



# UK Export Finance

## Quick guide to recourse

This quick guide sets out UK Export Finance's policy on recourse, including what recourse is, when it is sought and required, when we exercise recourse, from whom it is sought, the amount of recourse, release from recourse and the Lloyds recourse indemnity policy.

### What is recourse?

Recourse is a right conferred on us whenever we enter into a recourse agreement with an exporter whose export contract has been financed by an export credit loan guaranteed by us.

The recourse agreement provides that, if we pay a claim to the lending bank under our guarantee because the borrower has defaulted on the export credit loan and if, when we pay that claim, the exporter is in breach of the export contract (or the export contract has been terminated because the exporter has breached it), we can recover from the exporter the amount which we have paid to the bank.

### Why recourse is required?

A UK exporter's unsatisfactory performance of an export contract may lead to the overseas buyer not making the payments due under the related export credit loan which we have guaranteed. This would result in our paying claims to the lending bank under our guarantee in respect of the unpaid amounts. We must be able to recover our claims payments from the exporter in such circumstances.

### When is recourse required?

We may require an exporter to enter into a recourse agreement where we guarantee an export credit loan under a buyer credit facility, a line of credit or a supplier credit facility to support that exporter's contract with an overseas buyer.

### When is recourse not required?

Recourse is not normally required for export contracts involving the supply of proven technology by exporters with an established track record and where the provision of related services does not make up more than 10 per cent of the contract value.

### When do we exercise recourse?

Although we have a right to take recourse to the exporter and any recourse backer in the circumstances mentioned above, that right is discretionary. If we become entitled to take recourse to an exporter in relation to a particular export contract, we will consider the circumstances of the case when deciding whether to exercise that right.

## From whom recourse is sought?

Recourse is sought from the UK exporter. However, others may be required to support the exporter's recourse obligations where our assessment of the exporter's financial conditions leads us to consider that it might not be able to honour a recourse demand. Likewise, if the exporter is a member of a group of companies, we will (in most cases) expect to have recourse rights against the exporter's immediate and ultimate parent companies and any companies which have a major share of the group's assets. Occasionally, a bank or a major subcontractor may be required to give a recourse undertaking.

All the parties who provide recourse undertakings will be jointly and individually liable. This means that each of the recourse backers has an obligation to meet any recourse demand.

## Amount of recourse

The maximum amount for which we can have recourse to the exporter or any recourse backers is the actual amount that we have paid in claims to the bank, up to but not exceeding a specified maximum recourse amount. Although the amount of recourse can be set at 100 per cent of our maximum liability under our guarantee to the bank that is providing the export credit loan, in most cases recourse is set at the minimum limit of 10 per cent.

## Release from recourse

The exporter, and any recourse backer, will be released from its recourse obligations if the exporter can provide us with written confirmation from the buyer that the export contract has been satisfactorily completed. If the exporter is unable to do so, a release may be given if the exporter can satisfy us that it has satisfactorily completed the export contract and a year has passed since the expiry of any warranty period under it without there being any outstanding claims.

## Recourse indemnity policy

We have agreed a form of recourse indemnity policy which is available from underwriters at Lloyds of London. Exporters who would otherwise be unable to meet our normal recourse requirements may now be able to take out such a policy to provide support for their recourse obligations to us.

For further information on the policy, contact our customer service team.

Contact our customer service team to find out what help we can provide with your export contract. Call +44 (0)20 7271 8010 or email [customer.service@ukef.gsi.gov.uk](mailto:customer.service@ukef.gsi.gov.uk)

## Disclaimer

The information available in this brochure is not intended to be a comprehensive description of our products and procedures, and many details which are relevant to particular circumstances may have been omitted.

The brochure was last updated in October 2012.