# Sale of debts up 21pc to $39.4bn

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AUSTRALIAN companies "sold" $39.4 billion worth of debts to banks and financial institutions that offered factoring and discounting facilities in the 12 months to the end of March, according to the latest figures released yesterday.

The Institute for Factors and Discounters said that the turnover in the factoring and discounting industry grew by 21 per cent for the year.

Institute chairman Peter Langham said that in the first quarter of 2006, the turnover grew by 27 per cent to $9.9 billion — up $2 billion on the same quarter last year.

He expected the total turnover in 2006 to pass the $40 billion mark.

Mr Langham said factoring and discounting were now the fastest-growing financial products in Australia.

Banks and financial institutions offering factoring and discounting facilities buy the invoices from companies in the form of an overdraft.

The service incurs a management fee, equivalent to 1 per cent of the total of the invoices, and a discount fee, equal to, or lower than, the current overdraft interest rate.

Mr Langham said the entry of the big four banks into what used to be a fringe sector in the financial services industry was the key factor that drove its rapid growth.

The banks promoted the factoring products and companies became more comfortable because they were endorsed by the major banks, he said.

Today, anecdotally, the big four banks control around 90 per cent of the market, he said.

Mr Langham said the ANZ was the last big bank to enter the market about four or five years ago.

He said some 4665 companies now used debtor finance to manage their cash flow. By comparison, only a total of 1760 businesses used the product a decade ago.

The strong uptake of debtor finance in Australia was in line with international trends. World figures showed factoring increased globally in 2005 by more than 18 per cent.