

The Problem

Cash is like blood in the human body. It circulates, nourishes and keeps it healthy. But if there is a 'clot' blocking up the supply, it can be very dangerous indeed.

Cash must be kept moving. It must keep flowing. It is not useful to British Industry if it sits in the coffers of some, preventing life to others, and it is not useful for you and your business if you have to spend your valuable time chasing your customers for the cash that you are entitled to.

With that in mind here are our 10 top tips on getting tough with late payers. Although no-one can guarantee success, our experience has shown that following these basic steps can improve your cash-flow, reduce your debtor days and minimise the likelihood of bad debt.

How to 'turn the screw' on late payers

- 1** Make sure your customers know you WANT to get paid on time. Too many companies give wrong signals, by failing to check that your invoices have arrived safely and are on your customers' ledgers. Keep the credit function properly resourced and make sure you send out statements and chase up slow payers by email and telephone.
- 2** Tell customers early on, as part of good relationships, that legal action WILL be taken against non-payers. It doesn't need to get personal at this stage, but you do need to make it clear to customers that you will not tolerate late payment. Consider making this part of your standard take-on process for new clients.
- 3** ADD UP the costs of going legal early on i.e. interest, late payment compensation, indemnity costs under contract (make sure your Terms & Conditions allow for this). Then TELL the customer what that figure is. Explain your reluctance to escalate costs unnecessarily. £1,200 debts can easily grow by 50%, and you owe it to your customer to point it out before they become your debtor!
- 4** Even once Judgment has been entered it's not too late for the debtor to pay and avoid public shame. Remind your debtor that if they pay the Judgment amount in full within one month then they can apply to have the Judgment removed from the public register. But if they don't pay within a month then the Judgment will remain on the public record for six years, even if they subsequently pay up in full!
- 5** Use a draft Winding-Up demand for admitted debts over £750 against companies, not just a letter! If you are worried about their financial stability, and need to move fast, consider investing in a letter enclosing a draft Winding-Up petition. It makes maximum impact straightaway. It carries the risk of public advertisement.
- 6** Make a call before you issue a Claim to remind them of the escalating costs in 3. Remind your debtor that this is their last chance to avoid legal proceedings.
- 7** When instructing a solicitor to issue a Claim, make sure you tell them to include your contractual costs, compensation and interest. At Lovetts we've made this simple – just tick the appropriate box when issuing a Claim via our online CaseManager website and our systems will do the rest.
- 8** After the Claim is issued, ask the debtor if they want to pay to avoid Judgment, which will hit their credit rating and go on the public record. Over 50% will. Make sure you get all the costs in 3.
- 9** Use a Late Payment demand (LPD), not just a Letter before Action (LBA) for B2B debt. It costs the same at Lovetts and allows you to include interest, compensation and your costs of recovery under the Late Payment Act.
- 10** Remember – being tough this time might save you the bother next time.