



FLOWCHART RECOVERY OF LOAN COMMERCIAL PROPERTY

In cases of commercial property the more appropriate remedy to recover the loan which is in default is to appoint professional receivers.

Pursuant to the terms of the legal charge HCF is able to appoint a receiver in certain circumstances and in particular where the Borrower is deemed either unable to pay its debts or having no reasonable prospect of so doing as defined in section 268 of the Insolvency Act 1986.

To briefly summarise the steps taken by HCF where the Borrower fails to redeem the loan on the redemption date.

Step 1

Letter Before Action

Notify the Borrower that they are in default and demand full repayment of loan setting out the costs which will now be incurred as a result of the default. This letter also provides them with formal notice that pursuant to the terms of the loan agreement that the loan is immediately due and payable and that the security documentation is now enforceable.

We request that the loan is repayable in 14 days otherwise steps will be taken to recover the loan which in particular includes the appointment of a receiver.



Step 2

Borrower's Response

If the Borrower responds and can demonstrate sufficient financial ability to repay loan within a reasonable period then time will be given

In addition HCF explores other remedies available to recover the loan



Step 3

Appointment of a Receiver

If Step 2 is not viable then professional receivers will be appointed to recover the monies owed various steps are undertaken before the Receivers can be appointed.

Once appointed the Receivers must follow the statutory requirements and time limits for acceptance and registration of the appointment with Companies House (where a company is involved)



Step 4

Notices on Tenants

The receivers will serve the appropriate notices on those occupational tenants where relevant to inform them of the appointment of the receiver and that future rent is to be paid to them.



Step 5

Investigations by Receiver

Receivers will carry out various investigations and provide a strategy report to HCF.

The strategy report provides their recommendations as to how best to deal with the sale of the security property to recover the loan

This includes investigations with the borrower as to whether they have the financial ability to settle the loan without the requirement of selling the security property



Step 6

Property marketed/sold

If the Borrower cannot determine their ability to repay the loan within a reasonable time then the Receivers will then place the Property on the market and sell the Property for the best possible price



Step 7

Sale Proceeds

HCF will use the proceeds of sale to redeem the balance outstanding on the loan and any balance returned to the borrower. If there are not sufficient funds then further court action can be taken to recover this shortfall.