

## Guidance note on the impact of DCP 349 ‘Effectiveness of the current provision for unsecured cover under Schedule 1’

On implementation this change proposal results in a reduction in the value of Good Payment History earned, together with the provision of a 12 months transitional period for supply businesses that have already reached the 60 months threshold of using Good Payment History as a form of Cover.

A Good Payment History builds up from the earliest Good Payment Performance Start Date as monthly invoices are consecutively paid on time up to a maximum of 60 months, by which time an alternative form of cover must be in place, such as a Credit Rating from an Approved Credit Referencing Agency, an Independent Credit Assessment from a Recognised Credit Assessment Agency, Collateral, or a permitted combination.

On implementation of this change proposal supply businesses using Good Payment History as a form of Cover will be at different stages in the number of months since their earliest Good Payment Performance Start Date, and must be mindful of the timescale involved in having to put in place an alternative form of cover prior to the 60 months threshold being reached.

Good Payment History earned (months)	% of cover earned that applies	Timescale to move to another form of cover (months)
1	100%	59
12	100%	48
24	100%	36
36	60%	24
48	30%	12
60	0%	0

A supply business can apply 100% of Cover earned up to 36 months, but from that point the value of the cover will reduce to 60% up to 48 months when it will then reduce to 30% up to the threshold of 60 months when it reduces to 0%, by which time a supply business must have another form of cover in place, for example:

- A Supplier with a Good Payment History of 12 months at implementation of DCP 349 would need to be mindful that within 24 months their credit built to that point would reduce to 60% of the value as per the table above.
- A Supplier with a Good Payment History of 36 months at implementation of DCP 349 would still be able to apply 100% of the value of Cover earned, however after the 12 months transitional period their credit built to that point would reduce to 30% of the value as per the table above.

- A supply business with a Good Payment History of 60 months at implementation of DCP 349 would be able to keep the credit built for a period of 12 months by which time an alternative form of cover must be in place, such as a Credit Rating from an Approved Credit Referencing Agency, an Independent Credit Assessment from a Recognised Credit Assessment Agency, Collateral, or a permitted combination.