



TIPS AND ADVICE

In the current economic climate, many businesses are struggling to meet their payment obligations in time, which often has a direct negative impact on a supplier's cash flow. Here are a few tips to help protect your business:

1. **Do your research!** Undertake Companies House and credit searches against new customers. Remember that your customers' circumstances can change over time, so make sure you update these searches regularly.
2. **Secure debts!** Seek a guarantee from the directors or the parent company if there is concern over any new customer. If a company becomes insolvent, secured creditors are first in line to receive what they are owed.
3. **Insure!** Taking out credit insurance can protect your business against insolvency or non-payment of invoices.
4. **Review your terms!** Ensure that your commercial contracts / terms and conditions / invoices state the payment terms very clearly: When is the amount due? Who is it payable to? How is it to be paid? Make sure your terms and conditions are properly incorporated in all your contracts and include a retention of title provision which allows you to retain ownership of your goods until your customer makes full payment.
5. **Ask for advance payment!** Do not hesitate to ask for money on account / payment upfront / a deposit.
6. **Clarify your payment due date!** Make it clear that payment is due on presentation of a bill and give your customers no more than 30 days to effect that payment.
7. **Incentivise!** Consider offering a financial incentive for early payment.
8. **Invoice regularly!** If you are likely to be involved on a lengthy project, invoice your customers periodically for smaller amounts rather than for the whole amount at the end of the project. This will help with your cash flow and will also enable your customers to know what to expect and stay on top of their financial commitments.
9. **Keep yourself informed!** Talk to your customers regularly in order to be able to anticipate late payments and protect your own cash flow. Know when to adopt a conciliatory approach to late payments in order to retain a customer who may just be going through temporary challenging times and when to adopt a strict approach to repetitive late payments.
10. **Prioritise debt collection!** Put a robust credit control system in place and put debt collection at the top of your to-do list. Decide when and how customers will be chased for late payment and when a final demand will be made. Make sure you retain written evidence of your communication exchanges.
11. **Know your termination rights!** Check your rights to terminate your commercial contracts, if the customer becomes insolvent or fails to pay.
12. **Take action!** Unless you decide to write off a debt as a bad debt to save on cost and time, consider instructing a bailiff or issuing a winding up / bankruptcy petition.

12 TOP TIPS

PROTECT YOUR BUSINESS AGAINST YOUR CUSTOMERS' FINANCIAL DIFFICULTIES

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