

Collection Profile Cameroon



Collecting in Cameroon

- Payment behavior is generally unsatisfactory, with payments being made within 60 days, despite a DSO of 30 days. Payment terms are generally to the discretion of the parties, to be agreed in their contract.
- Financial information cannot always be relied upon, so trading history is often a better indicator of a company's viability.
- It is common to see companies of bad faith proceeding with insolvency in order to avoid paying their debts, as they are able to easily remove goods from the company during audits to present a more difficult picture of their situation. With deep auditing and investigation, it is possible to prove that insolvency has been deliberately created and adequate legal measures can be taken to pursue such deceptive insolvents.

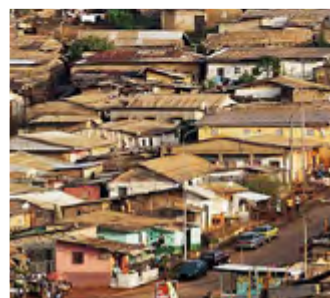
Collection complexity



Complexity relating to



	Notable	Severe
Payments	\$ \$ \$	\$
Court proceedings	⚖️ ⚖️	⚖️ ⚖️
Insolvency proceedings	↘️ ↘️	↘️ ↘️



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General information

Availability of financial information

Cameroon is a signatory to the Organization for the Harmonization of Business Law in Africa (OHADA) Treaty, a uniform act relating to commercial companies and economic interest groups.

Companies in Cameroon are obliged to submit their balance sheets in order to provide an overview of their taxes and they are also required to file their tax returns.

Limited Liability Companies (SARL) are required to submit their financial statements to the tax authorities, while Public Limited Companies (SA) must also have them published in the newspaper, The Nation. However, most SA companies do not adhere to this requirement and it is generally only the companies listed on the stock exchange – Bourse Régionale des Valeurs Mobilière (BRVM) – who publish their financial statements on the BRVM website.

The Bank of Central African States (Banque des États de l'Afrique Centrale, BEAC) collates financial data on companies in Cameroon, although this information is not available to the public.

As financial information cannot always be relied upon, trading history is often a better indicator of a company's viability.

Main corporate structures

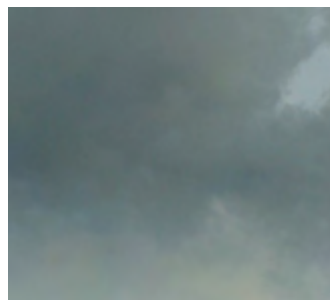
There are several types of companies in Cameroon, but the most widely used are the SARL and the SA entities:

- Limited Liability Companies (Sociétés à Responsabilité Limitée, SARL) have seen a lot of improvements in order to facilitate the creation of such company type. The minimum capital required for a SARL is CFA 100,000 and the company can consist of a single partner (owning 100% of the shares) or several partners. SARL companies are the most common type of entity due to the flexibility they offer.
- Public Limited Companies (Société Anonyme, SA) can consist of either a General Director or a Board of Directors. SA entities are often used by larger companies due to the rules and protection that they offer to the shareholders.
- Another type of company, known as Sole Proprietorship (Etablissement), is the registration of a natural person to do business. Normally there are limitations to the type of operations a Sole Proprietorship business can conduct, but these are generally not respected. For example, Sole Proprietors are not eligible for an importer card, though they often find ways to obtain one regardless.

Regulatory environment

The Civil Law in Cameroon is influenced by the French Law in the French part of the country and the English Law in the English part. The judicial structure of Cameroon consists of:

- The Courts of First Instance (Les Tribunaux de Première Instance) which are based in subdivisions and are responsible for common law matters, including criminal (correctional and penal), civil, commercial and social law. They act in the first instance on cases, which can then be brought before the Court of Appeal if the decision is contested.



Days Sales Outstanding

(DSO): Though the payment terms usually state 30 days, these are never respected and in practice, payments typically occur within 60 days.



- The Courts of High Instance (Les Tribunaux de Grandes Instances) are based in divisions and responsible for the same matters as in first instances, but where the value of the case exceeds CFA 10,000.
- The Courts of Appeal (Les Cours d'Appel) can be considered as the court of second instance, ruling on disputes heard in a Court of First Instance where the outcome is appealed. They have a regional base. When seized, the Courts of Appeal start the case and render decisions afresh, as if the case did not pass through instance courts. To the Court of Appeal are added the Administrative Courts (le tribunal administratif), that judge cases relating to the administrators.
- The Supreme Court (La Cour Suprême) is at the capital level (national level) and handles matters that have been contested in the Courts of Appeal. The Supreme Court is competent in all other matters, with the exception of commercial.
- The Common Court of Justice and Arbitration (Cour Commune de Justice et d'Arbitrage, CCJA) is the last resort in terms of all commercial area countries who are signed to the OHADA Treaty.

Getting Paid

Days Sales Outstanding (DSO)

Though the payment terms usually state 30 days, these are never respected and in practice, payments typically occur within 60 days. Regardless, payment terms are considered an agreement between the parties to the contract in Cameroon.

