

Credit Control

Ten tips to help small businesses better manage debt recovery.

1. Develop a credit policy.

Take the time to write out a clear and concise credit policy that applies to all of your customers and clients. Businesses should take into consideration some of the following tips when developing their credit policies.

2. Run a credit check.

For example Veda Company Files contain up-to-date key company registration details. They are also enhanced with a business name summary and an indication of any adverse information held on the Veda Advantage database. It's also worth checking the ASIC website for any adverse actions being taken by them against the company.

3. Know who you are dealing with.

Part of your credit policy should include finding out who is actually behind the business that wants credit advanced. Veda Advantage reports and ASIC can be used to verify registration details and ownership.

4. Check whether customers' assets have existing security rights.

Other suppliers may already have rights to claim property if bills are unpaid.

5. Know the credit history of company directors.

Ensure that you have adequate systems to highlight debtors that are overdue or exceed their limit.

6. Implement the policy.

Make sure staff are educated on how the policy is to be applied. Credit application forms and check lists help staff follow the correct credit approval process.

7. Request back-up if customers fail the credit check.

If the new customer cannot provide a satisfactory credit record, get them to provide a guarantor who is financially sound.

8. Don't forget, existing customers can be bad debtors too.

Make sure the credit policy applies to the existing customer before additional credit is extended. For example Veda eAlert service allows you to monitor and therefore proactively manage any changes in your customers' circumstances, rather than reacting to them when it may be too late.

9. Create a regular, adequate system to highlight debtors.

You need to be able to regularly and quickly identify when customers' payments are overdue or they have exceeded their credit limit. But don't only identify them, chase up any outstanding invoices as soon as they are breaching your credit policy. Be polite but firm.

10. Put a policy in place for recovering bad debts.

To recover a debt you may wish to take legal action, however, you should always weigh up the advantages and disadvantages of legal action for the recovery of bad debts.

Professional assistance in collecting debts is available through the Institute of Mercantile Agents Ltd. There are also many local debt collectors available. However, this step is best left until other avenues have been tried unsuccessfully. Remember, once you have resorted to these actions whatever relationship with the customer that was left will be finished – but they are no longer realistically your customer if they are not paying for your products/services, in other words if they owe you money outside your terms that they aren't paying.

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