

Dispute Resolution Factsheets

Avoiding the late payment trap

Particularly in the current economic climate of interest rate uncertainty and ever-tighter margins, a robust and efficient system of credit control has become an essential tool for all business managers.

With this in mind, here are our top tips for handling your commercial debtors:

Know your customer

- Are you contracting with a limited company, a partnership or a private individual? Make sure your documents all refer to the correct legal entity
- Always carry out credit checks on new customers. Note that before accessing credit information on private individuals, the Data Protection Act 1998 requires firstly that you are registered under the Act and, secondly, that you obtain the express permission of the individual concerned
- Consider requesting references from your new customers' existing suppliers
- Look for warning signs such as changes in payment patterns or unexpected excuses
- Monitor payment history and regularly review credit limits

Review your Terms & Conditions

- Make sure they include clear details of the terms on which you will offer credit
- Make sure they are incorporated into your contracts by attaching copies to quotations and invoices
- Insist that all customers sign a copy to indicate their acceptance of your terms as a condition of opening a credit account
- Include a term authorising you to carry out credit checks on customers who are private individuals

Act quickly

- Submit invoices to the correct department or person immediately any goods are dispatched
- Consider making courtesy calls before payment is due to ensure that goods and invoices have been correctly received
- Deal promptly with any outstanding issues Follow a formal procedure
- Use a system of graduated letters starting with statements of account and moving on to formal demands for payment
- Keep accurate records of all written and verbal contact with debtors
- Synchronize the attitudes and actions of sales and credit control teams to ensure that no further supplies are made to overdue accounts Make use of the Late Payment of Commercial Debts (Interest) Act 1998
- Advise any creditors who exceed agreed credit terms that interest will be applied at 8% over the Bank of England base rate in line with the above legislation

Know your rights

- As a creditor faced with an insolvent debtor, attend or arrange representation at creditor meetings to have your say

Consider outsourcing debt recovery

- This can show your debtors that you mean business and can add weight and speed to the collection process

Consider offering incentives

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While great care is taken when compiling these materials, no responsibility is accepted for their content or accuracy. They are for general guidelines only and action should not be taken without obtaining specific advice.

- Offering a discount for pre-payment or early payment can be a cheaper alternative to providing credit

When all else fails, we offer a comprehensive range of debt recovery services from low-cost initial letters before action to a fully managed litigation service.