

## **FASHION BUSINESS STAYS ON TREND WITH DEBTOR PROTECTION**

Debtor protection safeguards Leicester garment manufacturer from bad debt

A Leicester-based clothing manufacturer and supplier has protected its cashflow against a six figure loss, after securing a debtor protection facility from Lloyds TSB Commercial Finance.

### **Background:**

BM Fashion Ltd, based in Leicester, manufactures and supplies clothing to the high street.

The £10 million turnover business was established in 1999 and employs 20 people. The company specialises in licensed clothing for global brands, including Disney and Warner Bros, which it then supplies to high street stores such as Next and Tesco.

Operating in a high risk sector which was adversely affected by the recession, BM Fashions found its trading slowed, with consumer confidence down. It also suffered a number of minor losses when customers defaulted on payments.

### **Lloyds TSB Commercial Finance's role:**

BM Fashions approached Lloyds TSB Commercial Finance in February 2009 for a facility to safeguard its cashflow and minimise the risk of trading in the retail sector during the economic downturn.

It secured a debtor protection facility, supplied by the funder. This protects up to 90 per cent of bad debt suffered as a result of non-payment of invoices or customer insolvency, which can normally be recovered within 30 days of receiving confirmation of debt.

Since the company has put in place the facility, it has been protected from a six figure loss when a high street retailer and customer was declared insolvent in late 2011.

Without the debtor protection facility, BM Fashions' cashflow would have been severely impacted by this loss, hindering growth. Its trading relationships with suppliers and other companies in the supply chain would have also been adversely affected.

### **The result:**

With debtor protection in place, the business has peace of mind to trade confidently; safe in the knowledge its cashflow is protected.

As a result, it is in a strong position to target future growth and capitalise on expansion opportunities in the retail supply chain.

### **What the team said:**

Mickey Mattu, managing director of BM Fashions, said: "The retail industry was one of the first to be affected by the recession. Due to the nature of our work, we have to rely on a large number of suppliers and customers in our supply chain to keep the business thriving.

"After suffering a number of small losses, we approached Lloyds TSB Commercial Finance for a solution to protect our cashflow. We worked closely with our client manager Joseph Simpson to put in place a facility which fitted our requirements. Joseph understood our business and acted as the go-between, liaising with underwriters and helping us with all necessary forms and paperwork. For a busy business owner, this help was invaluable.

"When a major customer went into administration, our cashflow would have been seriously affected without the policy in place to safeguard it. Thanks to the debtor protection facility we are in a strong position for future growth, unaffected by bad debts which could have had a knock-on effect."

Lloyds TSB Commercial Finance debtor protection client manager, Joseph Simpson, said:  
“Businesses automatically think to insure equipment and property. Arguably, cashflow is the most important asset for a company and therefore, it is essential to take all necessary steps to protect it.

“By working closely with Mickey, we were able to understand how the day-to-day running and invoicing of his firm worked, enabling us to put in place the best facility for them.

“Protecting the business from a potential six figure loss is testament to the success of our debtor protection product.”