

A blue-tinted photograph of two hands shaking in a firm grip, symbolizing a business agreement. In the background, a blurred crowd of business professionals in suits and dresses stands in a line. A dark blue rectangular box is overlaid on the left side of the image, containing the text 'Credit control'.

Credit control

Starting in business

Factsheet

Credit control

Obtaining new customers is great for business, unless they fail to pay you, which could put your cash flow under pressure. Ensuring that customers pay on time will make managing your business easier and help avoid commencing potentially costly and lengthy legal action.

If you would like to discuss how we can assist you, please contact us on 01494 675321 or by email at info@rousepartners.co.uk

If you fail to pay your suppliers because you have not been paid by your customer then you could also be damaging their business as well. This is not only bad business practice but could be regarded as corporate social irresponsibility. Treat your suppliers as you want your customers to treat you.

Factors to consider

The first thing you should do is get to know your customer. This should start before you take on a new customer and before you give them any credit. The bare minimum of what you should know is:

- ▶ the exact name of the customer and the trading address (consider using Companies House Webcheck service)
- ▶ their type of business structure, e.g. are they a sole trader, a partnership or a limited company?
- ▶ names and personal addresses of the proprietors if their structure is unincorporated (consider verifying letter headed paper to support this information)
- ▶ contact other suppliers to obtain references
- ▶ their credit rating.

Before you provide goods or services to any customer make sure you address the following:

- ▶ discuss and agree payment terms with the customer before accepting the order
- ▶ agree the terms in writing
- ▶ review any documentation from the customer where they try to change the agreed payment terms
- ▶ negotiate and agree payment terms with suppliers before accepting the order
- ▶ if there is a gap between customer and supplier payment terms, consider whether finance is available to bridge the gap, this will require an understanding of your working capital management
- ▶ produce a cash flow forecast covering all expected income and expenses
- ▶ have a standard policy in place to ensure that payment terms cannot be altered without appropriate authorisation
- ▶ ensure that you have the right to apply late payment and interest charges on invoices.

After you have provided goods or services to a customer ensure that you:

- ▶ raise invoices promptly
- ▶ raise invoices accurately to ensure all items are included at the quoted prices
- ▶ include a reference number for the order and then quote this if any dispute arises
- ▶ have everything the customer requires on the invoice
- ▶ have a process for chasing invoices
- ▶ have a process for dealing with disputes
- ▶ keep a log of disputes to ascertain whether similar disputes or customers occur
- ▶ ensure that your invoices are fully compliant with HMRC for VAT purposes.

Consider your suppliers - treat them as you would like to be treated

Remember that not paying your suppliers on time is a bad business habit and it may result in a drop in your credit rating. You should:

- ▶ ensure you advise your suppliers of any disputes as soon as they occur
- ▶ pay on time by ensuring that your creditor ledger is accurately aged and
- ▶ keep your suppliers up to date with any issues you have with paying on time.

Some businesses unfortunately go 'bad' so you may wish to consider obtaining credit insurance where the business:

- ▶ would not be able to function if key customers went insolvent
- ▶ does not have the controls in place to ascertain whether a customer is likely to go insolvent
- ▶ is struggling to obtain information on prospective customers
- ▶ needs to improve credit management
- ▶ is considering a new market venture.

Businesses should consider obtaining factoring and financing options when:

- ▶ insufficient cash reserves are available to pay suppliers on time
- ▶ the business needs to grow
- ▶ the level of short term finance (including any overdraft facility) is insufficient
- ▶ staff do not have the right level of credit management skills.

How we can help

If you are struggling with your cash flow in these difficult times then we would be happy to discuss this further with you. Please contact us for more detailed advice.

Trusted advice, *imaginative solutions.*

It's the old adage that all accountants are the same, but ask yourself this; what kind of service would most add value to your personal or business position? In our opinion, the quality of advice and service is what separates a good accountant from a great one. This is where Rouse Partners can make a difference for you.

Our award-winning team make it their business to get to know you and your specific needs. Whether your goal is to grow your business, increase your personal wealth or improve your work-life balance, by understanding your challenges, we will address them together.

We also know how important it is for you to have a team that you can rely on for timely advice and reassurance. At Rouse, our people are our most important asset and we will select team members who offer an optimum mix of experience, specialism and knowhow. From your Partner, to your Tax Advisor, each team member will be accessible to you or your team and be proactive in seeking solutions.

At the heart of our way of working is a determination to think differently, to challenge the 'status quo' and to ask 'what if?'. Whether you are facing a complex tax, accounting or management situation, we are ready to find a solution.

Contact us today to discuss how we can support your personal or business tax needs:

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Accountancy

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Corporate finance

Company secretarial

Outsourcing

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Wealth management

International services



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