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## Policy for Write Offs and Bad Debts

Version 1.0

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### 1.0 Introduction

1.1 The Gibraltar Investor Compensation Board ('GICB') is committed to ensuring that all reasonable steps are taken to recover a debt before considering write off. An effective write off policy is essential to good recovery level.

1.2 This policy explains how the GICB will administer and control the writing off of irrecoverable debts and the recovery for bad debts within the Scheme.

### 2.0 Debt Recovery Procedures

2.1 The Write Off Policy is linked to the Invoicing and Payment Terms Policy.

2.2 Standard payment terms for fees are 28 days from date of invoice and those fees are payable in full and non-refundable.

2.3 All debtors are sent a full statement of outstanding invoices and amounts each month and if a firm fails to comply with the GICS, the Board must notify the GFSC pursuant to the Financial Services Act, 2019 ('the Act').

2.4 **28 days from date of invoice** – A first reminder letter will be sent to all debtors by the secretariat when the invoice is 1 day overdue<sup>1</sup>.

2.5 **35 days from date of invoice** – the secretariat will send a second reminder letter.

2.6 **42 days from date of invoice** - Debtors will receive a final demand letter from the Scheme.

2.7 On day 42 the debt will be classed as an aged debtor (i.e. doubtful debt).

2.8 The Secretariat will provide quarterly updates to the Board confirming the current debtor's position and highlighting the aged debt profile.

### 3.0 Write offs

3.1 The GICB will make every effort to collect all monies due, in order to maximise the resources it has to provide a robust service to its participants. However, it also recognises that there will be occasions when debts become irrecoverable and will need to be considered for write-off. In such circumstances prompt and regular write-off of such debts is good practice. This will allow for a correct calculation of bad debt provision each year, and avoid wasting resources chasing debt where there is no realistic prospect of recovery.

3.2 The GICB will seek to minimise the cost of write-offs to participants of the Scheme by taking all necessary action to recover what is due. All debts will be subject to full collection, recovery and legal procedures as outlined in the Act.

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<sup>1</sup> The GFSC classify an aged debtor on day 29.

3.3 A write-off of a bad debt is only appropriate where:-

- The demand or invoice has been raised correctly and is due and owing; and
- There is a justified reason why the debt should not be pursued further.

#### 4.0 Justified Reasons

4.1 It is not possible to list every scenario which could make a debt suitable for write off; however, the following factors could be appropriate depending on the circumstances. The Secretariat is responsible for recommending whether a debt is suitable for write off to the GICB.

4.2 The most common circumstances where a debt may be written off have been categorised as follows:

Reason	Description
Insolvency of participant	Where there is no likelihood of settlement and written confirmation from the Official Receiver or Administrator
Regulatory dispute/compulsory surrender	Debtor is the subject to a regulatory dispute and authorisation has been removed (or is expected to be)
Voluntary surrender of license	Where there is no likelihood of settlement and the collection of outstanding fees is remote prior to voluntary surrender. <sup>2</sup>
Limited engagement	Where there is no likelihood of settlement due to a substantial period of limited contact and lack of engagement

#### 5.0 Procedure & Authority for Write Off

5.1 Under the Act, GICB has authority to approve the write-off of outstanding amounts, which are considered to be irrecoverable. This will be subject to Board Members being informed of the total amount of such write offs each year (in advance of financial year-end).

5.2 The Secretariat, after any necessary consultation with the GFSC Finance Team, will submit a bi-annual schedule to the GICB to request any debts it considers to be irrecoverable in accordance with the Scheme's Policy for Debt Recovery and Write-Offs.

5.3 Each bad debt will be considered on a case by case basis and rationale for write off provided before final decision.

5.4 To achieve an efficient write-off process the following delegation is adopted by the Scheme, though all write-off decisions will be recorded and reported to Board Members.

5.5 The Secretariat has agreed a scheme of delegated authority (the GICB) to write off debts in accordance with the schedule below:

- For bad debts up to but not exceeding £200 (including aggregated debts for one debtor), the delegated authority rests with the GICS Secretariat<sup>3</sup>
- For debts greater than £200 (including aggregated debts for one debtor) the write off request is submitted to the Board for approval.

5.6 GICS participants will be notified all write-offs via the Audited Financial Statements, which will be available on the GICS website ('GICS.GI'), which is prepared after the financial year-end.

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<sup>2</sup> With the discretion of the FSC, all outstanding GICS debts should be settled prior to granting approval for surrender.

<sup>3</sup> All write-off decisions will be recorded and acknowledged by Board Members for ratification.