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# Credit Control

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It may be a rather common saying, but cash flow really is the lifeblood of every business...without it everything stops. Outgoing payments are pretty easy to control, but keeping a tight rein on incoming customer payments is slightly more tricky...

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We need to do everything we can to make sure invoices are paid when they should be and that's made much easier by having sound credit control procedures in place. Well designed procedures help us to deal with situations as they arise and before they become much bigger problems. Here are a few tips:

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### TERMS AND CONDITIONS

Having a decent set of Terms and Conditions by which everyone involved knows exactly what is expected of them is so important. It helps establish each party's responsibilities and can be extremely helpful down the line if there are any problems. Take the opportunity at the beginning of a trading relationship to set and agree credit limits and terms. Some basic credit control items to include in your terms and conditions are:

- price
  - payment terms
  - charges and any interest on late payments
  - time limits and procedures for raising disputes
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### INITIAL CHECKS

Depending on your type of business, it is helpful to make initial credit checks when taking on new customers. This may be as simple as checking company details at Companies House or establishing a credit application form for new customers (on which they can provide bank and/or supplier references). Set a credit limit for each client which can be reviewed periodically.

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### WHAT TO INCLUDE IN YOUR INVOICE

It's essential to make sure that when you send an invoice out into the world it contains all the relevant information so that its processing isn't stalled when reaching its destination. You can help by making sure that the following are included:

- your company name, address and contact information
  - the customer's full company name, address and contact information
  - each invoice should have a unique identity (ie. number) and an invoice date
  - the date the service or goods were supplied
  - a clear description of the charges
  - the customer's purchase order number (if applicable)
  - the amount charged
  - the total amount owed
  - agreed payment terms and the due date
  - methods of payment acceptable
  - bank details where appropriate
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## WHAT TO INCLUDE IN YOUR INVOICE (cont'd)

If you are registered for VAT your invoice should also include:

- a unique and sequential identifying invoice number
- your VAT registration number
- the value of services or goods you have supplied excluding VAT
- the VAT element

There are a couple of extra points to consider or add depending on what kind of company you are:

### Limited Companies

- the full company name as it appears on the certificate of incorporation
- any other business name used within your business
- the company registration number
- the official registered address of the company

### Sole Traders

- the business name being used if not the surname of the trader
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## SEND INVOICES PROMPTLY

To minimise the amount of time you have to wait for your money, issue invoices promptly. If your customer doesn't have your invoice, they certainly can't pay it. Rather than wait for the end of the month or the next time your book-keeper is in, issue the invoice 1-2 days after the goods or services have been delivered. Most importantly make sure the invoice is going to the correctly named and titled person with the right address.

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## IS IT THERE YET?

Until you've got an established trading pattern with a customer, there's absolutely no harm in calling a few days after you've issued an invoice to make sure it's arrived safely and reached the correct person. This gives you an opportunity to check that there's nothing missing on the invoice, confirm that the paperwork is in order and that there is no 'dispute' over the details it contains. Now's a good time to re-confirm when and how the invoice is going to be paid. Far better to ask now and solve any problems straight away rather than waiting 30 days and then another 30 days.... Remember it's very helpful to have an ally in your customer's accounts payable department, so be polite and friendly when calling.

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## COLLECTION

Having a set of rules when it comes to overdue payments is golden. Decide who is going to deal with statements, phone calls etc and once you make those rules, stick to them. Issue statements and follow up with calls in a polite professional manner, avoiding the 'debt collector voice' and don't get personal, just do what you say you will, when you said you'd do it.

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## COLLECTION (cont'd)

It helps to have timings and procedures for:

- issuing statements
- chasing payment (how often and when)
- sending letters
- following your terms and conditions and issuing interest invoices etc
- when to escalate the situation to take further action

It can be quite helpful to have one designated person dealing with credit control as they will know what has been agreed. If necessary make sure they are given the right tools to negotiate; keeping notes of all conversations, e-mails and agreements in case you have to take the matter further. Having set the rules for each customer it will be easier to refer back to their original agreement. When a payment is seriously overdue consider whether it is feasible to put them on a stop list - to keep supplying them when you haven't been paid for the previous work may not be the wisest move.

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## WATCH OUT FOR RED FLAGS

Once you have been trading with a company for a while look out for any drastic changes in the pattern of payments – this can sometimes mean that there could be a possible problem in the pipeline. Some of the things to keep an eye out for are:

- change of ownership
- accounts staff 'unavailable' each time you call
- changes to normal payment patterns
- more than one excuse for non-payment
- broken promises
- a lot of staff changes
- returned mail

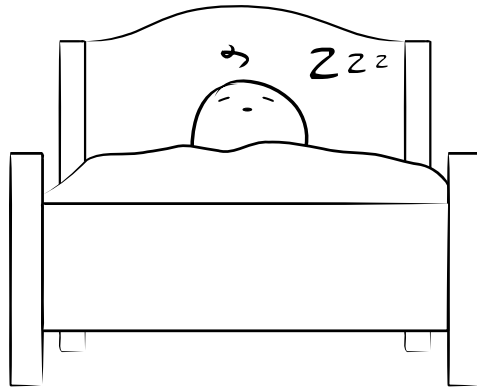
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## FURTHER ACTION

A pro-active, preventative approach to credit control should minimise the need for expensive and time consuming legal action. However if you have taken the matter as far as you can and there is still no positive outcome, seriously consider whether it is worth either pursuing the matter directly through the courts or if it would be more feasible to instruct a solicitor or collection agency. It's at this stage when all the notes of each conversation and all the correspondence you have had come in extremely handy.

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The key to getting paid on time and minimising non-payment is setting realistic parameters and sticking to them. Looking at the situation regularly could minimise stress. Keeping control of the money flowing into your business not only improves the health of your business, it also helps you sleep more soundly.



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