Late payment interest

The Law (Civil Code) provides a framework to allow creditors to charge interest on late payments. The OHADA Treaty, of which Cameroon is a signatory, governs the commercial sale between businesses, including the creation of the sales contract, the obligations of each party, the breach of those obligations and general terms of the contract.

Late payment interest can be requested by the creditor based on the civil code, though a judge can impose a different rate following assessment of the damage suffered by the creditor.

Debt collection costs

As per guidelines provided by the OHADA Treaty, collection costs are borne by the debtor unless it is clear that they were not necessary at the time that they were incurred. Furthermore, unless the costs concern an act that is covered by National Law or the aforementioned Treaty and are authorized by the competent court, collection costs undertaken without enforcement are the responsibility of the creditor. Where the court awards collection costs to the creditor, there is no fixed rate. Instead, the court will assess the costs incurred by the lawyer and/or the creditor and award costs accordingly.

Ownership protection

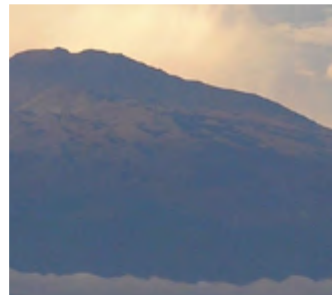
In most sales contracts, there is a clause relating to Retention of Title (RoT) which allows the creditor to retain ownership of the goods until payment is received in full for the corresponding invoice. In practice, said clause is often utilized and is generally successful.

Payments

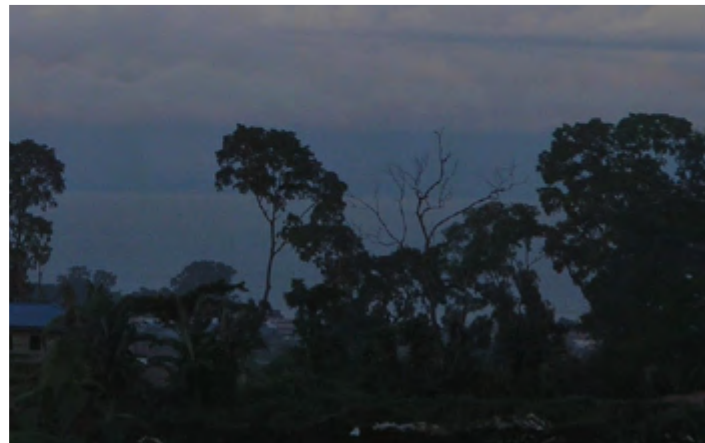
Bank transfers are among the most commonly used payment methods in Cameroon as they are fast, secured, and supported by an increasingly developed banking network domestically and internationally. They are relied upon for domestic transactions for the payment of taxes or when the account owner is out of the country and cannot sign a check. They are extremely secure and have traceability.

Checks can be used as a debt recognition title if they remain unpaid, as they demonstrate that a debt is certain and undisputed and can be used for fast-track proceedings or to lead to a criminal case, as the court can appose an execution title on the check.

Letters of Credit are primarily utilized within the maritime section and international trade.



Late payment interest:
The Law (Civil Code) provides a framework to allow creditors to charge interest on late payments.





Collecting overdues

Amicable action

Negotiating

Prior to commencing legal proceedings, the creditor must send an official note to the debtor. This can take the form of a simple letter, or to underscore the gravity, a letter with a receipt announcing that legal procedures will be undertaken if the debtor does not react within a certain timeframe (eight, 15 or 21 days). The more formal letter is called a 'mise en demeure.' The creditor must be able to prove that they tried to solve the matter amicably first, but that this approach was not successful or possible.

Legal action

Ordinary proceedings

In Cameroon ordinary proceedings in civil and commercial law are Summons (assignments). There are also the quicker recovery proceedings like the Order to Pay (injonction de payer), which is often applied to recover debts.

Necessary documents

These required documents include the contract of sales, which determines an agreement between parties along with any supporting evidence: invoices, delivery receipts, any document showing/confirming transaction and delivery of goods, payment terms, recognition of the debt, etc.

Time limitations

The OHADA Treaty states a prescription period of two years to claim for non-payment related to the sale of goods.

Provisional measures

When contracts are issued by a public notary, and it happens that the debtor is not willing to pay, the court will award an execution title and the debt will be recovered in a short timeframe without the hassle of registration, fees and all honorarium of lawyers.

Lodging an appeal

The right to lodge an appeal against a decision rendered in first instance is recognized in Cameroon. For injunction proceedings, parties have 30 days to do so, while they have three months for ordinary proceedings.

Collection @ Euler Hermes

It is always advised to attempt collection prior to any legal action in order to maximize chances of successful recovery and avoid legal costs and delays. Our key principle is to collect in close proximity to the debtor, using a series of letters, emails and phone calls in the local debtor language. Our World Collection Network of Euler Hermes offices and external providers are experts in professional trade debt collection and negotiation, ensuring positive outcomes while retaining important client relationships. Euler Hermes can handle the complete collections process from amicable, pre-legal action through to judgment and enforcement.

