

## **2 Major Changes In Turkish Debt Collection Market**

Many difficulties as well as opportunities have entered into our lives with Covid-19. Businesses have faced the outcomes of the pandemic since March 2020 and the market of debt collection has also evolved. As the founder and manager of the leading debt collection agency in Turkey, ARS Consultancy, I had a chance to monitor the changes in the Turkish market closely. With this article, I would like to share 2 main changes which we have observed based on our experiences as a team of debt collection specialists operating internationally.

### **1) Written 'Agreements' Become More Important**

Before the pandemic, not all international export & import companies were making a written agreement with their Turkish customers. Especially in some sectors, a contract may be perceived as a 'slowing down' item. However, no matter in which sector companies are operating, making a plain and simple contract is a strong tool.

After the pandemic, we have seen that Turkish debtor companies or individuals have started to mention 'Covid-19' to be considered as a 'force majeure' issue as a reason for non-payment. Not only in Turkey, but all around the world, this development has actually been an issue actually. At that point, we, as the collection agency playing a mediator role between international creditor and the Turkish debtor, checked if there is any agreement between two parties. Mostly, there were no agreements between parties. Even if there was, terms and conditions were not clear about the status of a pandemic. Of course, this conflictual issue has caused a delay in payments but with a careful review of the developments, we have mostly managed to bring two parties on a reconciliation table where payment agreements have been reached.

Since March 2020, what we see is this; new trade relations have included more and more written agreements after 'Covid-19'. Even Turkish export and import companies have become more sensitive not to trade without a written contract. Hopefully, the importance of written contracts will continue to be remembered. It is indeed a strong tool to minimize non-payment risks in the debt collection industry.

### **2) Online Meetings With Debtors Become More Usual**

There are several tools for debt collection and face-to-face meetings have always played a considerable role in addition to phone calls, emails and direct mail by cargo. On the one hand, face-to-face meetings are the most effective way to manage a successful debt recovery. On the other hand, it is the most expensive tool, considering the costs of a site visit, time and effort.

After the pandemic, virtual meetings with debtors located in various parts of Turkey have become a strong alternative. Of course, our foreign clients could also make online meetings with their customers in Turkey. But speaking the native language with the Turkish debtors makes a huge difference in order to build a healthy communication for understanding the reasons for non-payment. Therefore providing solutions before legal action becomes easier. Either a payment plan is agreed, or a settlement is made within approximately 3 days after we make an online meeting with Turkish debtors.

Since March 2020, what we see is this; new debt collection claims have a higher chance of recovery in a shorter timespan, thanks to the possibility of online meetings with Turkish debtors after 'Covid-19'. Yes, virtual meeting was still an option before the pandemic, but nowadays, we are all more used to it and even the most conservative people are more open to online gatherings.

## **More and More Changes Are About to Come**

Effects of Covid-19 in the debt collection market are not limited to these two issues indeed. I wanted to share the most significant changes which positively affected our debt recovery activities.

In addition, international trading companies started to make more in-depth investigations with their potential new clients before they jump into a business. Because the pandemic has shown all of us the importance of working with reputable and financially strong companies which are more likely to survive difficult times.

Similarly, cash-flow management has regained its value and more fresh cases have started to be placed at debt collection agencies. Digitalization of debt collection activities have also increased. And clearly, more changes are on its way, which will be the topic of my future articles. Wish you all to collect your receivables on time, but if not, we are here to help in Turkey.

***Ayşe Burcu Arslan Demirtaş – Managing Director***