

# WILLMOTT DIXON EARLYPAY

## BACKGROUND

Willmott Dixon EarlyPay is a Supply Chain Finance (SCF) solution operated in partnership with Lloyds Bank and is a new offering exclusive to Willmott Dixon's Category A subcontractors.

Recognising the potential advantages of SCF, Willmott Dixon set out to design and implement a solution that would deliver a real benefit to its supply chain and operate under clear, equitable terms that the company would happily adopt if offered by one of its clients.

After obtaining feedback from suppliers, trade associations, solution providers and following a three month pilot with a small number of subcontractors, Willmott Dixon are proud to have launched EarlyPay from 1st June 2014.

## THE BENEFITS

- Entirely voluntary.
- Same day electronic payment at no cost.
- Option to draw payment up to two weeks early.
- Favourable interest rate (APR of only 1.5% over LIBOR).
- No fees or transaction costs.
- No change to standard terms.
- The side agreement can be terminated by you at any time.
- Extended terms of the side agreement automatically funded by Willmott Dixon.
- Ability to reduce working capital requirements.
- Available on-line via any web browser with no new software or bank account required.
- Complete flexibility
  - *payments can be individually drawn down at any point once in the system,*
  - *option to advance all payments as soon as they are available.*



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## HOW IT WORKS

Subcontractors electing to join the scheme enter into separate agreements with both Willmott Dixon and Lloyds Bank to underpin the use of EarlyPay and then register on-line. Once registered, all future payments in respect of all contracts cease to be made by cheque directly from Willmott Dixon and are uploaded on-line and administered by the bank instead.

Following the issue of payment notices, Willmott Dixon upload all payments to the on-line system and endeavour to do so two weeks earlier than current payment terms, providing early access to funds. Once uploaded, subcontractors can choose to draw down payments at any time, less the applicable interest charge. This can be done either by electing for all payments to be drawn down as soon as they become available or individually on a payment-by-payment basis.

If payments are not drawn down then they are automatically paid on the maturity date applicable to the scheme which will be 65 days after the end of the month in which the valuation takes place.

The interest charge paid to Lloyds is calculated based on the value of the payment, the interest rate and the number of days before the maturity date that the payment is drawn. The current interest rate is LIBOR+1.5%, resulting in a total of only 2.0% APR.

At the end of each month, Willmott Dixon will automatically refund the interest cost associated with the differential between the final date for payment under existing contracts and the EarlyPay maturity date. This ensures that no interest is incurred by subcontractors as a result of the later maturity date.

Subcontractors will only incur an interest charge should they choose to draw down payments earlier than their current contractual entitlement and the same day electronic payment incurs no additional fee.

There are no changes to standard contracts, including the timeframe for the issue of payer notices or payless notices. The separate agreement can be terminated by the subcontractor at any time which will see them return to the terms originally agreed on each project e.g. 42 days.



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## EXAMPLE

A subcontractor is due payment of £10,000 in respect of a valuation made on 28 March. On 42 day payment terms the subcontractor would receive payment on 9 May.

Under Willmott Dixon EarlyPay the payment will be uploaded to the on-line system on 25 April with a maturity date of 4 June.

If the subcontractor elected for same day payment on 25 April, an interest charge of £21.92 would be deducted by Lloyds and £9,978.08 would be received immediately.

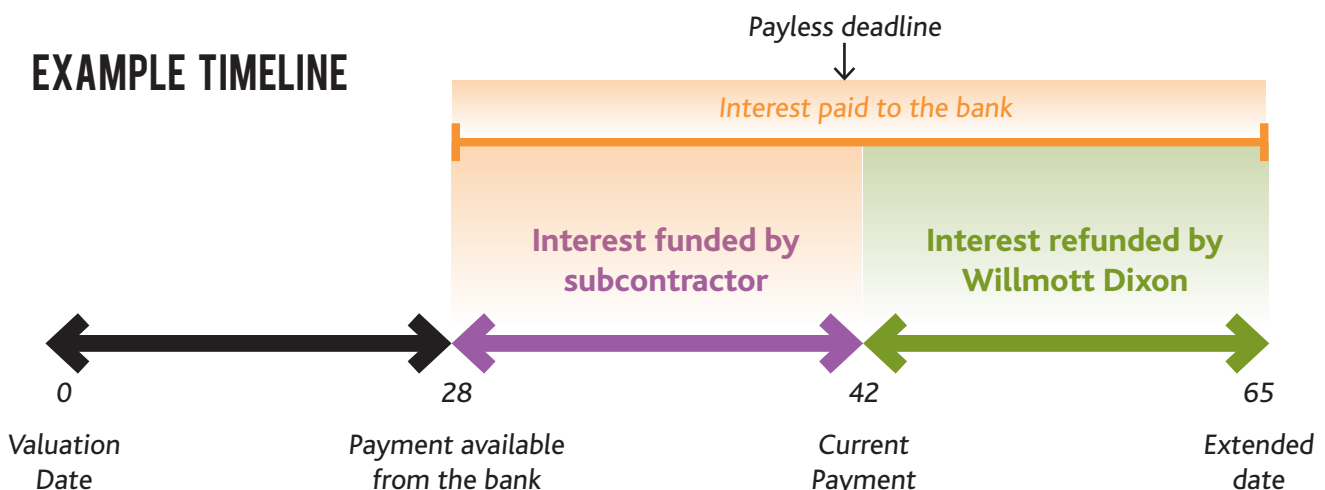
£14.25 of the total interest cost would be automatically refunded by Willmott Dixon such that the cost to the subcontractor for receiving payment two weeks early by electronic payment would be only £7.67.

The interest is calculated as follows:

$$£10,000 \times (2.0\%/365 \times 40) = £21.92$$

$$£10,000 \times (2.0\%/365 \times 14) = £7.67$$

## EXAMPLE TIMELINE



## CONTACT DETAILS

To register your interest for EarlyPay or if you have any queries please e-mail [earlypay@willmottdixon.co.uk](mailto:earlypay@willmottdixon.co.uk) or call 01462 678910.



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