

Credit control

Maximising cashflow and avoiding bad debts are two key objectives for any business. Credit control is vital in achieving both, but it is not just about chasing overdue invoices – it's about getting the whole process right, from receiving the order to collecting the money.

10 ways to improve your credit control

- 1 Ask your customer to complete a credit application form**
Obtain all relevant contact and bank details, including registered office and registration number if it's a limited company, or full names and addresses of all partners if it's a partnership. Make sure the form is signed and dated by the customer.
- 2 Check the creditworthiness of new customers**
Get credit references from your customer's bank and key suppliers. Use a credit reference agency for a more comprehensive report.
- 3 Agree payment terms in advance**
Make sure your payment terms are clearly stated, both verbally when orders are placed and on all paperwork that follows. If you charge interest on overdue accounts, this must be stated at the same time.
- 4 Send your invoice when goods are dispatched**
Invoice within 24 hours of a chargeable event. Remember, nothing happens until your bill gets into your customer's payment process. The sooner you invoice, the sooner you get paid.

Effective credit control is not just about chasing money that is owed to you. You need to get it right, from the start of the sales process.

- 5 Check all invoices are sent to the correct address**
The invoice address can often be different to the delivery address.
- 6 Send a statement of account**
Customers generally pay on time, or when reminded. Sending a statement showing overdue invoices will act as a reminder and usually prompt payment.
- 7 Develop a 'friend' in your customer's business**
This can prove invaluable when you're chasing unpaid invoices.
- 8 Chase late payers promptly**
Phone overdue accounts, chasing the largest and oldest debts first. Take prompt action – it's cheaper than escalating overdraft interest. If there is no response, write a formal letter, followed by a final reminder letter seven days later advising that legal action will follow.
- 9 Don't allow customers to exceed credit limits**
Credit limits are set for a good reason. Don't allow them to be exceeded without your permission.
- 10 Set up a 'stop list'**
Make sure your staff know which customers are on 'stop' and do not allow any more orders to be taken without payment of outstanding invoices.

Essential tip For free letters and forms to help with credit control, visit www.payontime.co.uk