



Credit Control Factsheet

Obtaining new customers is great for business, until they fail to pay you. If you fail to check that the customer can support the amount of credit you are granting, then commencing legal action when they do not pay can be a long, drawn out and potentially costly process.

If payment from the customer is not obtained and the goods or services have been provided, your cashflow is likely to be under pressure. Ensuring that customers pay on time will make managing your business easier.

If you fail to pay your suppliers because you have not been paid by your customer then you could be damaging their business as well. This is not only bad business practice but could be regarded as corporate social irresponsibility. Treat your suppliers as you want your customers to treat you.

Factors to consider

The first thing you should do is get to know your customer, this should start before you take on a new customer and before you give them any credit. The bare minimum of what you should know is:

- the exact name of the customer and the trading address (consider using Companies House Webcheck service)
- their type of business structure, for example: are they a sole trader, a partnership or a limited company
- names and personal addresses of the proprietors (if their structure is unincorporated*, consider getting them to send letter headed paper to support this information)



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- contact other suppliers to obtain references
- check their credit rating through a credit agency

Before you provide goods or services to any customer make sure you address the following:

- discuss and agree payment terms with the customer before accepting the order
- agree the terms in writing
- review any documentation from the customer where they try to change the agreed payment terms
- negotiate and agree payment terms with suppliers before accepting the order
- if there is a gap between customer and supplier payment terms, consider whether finance is available to bridge the gap (this will require an understanding of your working capital management)
- produce a cashflow forecast covering all expected income and expenses
- have a standard policy in place to ensure that payment terms cannot be altered without appropriate authorisation
- ensure that you have the right to apply late payment and interest charges on invoice

After you have provided goods or services to a customer ensure that you:

- raise invoices promptly
- raise invoices accurately to ensure all items are included at the quoted prices
- include a reference number for the order and then quote this if any dispute arises
- have everything the customer requires on the invoice
- have a process for chasing invoices
- have a process for dealing with disputes
- keep a log of disputes to ascertain whether similar disputes for customers occur
- ensure that your invoices are fully compliant with HMRC for VAT purposes.

Consider your suppliers - treat them as you would like to be treated



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Remember that not paying your suppliers on time is a bad business habit and it may result in a drop in your credit rating. You should:

- ensure you advise your suppliers of any disputes as soon as they occur
- pay on time by ensuring that your creditors' ledger is accurately aged; and
- keep your suppliers up to date with any issues you have with paying on time

Some businesses cause issues meaning you may wish to consider obtaining credit insurance where the business:

- would not be able to function if key customers went insolvent
- does not have the controls in place to ascertain whether a customer is likely to go insolvent
- is struggling to obtain information on prospective customers
- needs to improve credit management
- is considering a new market venture.

Businesses should consider obtaining factoring and financing options when:

- insufficient cash reserves are available to pay suppliers on time
- the business needs to grow
- the level of short-term finance (including any overdraft facility) is insufficient
- staff do not have the right level of credit management skills.

[Consider setting up direct debit services](#)

Many people think that Direct Debits are only available to large companies, this theory is led by the fact that banks will only allow this facility through them with a large amount of business. Where you use certain cloud-based software for your accounts, a company called GoCardless you can utilize the direct debit system. This is something to consider registering for as you can control the date the money is taken from your clients' bank once they have agreed and signed an agreement.



This is not a solution for clients with bad cashflow themselves but will be good for you to manage yours.

How we can help

We have a number of solutions available to clients, whether this is a standalone credit management service or bookkeeping with credit management as an add odd. The service can be as much or as little as the business needs.

We take the time to understand your business, how it operates and the credit problems before providing a proposal that is tailored to benefit your business needs, budget and credit problems.

If you are struggling with your cashflow in these difficult times, then we would be happy to discuss this further with you. Please contact us for more detailed advice.

*Unincorporated - a privately owned business that has unlimited liability (who are equally responsible for all debt and liabilities accrued by the business)