

CREDIT CONTROL TIPS

Make your terms clear

Agree payment terms at the order stage and have those terms printed on relevant documents such as invoices. Terms should include any credit period and details of interest charges on overdue accounts. Don't forget all businesses have a legal right to claim interest from late-paying customers.

Consider credit checking potentially large customers

An online credit rating can be on your desk in minutes and cost from £10 upwards. Consider taking up credit references.

Make your invoice clear

An easy-to-understand invoice will encourage customers to pay more quickly. Make sure, in particular, that you include a detailed description of the goods/services, a reference to the order number and that you send the invoice to the right person.

Invoice on time

Send the invoice out immediately after the goods are sent or the service is completed. Don't forget that many businesses simply don't pay invoices until they receive a statement.

Create a system

Set out in writing a timetable you feel comfortable with for chasing unpaid bills - and stick to it. You might, for example, choose to adopt a timetable along the following lines if you have terms of payment within 30 days:

- send out invoices immediately
- send out a statement to arrive on day 27 or telephone to confirm it is the next payment run
- send 'low' impact letter on day 33
- phone the customer on day 35
- send 'medium' impact letter on day 38
- send 'high' impact letter on Day 41
- send solicitor's seven-day letter on Day 45

Chase outstanding bills ASAP

This is perhaps the most important tip of all. Always concentrate on the largest debts first, customers you suspect maybe in financial trouble and older accounts. Keep a log of your calls – the date, time, who you spoke with and what was discussed. Do not be embarrassed about requesting payment – never forget it is your money. Phoning is one of the fastest ways to persuade late payers to pay up – but never call on Monday or Friday. Build a relationship with the accounts clerk and never be rude or lose your temper.

Deal with excuses

Always be sceptical of excuses – they can often be simple delaying tactics. Put these customers high on your chasing list. Have a standard policy on dealing with common excuses, for example:

"I haven't received your invoice" - send another copy by fax/email to the person you spoke to and phone to check it has been received and when you can expect payment.

"I'll deal with it shortly" – ask when it will be dealt with exactly

"The cheque's in the post" – ask for the cheque number and postal date. Check the invoice address is correct

Consider stop lists

A stop list is a list of customers you do not want to give more credit to. Update your stop list regularly and do not supply any more goods to customers on the list until they have paid their accounts up to date. Inform late payers that they are 'on stop', encouraging them to pay up, especially when they realise they want to place further orders.

Send seven-day letters

A seven-day letter is the first stage of the legal process – you cannot sue unless you have sent your debtor such a letter. Some businesses have a policy of not paying until they receive such a letter.

It's good to talk

Maintain a positive and personal relationship with your customers. You are more likely to get the results you want if you adopt a friendly approach . Explain that you value their business and have been advised to take legal action, but only want to do so if there is no alternative. Speak to the managing director or finance director of the business, or another decision maker if possible.

Finally, thank customers who pay on time.

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