

Protecting what your business owns with the PPSR

By Moses Samaha*

If you're a business that leases, rents or sells goods under terms, you need to register securities on the PPSR to avoid being left out of pocket and even out of business. Because what you think you own could end up in someone else's hands.



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The Federal Government's Personal Property Securities Register (PPSR) requires any company, big or small, to register their interests in goods on a national online register.

Your retention of title, rental or lease agreements are effectively worthless unless you've taken that extra step to register and secure your interest on the PPSR.

The changing nature of ownership

Many businesses face disappointment and stress when faced with looking to recoup their goods or finances when a customer goes into liquidation.

The biggest stumbling block for businesses is the concept of ownership - what businesses believe it means and how that's all changed.

To enforce ownership now requires that extra step of registering on the PPSR. And businesses with lease agreements are especially exposed unless they've registered their security interest.

Example: Company A leases an excavator to Company B for 12 months. Company B goes belly up and a liquidator is appointed. If that excavator is on Company B's property then that excavator falls into the liquidator's hands if Company A hasn't registered the excavator on the PPSR. It doesn't matter what the lease says; ownership means very little now that the PPSR is in full force.

How to integrate the PPSR into your business

Adopting a new set of systems and procedures, including changes to your sales contracts, terms and conditions of sale, invoices and invoicing procedures is what is required to protect your business.

The best way to move forward is:

1. Weigh up the costs and benefits

The cost of registering your interest against goods or personal property depends on the item and how long you want to secure your interest in that item.

Businesses can ask themselves "how many bad debts have I suffered in the past 12 months, two years or even five years, and are these debts sustainable?"

A one-off \$50,000 debt could be immediately detrimental to a small company.

2. Consult a professional adviser

If you do decide to register your security interests on the PPSR, it's important to set up your business processes and systems beforehand.

This is where a risk adviser comes in handy, especially for an SME. As an SME, it's not always financially practical to take on a full-time credit manager, but an affordable alternative is to hire a credit manager on a consultancy basis. Employing a professional credit manager to set up PPSR-related business systems and procedures can then be managed by internal staff who don't have years of credit experience.

Veda, a trusted source of commercial credit information, assists thousands of businesses each year by providing data intelligence, including PPSR insights, through its dedicated VedaCheck web portal.

VedaCheck is an easy-to-use online portal that businesses can access for their individual or bulk PPSR search and registration requirements.

Since 2012, Veda has processed more than 5 million PPSR transactions for over 4,000 businesses. ♦

*Moses Samaha is General Manager, Commercial Credit for Veda. www.veda.com.au

PPSA Registration Costs

Registering your security interests makes financial sense for most business and from 1 July it will make even more sense with the government reducing the fees.

AFSA (Australian Financial Security Authority) administers the register and charges fees under the Australian Government's policy that the costs of the PPSR operation be cost recovered.

All fees for activities, except *Develop a special purpose report for Account Holders*, have been reduced by 15%. This reduction is a result of AFSA finalising repayments to the Government for the initial investment in the register.

The table below summaries the reduction in some of the common fees.

In an statement outlining the approach taken by AFSA in setting fees AFSA noted the following:

"The fees that have been charged since the implementation of the PPSR on 30 January 2012 have included a repayment to the Government for the

initial investment in the register. The final repayment will be made in the 2014-15 financial year. AFSA is seeking to reduce the fees charged in line with the cessation of the repayment.

AFSA states that "The charges imposed for registrations and searches are designed to cover the costs of operating and maintaining the PPSR. The PPSR is available online on a 24/7 basis with personal assistance available through the National Service Centre.

In determining the price for each activity, AFSA seeks to equitably allocate the PPSR's operating costs. The majority of expenditure attributable to operating the register relates to information and communication technology (ICT) which is primarily composed of:

- ICT personnel dedicated specifically to PPSR operations
- a number of ICT personnel who dedicate a portion of their time to the PPSR

- PPSR ICT infrastructure operating costs
- amortisation of software developed or purchased specifically to operate the PPSR.

In addition to ICT, costs are attributed for support staff from the National Service Centre, as well as PPSR-related administration such as, the PPS Registrar, legal and communications. Indirect costs such as finance and human resource management are allocated using a cost-driver appropriate to the given function.

The price for each activity is assessed on the utilisation of the allocated resources and attributed on the basis of the level of resources required to deliver on the forecast volume." ♦

To read more about the cost recovery activities and a full list of the PPSR fees visit: <https://www.ppsr.gov.au/fees>

	Current Fees	Proposed Fees
Register a Financing Statement for a not stated end time	\$140.00	\$119.00
Register a Financing Statement where the duration is 7 years or less	\$8.00	\$6.80
Register a Financing Statement where the duration is more than 7 years but less than or equal to 25 years	\$40.00	\$34.00
Discharge Financing Statement	\$0.00	\$0.00
Minor amendment to Financing Statement or a change of free text description of collateral (where change of details do not impact on end date, result in additional grantor)	\$4.00	\$3.40

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