

Managing Cashflow Guides

9. When all else fails

Sometimes, you just can't get paid. You've done all the right things and the money has still not arrived. The longer the debt remains unpaid, the more likely it is to turn into a bad debt and bad debts damage your business. Legal action is always an option but there are others you should also consider.

- Are your invoice(s) raised in exactly the right name? (see **'Knowing your customer'** guide in this series)
- Do your invoice(s) have all the information required by the customer?
- Has the customer confirmed receipt of the invoice(s)?
- Are you sure there are no queries?
- Do you have proof of delivery if the debt relates to goods supplied, or a signed order for services?
- Do you believe the customer has the funds to pay you?
- Has the customer promised to pay OR are they refusing to talk to you at all?
- Is the debt straightforward?
- Do you have a record of all your collection activity to date?

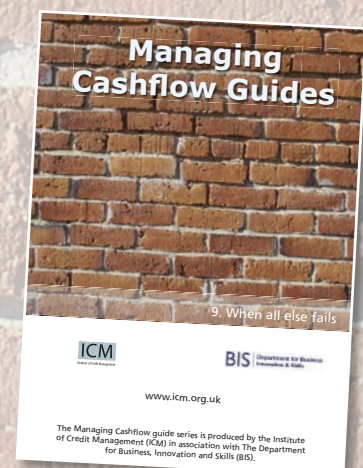
If the answer to all these questions is yes, it's probably time to move to the next stage and consider:

- Taking legal action either yourself or using a solicitor – commencing legal action yourself is relatively easy but takes time and effort (see **HMCS Money Claim Online** run by HM Court Service). Using a solicitor will save you effort but cost you more if the debt and costs aren't recovered. For debts in Scotland see **Small claims in the sheriff court**.
- Using a debt collection agency to act for you. They will often work on a no recovery no fee basis, collecting debts is their specialist area, and most will escalate action through their own legal partners if it becomes necessary. You should be aware that the percentage commission can be substantial if they succeed, especially if the debt is large. (see **CSA Members** to find agencies who belong to the Credit Services Association and follow its code of practice).
- Issuing a Statutory Demand that you can follow up 21 days later with a bankruptcy (individual) or

winding up (company) petition, as long as the debt is at least £750, (see **Insolvency Service Statutory Demand** to download a Statutory Demand (Form 4.1)). You need to bear in mind that, if the customer fails to pay, their insolvency may follow and you are then even less likely to recover the debt. (see **'When your customer goes bust'** guide in this series).

Five Top Tips

1. Make sure the invoice details are accurate before you consider taking further action.
2. Always write and advise your customer that you will be exercising your statutory right to claim interest (at 8% over the Bank of England base rate) and compensation for debt recovery costs under the Late Payment legislation and that you will be taking further action – this might be enough to prompt them to pay.
3. If you can't get paid for the outstanding debt, don't let it grow. Stop supplying any further goods or services. If your product or service is important to your customer, it might be just the lever you need to get payment.
4. Always consider the commercial reality – if the customer is insolvent or has no available funds, further action is unlikely to help, and consider the costs of any action against the size of the debt.
5. Check out any solicitor or agency before you instruct them; make sure they belong to their appropriate trade association or professional body and check that their background and expertise matches your needs.



Contacts and suppliers

NEW! Credit Services Providers – Your details could appear here – Email cashflowguides@icm.org.uk for further details

STA International – debt collection – www.stainternational.com

Zinc Group – debt collection – www.thezincgroup.com

Note – inclusion of Supplier details in the above list does not constitute endorsement or recommendation of that company, its products or services.

The Guides in this series:

1. Knowing your customer
2. Payment terms
3. Invoicing
4. Treating suppliers fairly
5. Credit insurance
6. Factoring and financing options
7. Chasing payment
8. When cash runs short
9. When all else fails
10. When your customer goes bust

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For tips on getting paid and advice on best practice in credit management, call the Institute of Credit Management on **01780 722912** email tech@icm.org.uk or **visit www.creditmanagement.org.uk**

For further information and advice on starting up, running and growing a business, call Business Link on **01845 600 9006** or visit **www.businesslink.gov.uk**

