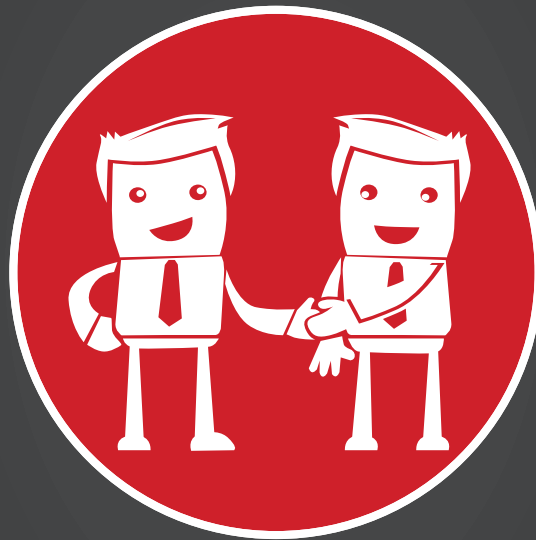




Credit Management Group UK
Experts in cash flow solutions

Get Paid, In Full & On Time



The Most Frequently Asked
Questions on Credit Control

Tips & advice for effective credit management

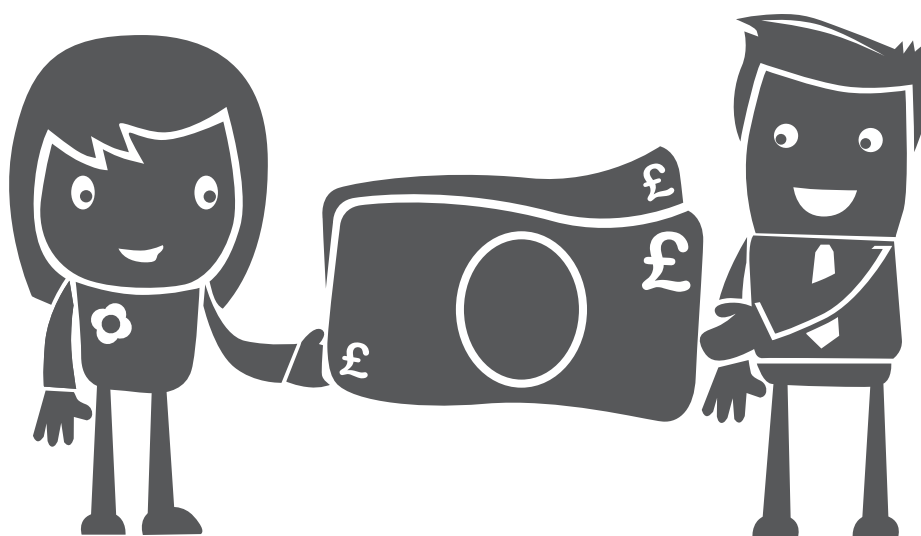


1

What advice can you give me with regards to asking for money? I'm sure I'm owed lots of money but I send so many invoices that it is becoming increasingly hard to chase them all.

Use the 80-20 rule.

First call the invoices with the highest value. You will get more money for your one call. For smaller value invoices, do a letter cycle.



Most accounts software has a facility to set up an automatic letter cycle to send three letters out with a predetermined time gap in between.

In all cases, call the client prior to sending a final demand to ensure you have sent any letter to the correct address and possibly rescue a business relationship before court action is taken.



