide confirmation that a creditor has a secured position.



Your company is not the only company securing its accounts receivable through the PPS process. Banks and your competitors are also registering under the PPS.

Trust me

Your company is not the only company mitigating risk through PPS registrations. Hundreds of thousands of companies (even in Canada, USA, Mexico, Australia and New Zealand) are securing receivables through the PPS process.

PPS is a simple part of everyday business.

Still doubtful?

Here are other important points to share with your customers and your sales force.

If your customer goes into liquidation or bankruptcy, a PPS registration elevates you to a secured creditor position.

If your customer never goes into liquidation or bankruptcy, and never defaults on payment, then it will seem as though the PPS doesn't even exist – it's there to offer protection if you encounter harm, but completely unnoticeable in a world of fiscal harmony. If your customer does default and you have properly registered under the PPS, you may be able to recover goods and/or funds extended to your customer.

Less risk = fewer write-offs.

(If customer write-offs are factored into your sales team's compensation/bonus, they may want to pay attention.)

Fewer write-offs lower the costs associated with your product. Lower costs mean you can sell at a lower price while maintaining profit margin. Selling at a lower price makes your company more competitive, opening the doors to a larger market share. More sales with stable profit margins equals a happy boss!

PPS registrations create sales opportunities.

Sound unbelievable, but it's true! A little more admin work will result in more sales opportunities. The PPS means you may be able to sell to marginal accounts and increase existing customer limits that were previously out of reach.

How many times has your sales team been told that they were going to need to put more money down as the company couldn't justify extending the credit? The PPS can substitute for monies down or compromised credit limits.

PPS registrations can lower the cost of your own credit risk insurance and/or finance.

Unfortunately, when seeking to obtain credit risk insurance or to raise finance against your invoices and inventory (such as "invoice finance", "factoring" and "inventory finance"), financiers and insurers will usually hold the same rights which you have. By registering your interest, you gain additional rights and reduced risk, and therefore the costs of such insurance and finance can be reduced.

PPS registrations create a competitive advantage.

In today's world, business is aggressively competitive. Many companies are securing their credit through PPS registrations, and those who don't are at a competitive disadvantage. To stay competitive you must seize the opportunity to minimise losses and to create opportunities.



It works – check out a success story!

“We had a customer who we suspected was about to go into liquidation and any unsecured creditors would have been unlikely to receive any payment. At Flamsteed Equipment, we had been using the PPS filing process for several years, so when we began to have our suspicions, we gave notice to our customer and their end buyer. In the end, we got paid in full within seven days by the end buyer and our customer went into liquidation a few months later.”

– **Director of Flamsteed Equipment**

Contact us to learn more



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