

1. Introduction

This Guidance Note is designed to help you manage your customers on credit terms, to ensure that you receive payment in advance or within the agreed period. Management takes actions to recover debts, and to avoid the need for legal proceedings. It is prudent to take preventative measures.

We have therefore outlined

- points to be considered
- some of the measures that you might operate within your business
- suggestions as to how you might recover payment where a customer does not

This note does not also deal with the legal action. Our **Guidance Note: Debt Recovery and Legal Action** means by which you may seek to recover payment where a customer does not.

2. Credit Checks

You should perform adequate credit checks on any customer before offering them any credit facility. This could be done in the following ways:

Court Judgments

You might check whether a customer has any court judgments outstanding against them. This can be done by an online search, for example at <http://www.trustonline.org.uk>

References

You might take up references from the following sources. Typically they will be from:

- the customer's bank
- at least two other businesses
- from the customer's suppliers where substantial sums are involved
- credit reference agencies

Financial Statements

Whether your customer is an individual or a company, you might seek copies of their accounts for the last complete financial year of trading and for previous years to judge their financial position.

businesses which trade with any of their customers on credit terms, to ensure that you receive payment in advance or within the agreed period. Management takes actions to recover debts, and to avoid the need for legal proceedings. It is prudent to take preventative measures.

businesses which trade with any of their customers on credit terms, to ensure that you receive payment in advance or within the agreed period. Management takes actions to recover debts, and to avoid the need for legal proceedings. It is prudent to take preventative measures.

businesses which trade with any of their customers on credit terms, to ensure that you receive payment in advance or within the agreed period. Management takes actions to recover debts, and to avoid the need for legal proceedings. It is prudent to take preventative measures.

businesses which trade with any of their customers on credit terms, to ensure that you receive payment in advance or within the agreed period. Management takes actions to recover debts, and to avoid the need for legal proceedings. It is prudent to take preventative measures.

businesses which trade with any of their customers on credit terms, to ensure that you receive payment in advance or within the agreed period. Management takes actions to recover debts, and to avoid the need for legal proceedings. It is prudent to take preventative measures.

businesses which trade with any of their customers on credit terms, to ensure that you receive payment in advance or within the agreed period. Management takes actions to recover debts, and to avoid the need for legal proceedings. It is prudent to take preventative measures.

businesses which trade with any of their customers on credit terms, to ensure that you receive payment in advance or within the agreed period. Management takes actions to recover debts, and to avoid the need for legal proceedings. It is prudent to take preventative measures.

businesses which trade with any of their customers on credit terms, to ensure that you receive payment in advance or within the agreed period. Management takes actions to recover debts, and to avoid the need for legal proceedings. It is prudent to take preventative measures.

Personal Assets

Where your customer is a partnership, you might also ask to see evidence of ownership of the business.

3. **Credit Control: Prevention**

Terms of Contract

You should ensure, before you offer credit and cash customers your terms and conditions, in writing, that your terms are clear and fair. Your terms should include:

- *Terms and Conditions (Business to Business)* (or *Terms and Conditions (Business to Consumer)*)
- *Terms and Conditions (Business to Consumer)*

Your terms for credit should include the credit amount, and you should ensure your terms and conditions are clear and fair.

Third Party Guarantee

Where your customer is a sole trader, you should ask him/her to provide a personal guarantee from a third party. This should give you with adequate comfort, but you will need to be satisfied that the third party will enable him/her to meet his/her obligations. Similarly, where your customer is a partnership,

Where your customer is a sole trader, you should ask him/her to provide a personal guarantee from a third party. This should give you with adequate comfort, but you will need to be satisfied that the third party will enable him/her to meet his/her obligations. Similarly, where your customer is a partnership,

Security Over Assets

Mortgage/Legal Charge: A mortgage or legal charge is a security over particular property or other assets (to secure payment of his/her debts to you) but this might not be a realistic option. It will also depend on what property the customer owns. It will also depend on whether it is actually possible to create a mortgage or legal charge over the particular property/assets in question. For example, there might be a third party (e.g. a bank) who has a mortgage or legal charge over the particular property/assets in question. This might render it impossible to create a further security over them. If the value of the property/assets is inadequate if their value is insufficient to cover the debt, the security is inadequate.