2

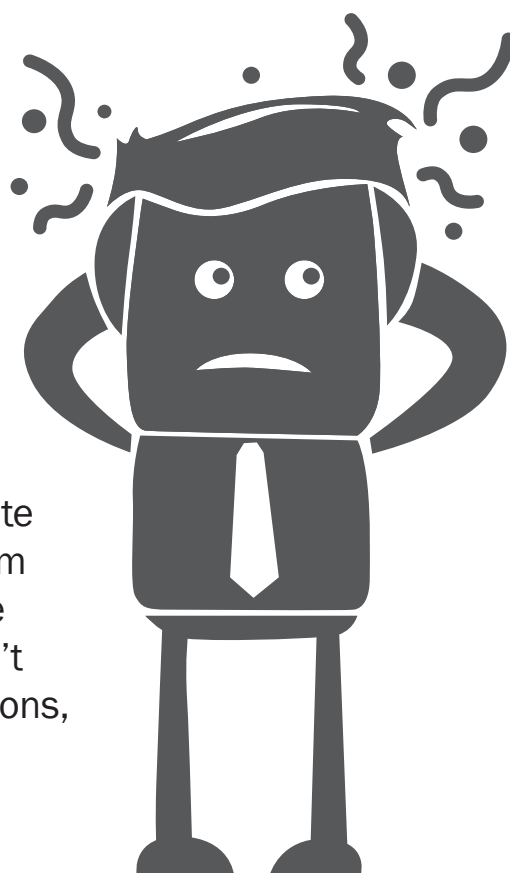
Should I be charging interest on my client's late payments?

Yes, you should.

You should have details of costs and interest for late payment in your terms and condition of sale. For commercial debts you can claim compensation and interest at eight per cent above the prevailing Bank of England 'reference' rate (set end of Dec and end June every year to cover the following 6 month period) under 'The Late Payment of Commercial Debts Regulations (2013)'.

If your terms and conditions state a lower interest rate than the Late Payment Legislation, you can only claim the amount in your terms and conditions. Make sure your terms are in line with the Legislation. If you don't have late payment clauses in your terms and conditions, or have no formal terms and conditions, you can still rely on the Late Payment Legislation and charge compensation and interest.

If you are concerned about keeping your relationship with your customer, use interest and compensation as leverage, e.g. "we may have to add interest and compensation to your account unless we receive payment by..."



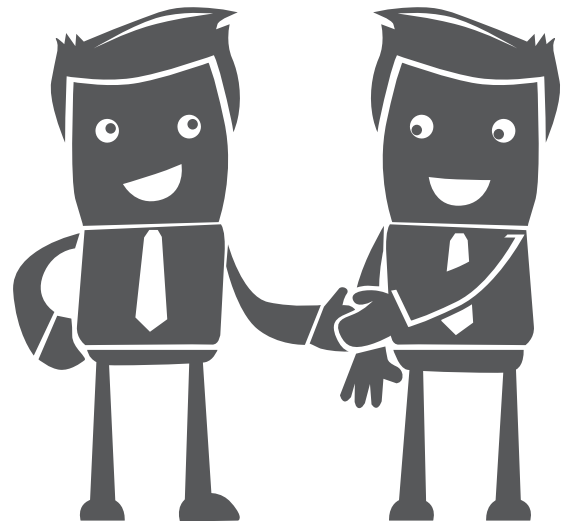


3

At what stage should I consider court proceedings if a client refuses to pay me the money that I'm owed?

Only when all efforts to negotiate payment have been exhausted.

The courts will want to see you have attempted to get payment prior to court action. You should always send a final demand before any court action is commenced, giving the debtor a reasonable amount of time to pay (at least seven days) and make it clear what action will be taken if payment is not made by this date.



If there is no chance of settlement, act quickly; the longer you leave it, the harder it is to get payment. Debtors move and are difficult to trace and businesses become insolvent therefore greatly reducing your chance of getting paid, even if court action is successful.