Enforcing court decisions

A judgment is normally enforceable as soon as it becomes final and definitive (i.e. when appeals are not available anymore). When the defeated party fails to abide by the court's decision, the successful party may therefore ask the court to order enforcement proceedings. A bailiff would be appointed and would summon the debtor to discover whether any money can be collected directly from the debtor's account, from a third-party (saisie attribution), or by seizing their belongings in order to settle the debt along with costs and interest (saisie vente).

How long could legal action take?

In Cameroon, proceedings depend on a variety aspects – change of judges, magistrate meetings, bad faith of debtor's lawyers, vacancy of judges – each of which can be used by the debtor as a means to delay the case.

In total, the time taken between ordinary proceedings is one month. In the case of Payment Order (injunction de payer), the hearings are regular (twice per month).

How much could this cost?

The legal costs depend on the amount of the claim, but in general they can arrive at a figure between 5% to 10% of the total claim.

Alternatives to legal action

Alternative Dispute Resolution methods (ADR)

Alternatives to legal action are arbitration, conciliation and mediation, which all exist in Cameroon and can be applied easily if there is a paramount clause in the contract. When the clause is written before (clause compromissoire) it is simply applied. If not, parties can still have an agreement (compromis) afterwards.

- **Conciliation** can be used before legal procedures or after the proceedings are initiated. It can also be used during legal procedures in order to stop legal action.
- **Arbitration** is known but not regularly applied. A private arbitrator is nominated to whom the case is confided. They render a decision which the parties then accept.
- **Mediation** is the most common ADR method. In this situation, a private institute aims to obtain concession from both parties until an agreement is reached.

Foreign forums

It is advisable that clauses concerning legal action are inserted into the contract by specifically defining that the courts of both countries party to the said contract may be competent. When there is an exception of competence in the contract, Cameroon courts also become powerless.

Enforcing foreign awards

Domestic courts generally need to recognize foreign decisions prior to enforcing them. To do so, foreign awards can be enforced via exequatur proceedings and are within the competence of the Judge of Claims (juge du contentieux), who will facilitate the execution of the foreign

decision. These proceedings consist of verifying whether the foreign decision is final and enforceable in the issuing country, whether both parties benefited from a due process of law, whether enforcing the foreign decision would be incompatible with domestic law and public policy, etc.



Litigation @ Euler Hermes

Should legal action be necessary, Euler Hermes can provide support throughout the legal process from judgment to enforcement via our World Collection Network of Euler Hermes offices and external providers. Legal action can often be complicated and expensive, so you will be informed of all costs prior to any action and advised on which route is best to take.

Handling insolvent debtors

Companies facing financial difficulties are listed within a local register.

Insolvency proceedings

Out-of-Court proceedings

There are no out-of-court bankruptcy proceedings to reduce the court's caseload from the time the liquidator is nominated. A company can only then come under judicial restructuring (redressement judiciaire).

Restructuring the debt

A creditor can request the bankruptcy of a debtor if they observe that the debtor is unable to pay the debts due (cessation de paiement). This is said to be the case when the assets cannot cover the debts.

However, the creditor must first obtain a judgment for bankruptcy, which can be opposed by the debtor.

Bankruptcies are handled before the Tribunal de Grande Instance (TGI). Creditors must address the judge of TGI, which will then appoint an expert to investigate whether the debtor is really unable to make the required payments. The court will look in to the possibilities of restructuring the insolvent party by giving it time to discuss a possible solution with all creditors involved. If it is impossible to restructure the company, the court will appoint a liquidator.

The specific law handling insolvency is 'Droits des entreprises en difficultés/droits des affaires or Acte Uniforme OHADA sur les procédures collectives d'apurement du passif.'

Once a liquidator is nominated, they become the sole manager of the company. All pending legal procedures are suspended.

The liquidator's tasks are as follows:

- recover the company's claims from its (third-party) debtors
- invite all creditors to present and register their claims (creditors must present their titles of claim)
- organize creditors' meetings
- evaluate the assets and the debts
- liquidate assets/sell assets
- close the liquidation and submit final report

Creditors must register their claims within three months after the liquidator is nominated.

In respect to the claims which are disputed by the debtor, the creditor who wants to protect their rights and claim must present proof of the debt.

An insolvent company can also voluntarily request its own bankruptcy.

Priority rules

Any proceeds are distributed to creditors in the following order: justice, taxation, personnel/employees, creditors with enforceable title of debt and other creditors.

How long could insolvency proceedings take?

In general, bankruptcy/liquidation proceedings last three years.

Necessary documents

Documents required to effectively request a debtor's bankruptcy are an enforceable title showing that the debtor is unable to pay their debts and an expertise report showing that the assets cannot cover the debts.



Insolvency @ Euler Hermes

Euler Hermes works closely with debtors, creditors and lawyers to provide support during insolvency and restructuring processes. With many options available when it comes to insolvency action, we can offer advice on which option is most suitable.

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