

# RESPONSIBLE REGISTRATION MANAGEMENT

## Service providers



Australian Government

Australian Financial  
Security Authority



PPSR

Personal Property  
Securities Register

## When can service providers make a registration on the PPSR?

The Personal Property Securities Register (PPSR) is a register of security interests in personal property.

As someone who provides services to your customers on credit, you are entitled to be paid for those services, but it doesn't automatically mean that you have a security interest which can be registered on the PPSR.

## Is my services contract/invoice registrable on the PPSR?

From time to time, we see businesses making a registration on the PPSR over the collateral of 'accounts', with the understanding that they have registered an interest in the amount they are owed for providing their services. This is incorrect.

As a general rule, the obligation to pay for the provision of services does not give the service provider a security interest in collateral which can be registered on the PPSR. An obligation to pay is, by itself, an unsecured debt and not a security interest.

Despite being ineffective, the presence of these types of registrations on the PPSR can lead to significant challenges in a customer's day-to-day business, including increased administrative (and sometimes, legal) costs and difficulties in sourcing finance. They also cause confusion amongst third parties searching the register.

### Example

#### *John, an unsecured creditor*

John is an electrical contractor who is hired to inspect and repair a malfunctioning electrical system at a construction site. John completes the work and issues an invoice for payment of his fees. Before John is paid by the customer, he registers a financing statement against the customer on the PPSR against the collateral class 'accounts'. John is an unsecured creditor to the customer. While he has a right to be paid for his services, he does not have any security interest in the customer's personal property. This is because the customer never granted John an interest in their 'accounts' (or other property) with the intention that it would be security for payment of the invoice.



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## When can I register a security interest for my services contract/invoice?

A security interest would only arise if the customer purchasing the services also agreed to grant security over its personal property to secure that obligation to pay.

Suppose that, in the example provided, the customer agreed to grant John a security interest in their motor vehicle to secure payment of the invoice. In that case, John would have a security interest in the customer's personal property and could make a registration on the PPSR against the collateral class 'motor vehicle' in order to secure payment for his services. If the customer did not pay, he would have a claim to the motor vehicle the customer offered up as collateral.

## Can I register if I provide goods and services?

We know that many businesses supply goods and services on credit. In the above example, if John had also supplied equipment on credit in order to repair the electrical system AND his invoice included terms that state that he retains title of the goods supplied until payment is received, that would create a security interest in the equipment. It would not normally create an interest in the labour/services component of the invoice though, so only the goods component would be registering on the PPSR. For more information about how to register when supplying goods see our factsheet on [Trying to get your invoices paid](#).

### Don't get caught out!

Any person who makes a registration on the PPSR that describes collateral which is not (and will not be) the subject of an underlying security interest could be exposed to a civil penalty under the Personal Property Securities Act 2009.

## Time for a review?

If you are in the business of providing services to your customers, now is the time to review your trading terms and registration procedures to make sure that each of your PPSR registrations is supported by a valid security interest in personal property. If in doubt, further information is available on the PPSR website about what the PPSR is, how and when to register a security interest, and what constitutes 'personal property'.

### Key Points

- The PPSR is a register of security interests in personal property and a PPSR registration can only be made over personal property. As services and labour aren't personal property, you cannot register over them.
- Remember: the fact that you are owed a debt doesn't, of itself, mean that you have a security interest in personal property which is capable of registration on the PPSR. It does not mean you can make a registration against the collateral class 'accounts'.
- If you supply goods and services, you can easily secure your goods component with appropriate terms in your invoice/contract and an effective registration on the PPSR.
- If you want your right to payment for services to be secured, you need to agree for your customer to grant you a security interest in personal property (e.g. business assets, equipment or motor vehicles). If this agreement is consensual and documented, it can then be registered against that collateral on the PPSR.