Floating Charge: If your customer is a sole trader, you might be able to take security over its assets generally (a "floating charge") but this may not be an available option, for reasons of law. For example, if the customer has other assets of the customer, you might be able to take security over its assets generally (a "floating charge") but this may not be an available option, for reasons of law.

ship, you might also ask to see evidence of ownership of the business.

credit terms to any customers (both credit and cash customers) with a tightly drawn agreement or clearly set out. For example, see the example below.

Terms and Conditions (Business to Business)

Terms and Conditions (Business to Consumer)

maximum credit period and maximum credit amount. Your terms are prominently shown in writing.

ask him/her to provide a personal guarantee from a third party. This should give you with adequate comfort, but you will need to be satisfied that the third party will enable him/her to meet his/her obligations. Similarly, where your customer is a partnership,

al statements indicate that it might be a sole trader, you might look for a third party guarantee from a third party. This should give you with adequate comfort, but you will need to be satisfied that the third party will enable him/her to meet his/her guarantee obligations.

It would be to obtain security over the particular property or other assets (to secure payment of his/her debts to you) but this might not be a realistic option. It will also depend on whether this is a realistic option will depend on what property the customer owns. It will also depend on whether it is actually possible to create a mortgage or legal charge over the particular property/assets in question. For example, there might be a third party (e.g. a bank) who has a mortgage or legal charge over the particular property/assets in question. This might render it impossible to create a further security over them. If the value of the property/assets is inadequate if their value is insufficient to cover the debt, the security is inadequate.

you might be able to take security over its assets generally (a "floating charge") but this may not be an available option, for reasons of law. For example, if the customer has other assets of the customer, you might be able to take security over its assets generally (a "floating charge") but this may not be an available option, for reasons of law.

Where you sell goods or trading term to your terms there will be a “retention of title” clause that it is agreed that when you become the owner of the goods. Some such arrangements are made in certain circumstances and you will need to consider this. It can be an option for you, and how you should manage it.

Irrespective of any other take, there are, as follows follow in all cases.

You should ensure that in
with the terms and conditio

This can incentivise a customer to make a purchase, but you will need to cost this properly. A customer might claim early payment discounts on all purchases, not just the purchases to which you intended to offer the discount.

This is a financial arrangement where the factor buys your receivables (debts from you), takes responsibility for collecting them (sends out invoices, and immediately pays you for them). This arrangement may effectively improve your cash flow by transferring the risk to the factor (i.e. the part of the receivables that are not your customer debts) the factor will be carefully considered. You will not be responsible for debts due from your customers to the factor.

Once payments become records the late payment, amount and the breach of payment, correspondence represents more than one letter so that the amount p

If you are able to claim interest on the loan, we will be able to pay you more quickly.

mer, you might be able to add a whereby the customer agrees that materials sold. In short this means materials to your customer, it will only be it has paid you for them in full. It is stated depending on the particular service on whether “retention of title” or “retention of title” that you should use, of the arrangement.

the outlined above) that you might
essential procedures that you should

mely manner, and in accordance

and might boost your cashflow, but be aware that some customers will abuse the offer. You might give regular rebates as a percentage of the value of their

ing company (often a bank) buys money relating to your business amount owed on the invoices. It tion to the discount that you allow r does not pay to you when it buys disadvantages which need to be at a factor will only take on debts ditworthy.

s to send a reminder letter. This g, the invoice(s) in respect of the s payment by return or, pending he amount owed by the customer ould be enclosed with the reminder an be easily verified.

ur customer will have an incentive
ment to you rather than another

creditor who is not claiming
and conditions a clause for
do not do so, you can claim
(Interest) Act 1998 ("CDA")
on the debt where the contract
CDA only applies where business
of a business.

Third Party Takes Over the

Sometimes a third party
receiving the goods that the

Extension of Time To Pay

If the customer requests
agrees to this, this can be

include amongst your trading terms
monies due, but even where you
the Payment of Commercial Debts
creditor is entitled to charge interest
effect of interest. Please note that the
customer are acting in the course

customer's debt, in exchange for
from the business.

pay the debt, and the business
able form of written agreement.

S

A

M

P

L

E