

The ShipArrested.com Network

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How should a bunker supplier collect bad debt?

- Industry characteristics
- Preparation to arrest
- General legal considerations
- Negotiation and security
- Favorable and less favorable jurisdictions

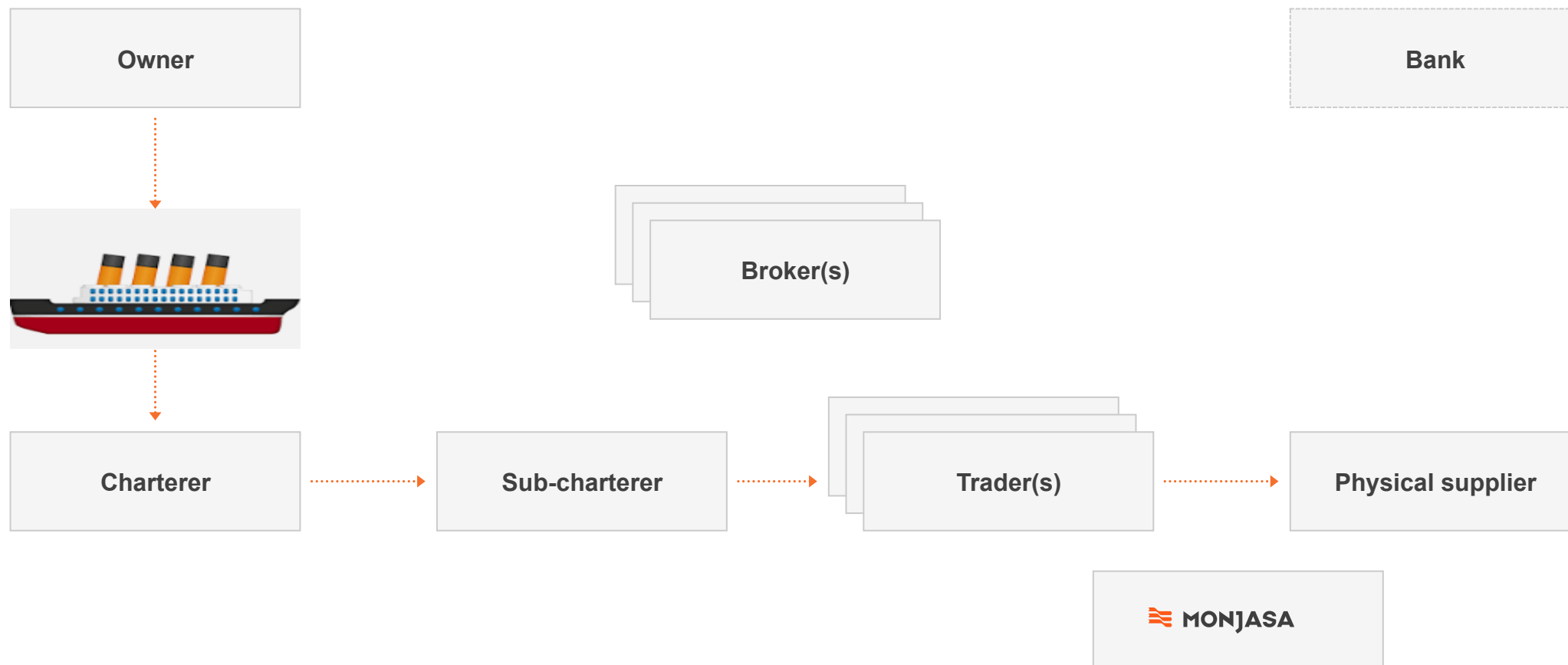


Industry characteristics

- Credit – 30, 45, 60 days or even more
- Low margin (1,5-2 % margin)
- Huge exposure - significant credit lines without security in return
- Bunkers is a significant component of operational costs
- Contractual counterpart – not always the owner
- No maritime lien in most jurisdictions



Contractual relationships in bunkering



An example

- 1) XYZ Shipping needs 500 MTS of bunkers in Singapore
- 2) Trader asks for prices in the market and is offered 600 USD/MTS by physical suppliers

Trader's cost:

$$500 \text{ MTS} \times 600 \text{ USD/MTS} = 300,000 \text{ USD}$$

- 3) Trader add 2 USD/MTS in margin and provide offer to owners or charterer

Total offer to client:

$$500 \text{ MTS} \times 602 \text{ USD/MTS} = 301,000 \text{ USD}$$

- 4) Trader's profit is 1,000 USD
- 5) If the client does not pay, the trader is to make 301 similar deals with at least 2 USD margin to clear the bad debt



Credit assessment – is the customer creditworthy?

- Offshore registrations
- No assets
- Limited access to financial information
- Complicated/non-transparent corporate/ownership constructions
- Sometimes parental guarantee, LC or bank guarantee
- Vessel age/value
- Credit reports from Lloyds List Intelligence, financial statement, references, press, trade history, payment history, business (sub)sector, trading routes etc.
- Continued credit review based on credit rating model, customer visit etc.

Preparation to arrest

Commercial considerations

- Type of vessel
- Employed or not – schedule
- Commercial relation to the owners (a trader's concern!)

