

Recovering Commercial Debt

2009 saw a 23% increase in the number of companies being wound-up due to bad debt.

Being owed money by your customers will ultimately cause serious damage to your cash flow and so it is vital that you do everything you can to avoid bad debts.

The sooner you pursue an unpaid account the more likely it is that you will recover the money.

Things you should know

- Choose your customers carefully. Carry out credit checks, especially if you are offering a credit account facility. They are inexpensive and could save you money in the long term. **Do not** give credit terms to any potential customer with a poor credit record.
- Make sure your Terms of Business offer you protection. You should make sure that you review your Terms regularly are up to date and are clear with regard to payment terms and your Credit Control Policy.
- If appropriate for your business, ensure that your Terms of Business contain an enforceable reservation of title clause which will allow you to recover goods from your customer should they fail to pay.
- Consider offering an incentive for prompt payment of your invoices.
- Take immediate action when an invoice is not paid in line with your payment terms. Contact your customer and set a clear final date for payment.
- If your customer still fails to make payment then refer the account to a solicitor immediately to send a letter before action. This will give the customer a final 7 days within which to settle your account. Customers who are just 'buying time' and who may be suffering from temporary cashflow problems of their own, will usually pay up as they will prioritise creditors who rigorously follow credit control procedures.
- In default of payment at this stage, it would be advisable to commence recovery action either in the County Court or by issuing a Statutory Demand.

What can we do to help?

The costs of recovery vary depending on the value of the debt being recovered and we are happy to tailor make a collections service specifically for your business. We are always available for an informal discussion.

We can also help to prevent bad debts occurring by preparing a Terms of Business and/or Credit Control Policy for you or by reviewing your existing documents and advising on any necessary changes.