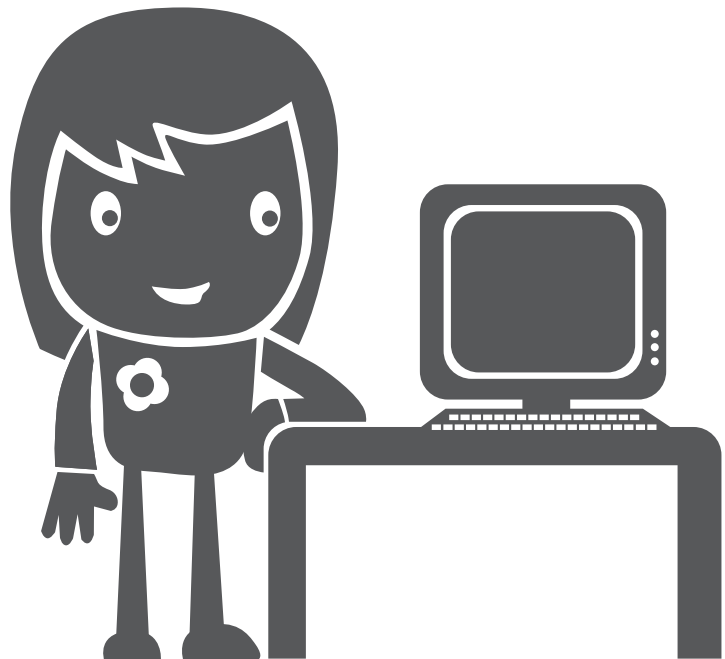
4

As a designer I spend a long time perfecting my work, and as a result I can end up going long periods of time without getting any income. How much should I be asking my clients for as a deposit?

Try to ask for stage payment on completion of certain aspects of the project.

As an example, 30 per cent deposit, 20 per cent on completion of X and 30 per cent on completion of Y.

Perhaps you should find out what your competitors request and align your pricing structure accordingly so you are not at a competitive disadvantage.





5

I have gotten a County Court Judgment against a customer who had not paid my invoice. But I have now found out the judgment is in the wrong name and I can't enforce the judgment to get paid. How can I stop this happening in the future?

Before you start trading with a business, it is a good idea to establish their full legal entity name.

We recommend you find out:

- Is your prospective customer a limited Company? If your prospective customer is Limited, they will have their full legal entity name and company registered number on their letter heads. Since the change in the companies Act, (from January 2007) they should also have this information on all business emails, their web site and on any orders.
- Is this business a Limited Liability Partnership (LLP)? Professions such as Accountants, Solicitors, Architects etc are often LLPs.
- Is the business a sole trader or partnership? If so, you will need to get details of the proprietor or all the partners.

Be aware of trading styles. Is your prospective customer:

- Mr Joseph Bloggs trading as Bloggs Autos? (a sole trader)
- Mr Joseph Bloggs & Mr Alan Jones trading as Bloggs Autos? (a partnership)
- J Bloggs Autos Ltd? (a Private Limited Company)
- J Bloggs & A Jones Ltd t/as Bloggs Autos?

Even large PLC's have trading styles different from the legal entity name. If in doubt, check with Companies' House on line for free. Once you have established the full legal entity name, make sure you address all invoices to that name, thereby avoiding any confusion if you have to take legal action in the future to get paid.

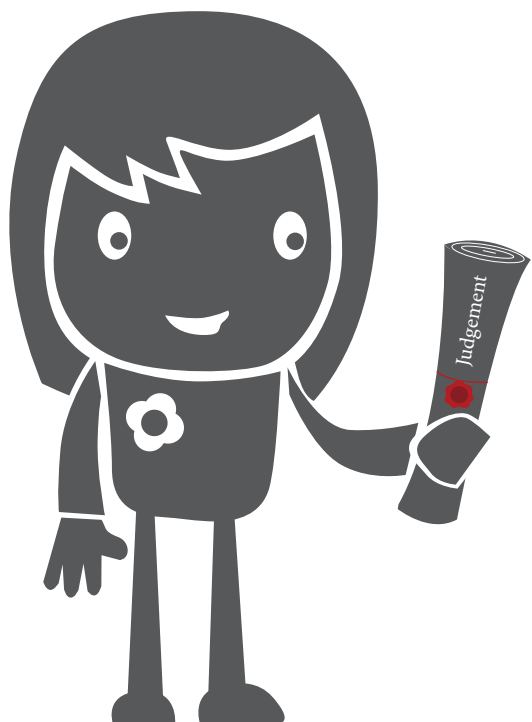
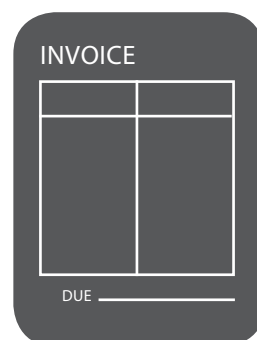


6

Can invoices that have been outstanding for years be recovered?

