

BRAZIL'S DEBT COLLECTION INDUSTRY - IT'S NO CARNIVAL

Octávio Jose Aronis is one of the leading figures in Brazil's debt collection industry. In this interview, Mr. Aronis shares his insights on the present and future of Brazil's debt collection industry.

Steven Gan: Tell me a little bit about the Brazilian debt collection industry such as the number of agencies, collection attorneys, and credit & collection associations.

Octávio Aronis: Brazil has a huge debt collection industry comprising companies of different sizes and specializations. Most of these companies focus on the consumer market. Due to Brazil's expansive territory, leading companies require several branches in the major Brazilian States in order to attend to their client base. On the other hand, there are small companies working as colligate collection offices throughout the Country. One of the most important Brazilian collection associations is called Instituto Geoc.

Steve: What kind of collection laws are in place to monitor the collection industry.

Octávio: We do not have a specific legislation. However, it is important to mention that every collection company must have an attorney as one of its partners.

Steve: What was the leading opportunity for you to begin your career in the debt collection field?

Octávio: My brother owned one of the largest collection groups until 1985. By the time he sold his part of the company, he had been looking into international collections and motivated me to get into this business. At that time, I was just returning from my studies at the UCLA and understood that this could be an excellent opportunity to build on the International area in my father's law firm. I became the first Brazilian member of the American Collector Association, ACA, and started to learn about this interesting market.

Steve: At the time you started out in this industry, what was the general landscape of the debt collection industry in Brazil?

Octávio: The Brazilian collection industry used to be solely concentrated in the financial area, whereas the American major market is in commerce and health plans. Another important characteristic is that the majority of collection procedures were taking place in-house. However, this is no longer the case as local companies find it is more effective to outsource to specialized collection groups.

Steve: I think there may be a perception in the US or Europe that the Brazilian culture requires more flexibility regarding payment terms. How do Brazilian's perceive the idea of credit and payment obligations?

Octávio: Brazil has a complex legal procedure. Justice can be bureaucratic as lawsuits take five to ten years to reach a final judgment, and in some cases, even longer. As a result, we always recommend the requisition of credit reports to ascertain a debtor's current legal and financial situation. Furthermore, we find the flexible application of payment terms to be very risky, and do not recommend it.

Steve: In the US, credit scores are a very important number and many people are quite worried about their credit score here. How about in Brazil?

Octávio: We do not have this instrument yet. However, there is a bill in the Congress that could be approved in the near future.

Steve: Where do you see the credit risk management industry moving towards over the next 5~10 years, not only in Brazil, but in some of the other Latin American countries such as Argentina.

Octávio: Credit risk management is certainly the first step in the provision of credit to any company. New technology has given us many means of obtaining information pertaining to companies globally. In

Brazil, and in all Latin American Countries, there are specialized groups to support with relevant information for credit analyses.

Steve: Tell me a little bit about your debt collection services. What makes your collection law firm stand out from among the others? How did you become involved with the Global Credit Solutions Group?

Octávio: We are a law firm with the capability to handle commercial/ consumer claims in all the Brazilian States. Our differential is that we show our clients that we are working together with them and doing our best to solve their problems with professional efficiency, ethics and economy of costs to them. Moreover, our attorneys meticulously study supporting documents and make every effort to settle, avoiding long litigations. In the inevitability of a lawsuit against a debtor, we always charge the lowest possible rate in order to minimize additional costs.

Five years ago, we were invited to become the Global Credit Solutions Group representatives for Brazil. As members of a vast global network, we offer our clients a superb service consisting of well qualified professionals worldwide to recoup their credits in more than 80 Countries with ease and efficiency.

Steve: Can you give me a few quick answers on the Brazilian commercial legal system for collecting debts. For example:

- a) Are foreign judgments recognized in Brazil?
- b) Generally how long does it take to reach an uncontested judgment?
- c) What are the costs to litigate?
- d) Do foreign witnesses need to appear in court?

Octávio:

- a) Yes, a foreign judgment can be acknowledged in Brazil where there is no conflict by each country's respective legislation.
- b) It is impossible to predict how long a final judgment may take. As I have mentioned, litigations can take five years or even longer.
- c) Legal costs and general expenses are analyzed on a case-by case basis.
- d) Foreign witnesses may appear in a local court; however, there is no obligation to do so.

Steve: Besides debt collection, what other products or services do you provide in which demand has grown significantly over the past few years?

Octávio: Besides debt collection, we offer our clients an agreement document and a promissory note to be signed by all parties. These provisions increase the possibility of success of execution in the case of default, when compared to simple invoices. We provide insurance groups, with investigative reports that allow for preventative action prior to the provision of credit insurance. With this service, the insurance company is able to reduce the rate of their credit insurance premiums to their policy holders.

Steve: What is the one final thought or idea that you would like to leave with this interview?

Octávio: In our years of experience, we have noticed a massive difference in the outcome of an international claim when it has been entrusted to a local counsel or collection agency, compared to when it is dealt-with overseas, resorting to long distance phone calls and international notifications. It is the local professional's experience and know-how regarding local laws and peculiarities that make all the difference. This is why we always use international colleagues to process our outbound claims

Steve: Thank you very much for the opportunity to write a little bit about the Brazilian collection industry. How can we contact you?

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