



A sale is a gift until it is paid for

Ralph Godley

For businesses, whose sales are based on the provision of credit, enthusiasm to generate a sale can often be at the expense of a timely payment. The inability to collect monies owed can easily turn into bad debt which reduces profit and cash for the businesses and in some cases, lead to the demise of the business.

For many, the management of credit is a process of closing the stable door after the horse has bolted with court action or the use of a debt collection agency being the only resort.

A number of easy steps can be followed to help reduce exposure to bad debt and costly credit control management. A thorough review of your credit policy and procedures might benefit your business.

Surprisingly, many businesses do not have a credit policy or detailed terms of business. Those that do, often fail to inform their customers. It is essential that customers are made aware of terms and conditions at the point of sale or ordering.

Prior to the sale, take time to check the credit rating of the customer through trade reference agencies.

To avoid uncertainty at a later date, enter into a contract with your customer, showing details of exactly what is to be provided, cost and how it is to be paid for. Manage your exposure with the use of deposits, prepayments and staged payments. Instigate credit limits in accordance with credit history.

The likelihood of a sale becoming a bad debt increases the longer terms are not adhered to. Rigorous credit control is essential by regularly monitoring the value and age of debts owed.

Getting to know the payment procedures of your customer can help to improve debt collection. Ensure you address the invoice to the correct individual or know the cut off date for payment.

The above are a few ideas to help you ensure a sale does not become an expensive gift.

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STREETS

Tower House
Lucy Tower Street
Lincoln
Lincolnshire
LN1 1XW

Tel: 01522 551200
Fax: 01522 533234

St Peters Chambers
2 Bath Street
Grantham
Lincolnshire
NG31 6EG

Tel: 01476 590838
Fax: 01476 590795

Halifax House
30 George Street
Hull
East Yorkshire
HU1 3AJ

Tel: 01482 225399
Fax: 01482 219964

Lloyd's Building
12 Leadenhall Street
London
EC3V 1LP

Tel: 020 7816 5827
Fax: 020 7816 5826

87 Park Road
Peterborough
Cambridgeshire
PE1 2TN

Tel: 01733 312191
Fax: 01733 896214

Churchgate House
33 Churchgate
Retford
Nottinghamshire
DN22 6PA

Tel: 01777 869955
Fax: 01777 869962

e enquiries@streetsweb.co.uk
www.streetsweb.co.uk