

10 Tips on how to manage your debtors.

There's nothing worse than doing your work, providing a service or obtaining a desired product for your customer, only to find yourself faced with a debtor who simply cannot or occasionally will not pay you. Sadly, it is a sign of the times that this situation is occurring more frequently.

Take heart, there is a lot you can do to avoid this happening to you and on the occasions where you cannot avoid the problem, to approach your debt collecting in a structured way that will improve your chances of a successful outcome.

Debt collection methods vary depending on whether you are offering a service or selling goods. If you are selling goods, we recommend that you insist on payment in full before you hand them over, thus obviating the need to consider debt collection at all. If you are ordering in stock specially for a customer, obtain payment before ordering.

If you are providing a service the following ten tips could see you laughing all the way to the bank instead of facing the disappointment and consequences of writing off a bad debt.

1. Prevention is better than cure

Always make a point of agreeing with your customer exactly what services/goods are required and when and how payment is due. So, if your terms of trading are payment on invoice, your customer should be aware that they will not be expected to take 30, 60, 90 days or longer to pay you.

As the vendor/service provider it is up to you to set the terms and conditions taking into account your customer's wishes. If you will incur costs, including wages, in undertaking the work it is perfectly reasonable for you to request a payment in advance and there is no reason why you should not ask for the whole amount if you consider this to be appropriate.

If you decide to allow credit to your customers, take sensible steps to identify your customer and satisfy yourself of their residential address. If you are dealing in large sums of money you may wish to take steps to ensure their ability to pay you. There are various search facilities available should you wish to use them.

2. Timely invoicing & follow up

Be sure to invoice on time and issue regular statements to customers who owe you money. If you give this task prompt attention, your customers are more likely to pay you promptly.

3. Offer as many methods of payment as you can

Cash, Cheques, Credit or debit cards, BACs and online transfers. Standing Orders (in advance or at your discretion, in settlement).

4. Planned approach to debt collecting

If in spite of your best efforts, you end up with debtors, devise a strategy for chasing payment. For example, you could contact your customer when the payment is 2 weeks late and every 2 weeks thereafter until you obtain satisfaction. How long you leave the first reminder and how often you contact them will depend on how large a sum is involved and often on how urgently you need the money.

5 Use the phone

Speaking to your debtor in person gets better results than writing letters. Before you ask for money, ask if there is a problem. Resolve resulting complaints promptly so you can get paid. If your customer tells you there is a problem in making the payment, in these difficult times it often pays to be a little bit flexible. A customer who is paying their bill in instalments is far better than one who isn't paying anything at all. So be prepared to accept stage payments if someone is in difficulties.

6. Keep a record and refer your customer to it

Record the date and outcome of all debt chase contacts and remind your customer of any failed promises. It reinforces your intention to be paid.

7. Keep it friendly

No matter how frustrated or angry you are, keep the tone friendly. Losing your temper closes the door to negotiation and to any potential future trading. If you can't do this, get someone else to make calls for you.

8. Letters

Request payments by a set date in a friendly manner. Offer to consider instalment payments if you think this may help. Only use legal enforcement threats which you are prepared to back up, when all else fails.

9. Calling on your debtor

A polite call at the door often opens up communications and can result in a payment. If no one is home leave your card, compliment slip or letterhead with a note that you called and will be in touch. Follow it up promptly.

10. Threaten further action

When all else fails consider threatening to place the debt with a debt collector or to raise a County Court Summons. No-one likes a debt collector calling on them, and a CCJ against them can have serious consequences! These measures are only effective against people who have something to lose.

Not sure? Get advice.

Debt chasing can be demoralising. Remember: it is your money, you have a right to it; and, if you don't ask for it you won't get it. If you really can't face it, get someone else to help.

You won't win every time, but strategic debt chasing and a flexible approach should help you to make radical improvements to your cash flow.

If you would like to discuss any of the topics in this update or how Loucas can assist you please do not hesitate to contact us.