The legal nature of the factoring contract

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Abstract:

The idea of a Factoring Contract is the obligation of the merchant (a member of a factoring corporation) to provide all of the commercial debt owed by the debtor to the factoring institution, which in turn, choses what it believes to be recoverable, if the corporation agrees to purchase these debts, the creditor shall expedite the value of the credits before they are due in return for a certain percentage agreed upon with the merchant with a commitment to ensure that the member (the merchant) is not returned to in case of non-recourse collection from debtors unless expressly agreed otherwise. Or in a specific contract concluded between them. In addition to the aforementioned, the factoring corporation provides some administrative and informational and legal services to the contracting merchant.

In keeping up with the huge commercial development in world trade, the factoring contract (the contract of the purchased commercial debts) is spreading. It is an agreement between a financial institution called a factoring corporation and its clients known as a '"factor".

This study was conducted to illustrate the factoring contract and its legal nature by comparing the provisions of this contract with some traditional legal contracts that are similar and convergent. The comparative analytical approach was followed in this study which concluded that the provisions and the rules of the contractual solutions are the most appropriate to the provisions and the rules of the factoring contract because they contain the basic pillars that achieves the goals and objectives of the contractors.

This study also reveals the need for the Palestinian legislator to single out this contract with legal texts as done with other legislation. This study was divided into two chapters. The first chapter deals with the concept of the factoring contract and the second chapter deals with the legal nature of the factoring contract.