

BUSINESS TIP 0005

WHAT IF A BILL OF EXCHANGE IS NOT PAID?

A bill of exchange is a document for which non-payment would cause very serious difficulties to a non-paying party.

Thus, although it could be that payment of a bill of exchange that is to be made at the conclusion of a contractual event might not coincide with payment required from you by a supplier, it is highly likely that every bill of exchange will be paid.

However, if a bill of exchange is not paid:

- 1) The MBTM that you paid, equal in value to 1% the amount of the bill of exchange could be used for a future transaction, so that it would not be a loss.
- 2) If you had not already done so (i.e., you were using the bill of exchange to recover payment made), you would have to pay a supplier plus possibly a penalty for a delay.

Thus, your loss in the event of non-payment of a bill of exchange would be embarrassment plus possibly a penalty.

However, you could negotiate this loss plus damages (from embarrassment) to be recovered/paid through increase in value of a future bill of exchange transaction, without increase in MBTM.

Alternatively, if you wrap bills of exchange payable to suppliers with insurance guarantees:

- 1) The insurance would guarantee payment.
- 2) In the event a bill of exchange is not paid, you would not be required to repay the GROUP with future work or discounts.
- 3) Your possible loss would be the amount over the cost of items (i.e., the amount of the unpaid bill of exchange) that you pay for insurance.
- 4) You could negotiate to recover the loss through increase in value of a future bill of exchange transaction, without increase in MBTM.