Invoices up to 6 years old can still be collected as 6 years is the statute of limitations in England and Wales.

However, the older the debt, the harder it is to collect. Therefore it is important to have a timely collection strategy and take a consistent approach to collections to make sure you get paid quickly.





7

How can I be sure my customer is credit worthy?

It is important to carry out credit checks on potential customers and also to monitor the companies so you are alerted to any changes such as a change in Directors or County Court Judgements.

It is also worthwhile to carry out a directors search to see how other companies they have been involved with have performed.

Credit check reports do not guarantee your customer will not go into receivership or liquidation, but can reduce your risk to trading with these types of companies.



8

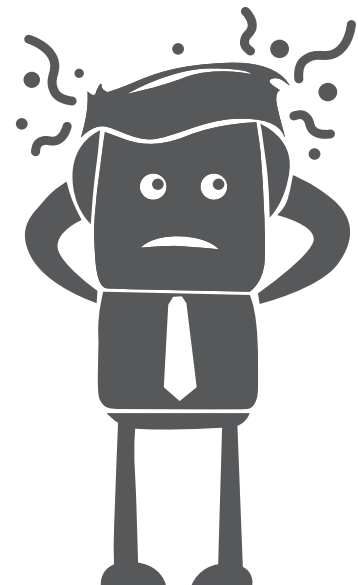
One of my customers has disputed part of one of my invoices and won't pay the invoice. What can I do?

Some businesses will refuse to pay the whole invoice as a matter of 'policy', however it is fair and reasonable for them to pay the undisputed balance so don't be afraid to ask for part payment.

Then establish quickly in the dispute is genuine or not. Provide any details your customer needs to agree payment of the balance.

If a credit is required, it is recommended to raise a part credit for the agreed amount and ask for immediate payment of any balance.

If you and your customer can not come to an agreement over payment, you may need to consider legal action. However the courts do provide an 'alternative dispute resolution service', in which a trained mediator can help both parties come to an amicable settlement.





9

We have several invoices disputed at any one time, sometimes over minor issues. This has a knock on effect with our cash flow. How can we best manage the disputed debt to reduce the issues?

It is good practice to have a dispute resolution policy in place. Have and communicate to all relevant staff a procedure where a dispute is resolved within a specific timeframe. Then monitor it to make sure it happens.

Where there are more complicated disputes that may take more time to resolve, make sure you keep the customer informed of the progress. It gives the customer a sense of receiving an additional prompt, efficient service and at the same time it gives little or no leeway for delay or non-payment of balances that are properly due.

Measure regularly the value and volume of disputes by the reason for the dispute. When you see recurring issues against a specific reason, it is worth looking at ways to repair your processes to stop these disputes happening in the future.

By having some basic, internal processes in place, you can improve your business relationships with your customers and keep the cash rolling in.



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Experts in cash flow solutions

Credit Management Group UK provides a **complete solution** for your commercial credit management issues



Training Services

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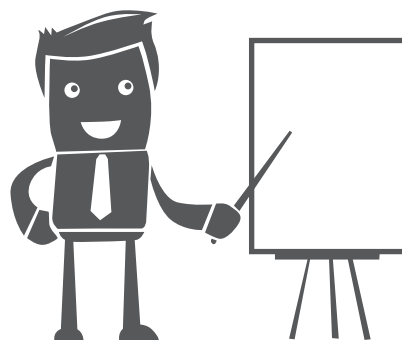
Extremely cost effective and very popular, we seamlessly integrate with your business to act as your "virtual" credit control department.



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