

How to Manage Your Credit to Minimise Late Payments

In the current financial climate, reducing late payments can become even more critical to your business, and there are certain practices that you can adopt to minimise late payments. Most of these are common sense, but are often overlooked and not followed through because of limited time or resource. The sooner you chase overdue invoices the sooner you will be paid.

New customers

When taking on new customers check their credit rating, and make sure your engagement letter has a clause regarding debt.

Invoicing

Invoice promptly and state your payment terms clearly on your invoice with the due date. For large accounts, phone to check invoices have been received.

As soon as the invoice is **overdue**, send a reminder such as a copy of the invoice marked 'Overdue' or a statement.

Collecting late payments

- As soon as the payment is overdue, phone in the first instance. (You should not call before 8.00am, after 6pm or on a Sunday)
- Send letters to those you cannot contact by phone. Only send two standard letters, the first a polite reminder, and the second a strong final demand.
- Use fax or email if phone calls and letters are being ignored, and send these to a senior person, not the failed contact.
- If you don't like chasing debt yourself, then use a third party (i.e. a debt collection agency)
- Identify the type of debtor
 - o The delayer – can afford to pay, but waits to last possible minute
 - o The genuine – thinks they have a genuine reason not to pay
 - o The cash flow problem – can't afford to pay in a lump sum
 - o The knocker – never intended to pay in the first place

If there is a dispute over the payment, then the sooner you have a discussion about it, the sooner it will be resolved. Likewise with the customer who can't pay it in one lump sum, you need to discuss how much they can afford and set-up a payment schedule.

If all reasonable efforts to recover the debt fail, then you can take your customer to the petty debts court for debts below £10,000.00. Higher sums are dealt with by the Royal Court. If debts are truly uncollectable then write them off and learn from experience.

More legal information regarding the collection of debt can be found at the Greffiers Office, and there are several websites offering advice and information.