Practical considerations

- Track the vessel - Lloyds List Intelligence (vessel alerts)
- POA (notarised, legalised and attested by Embassy)
- Original documents and translation hereof
- Retainer to lawyer
- Counter-security

General legal considerations

Is the arrest possible as all?

How good is the claim on the merits?

Risk of wrongful arrest claims?

If a judicial sale – what ranking do you have?

Terms and conditions – think globally!

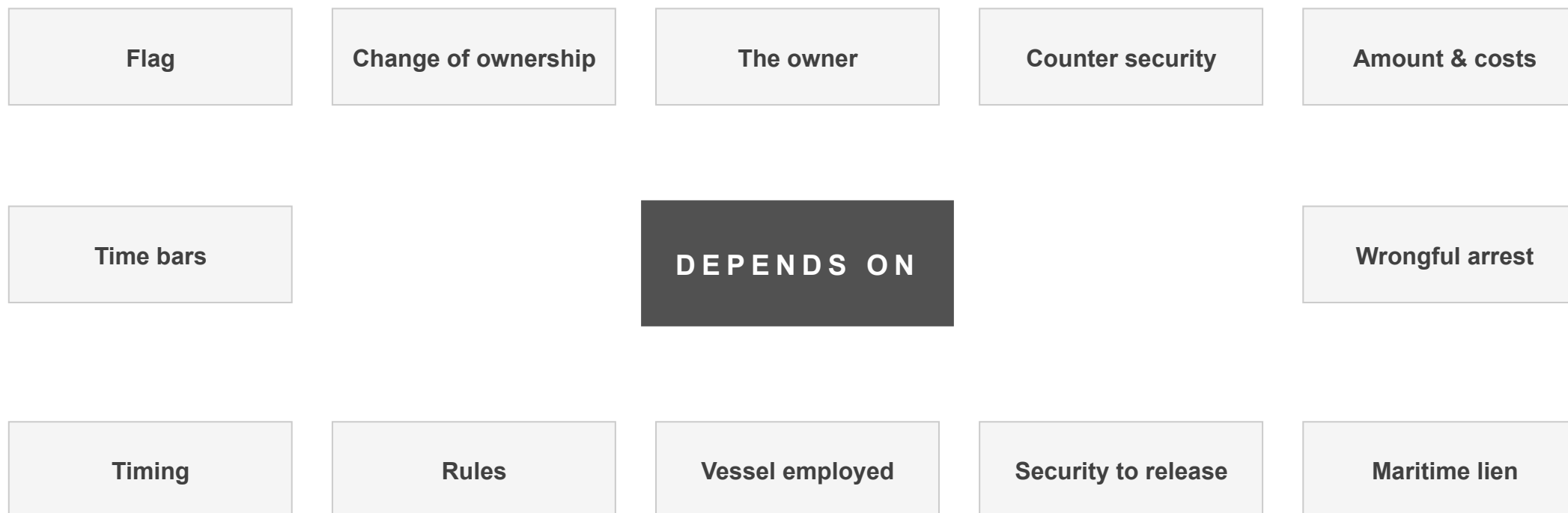
- Maritime lien on the vessel until payment and interest have been received
- Contract shall be governed by and construed in accordance with the Maritime Law of the United States
- Option to commence proceedings anywhere in the world on the merits of the claim
- No-lien stamps shall be invalid and of no effect
- Retention of title and arrest of bunkers
- Accelerate the payment in case buyer appear to be in financial difficulty
- Interest clause
- Buyer warrants that he is authorised by owners/operator to order the bunkers
- Master signature on the BDR means the vessel is bound by the Terms and Conditions

Invoice and other supporting documents

- Addressed to MV XX and/or ...
- Order confirmation and reference to Terms and Conditions (available on request/website)
- Bunker Delivery Receipts (avoid no-lien stamps)
- Email correspondence
- Demand letters



Should we arrest?



Negotiation – settlement or security

01

Settlement

With charterers/owners –
depends on the merits of the claim

Be commercial!

02

Security

Bank guarantee, cash deposit, P&I
Club letter?

Security to satisfy what, where
and how much

Does the security cover
charterer's liability?

Favourable and less favourable jurisdictions

Favourable jurisdictions

- USA
- Canada
- France
- Morocco
- Tunisia
- United Arab Emirates
- India
- Chile
- Brazil
- Panama
- Portugal
- Nigeria
- South Korea
- Chittagong
- Belgium
- Netherlands
- Egypt
- South Africa

Less favourable jurisdictions

- China
- Russia
- UK
- Libya
- Algeria
- Singapore
- Hong Kong
- Malaysia
- Turkey
- Pakistan
- Germany
- Scandinavia (Denmark, Sweden, Norway, Finland)
- Spain
- Italy
- Saudi Arabia
- Mexico

Recommendations

- Track the vessel – Lloyd List Intelligence alert system
- Proper due diligence – change of ownership, flag of the vessel, time bars etc.
- Timing and POA
- Avoid jurisdictions with counter security
- Avoid jurisdictions where wrongful arrest is acknowledged
- Avoid untried and unreliable jurisdictions
- Agree with lawyer on fixed cost of arrest (including negotiation of settlement/security/release of the vessel)
- Challenge the lawyers – not only arrest, but also the merits of your claim
- Be commercial !

Questions?



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