

FRANCHISOR PPSR FACTSHEET

As a franchisor, it is crucial to protect your interests in goods you supply to franchisees. You can do this by registering a security interest on the Personal Property Securities Register (PPSR). This cheat sheet explains what a security interest is and the benefits of registration.

THE PPSR



- The PPSR is the official government register of security interests in personal property. Franchisors can use it to:
 - register security interests in personal property; and
 - conduct searches to see if certain personal property is subject to a security interest.

PERSONAL PROPERTY AND SECURITY



- In a franchising context, personal property may include any stock provided to franchisees, intellectual property, fit-out, goods or other tools or equipment.
- A security interest is an interest in personal property that secures payment or performance of any obligation.

REGISTERING A SECURITY INTEREST



- You must have a contractual right to register a security interest. Most franchise agreements include this right.
- This right should ideally be a separate general security agreement or similar.
- You should register an interest over property you have provided or leased to the franchisee.

DOCUMENTING SECURITY INTERESTS



- The right to register a security interest is not by itself a security interest.
- You must perfect the security interest by either:
 - registering it on the PPSR;
 - taking possession of the personal property; or
 - taking control of the personal property.
- All security interests should be registered on the PPSR, giving you priority over unsecured and secured creditors.

SUPPLY AGREEMENTS AND SECURITY INTERESTS



- You (or your associated entities) should have a security interest over supplied goods, particularly if payment is made in arrears.
- A single registration will typically cover current and subsequent security interests.

BENEFITS



- Registration provides some security should your franchisee default on payments or go into liquidation.
- It also places you in the best position to exercise your rights in recovering monies.