

Avoiding bad debt 10 key strategies for small and medium sized businesses.

Rita Adams (MICM Grad, MACP Grad)
A.R.M. Credit Control



Bad debt and the small claims court can be avoided by adopting some simple precautionary measures in your business. The advice I always give is to make sure your paperwork is in order, and bring up the subject with your customers as soon as possible. It is easier to address the subject at any early stage, and you are more likely to stay on good terms with your customer.

- 1.** Run a credit check on potential clients to avoid problems in the first place.
- 2.** Have your Terms and Conditions clearly stated on your invoice and in your initial contract agreement.
- 3.** Make it easy for them to pay. Include Bank Account Number and Sort Code, address, and purchase order number.
- 4.** If you do not have a purchase order number or any written communication, make a note of the date when the verbal agreement was given, and confirm this by email or letter.
- 5.** Submit unpaid invoices regularly each month.
- 6.** If your customer is responsible for paying your bill, mention it in conversation, and if it is apparent there are difficulties, agree a date which suits you both.
- 7.** Stop their account as a last resort if payment is not forthcoming.
- 8.** For larger SME businesses make it a priority to speak to the accountant or FD who makes the decision. Find out when you can speak to them, and don't be put off. You want to get to the top of the pile, so be very professional but persistent.

- 9.** With corporates there may be technical reasons why you have not been paid. Make sure you have jumped any administrative hurdles and present your invoice in the correct manner for their internal process.
- 10.** Stay on top of your own financial situation. Modern software is easy to use and can provide real-time reporting provided the data is input regularly.

Persistence and transparency are the key to getting paid. Use your relationship with your customers, and don't wait until you are considering taking out a loan to pay the VAT bill even though thousands of ££ are owed – as one of my clients did.

If you feel it is all going to take up too much time, get in some external help. Staying on top of your accounts helps you claim the money that is rightfully yours, and avoid being investigated by the Inland Revenue. They have internal financial targets to meet, and financial disorganisation is an indicator of an easy target.

For a free no commitment phone call please ring 01628 487 849 www.armcreditcontrol.com