



Cutting Through Late Payment Excuses Top Ten Tips

Following research by NatWest and its Royal Bank of Scotland (RBS) parent, which highlights that 71% of UK small and medium sized enterprises (SMEs) have suffered from late payments in the past 12 months, V1 advises how SMEs can cut through late payment excuses in order to get paid on time.

The research found that in the past 12 months, a staggering £63bn remained unpaid beyond the agreed deadline and that £15.7bn of this was more than 120 days overdue, potentially threatening the survival of SMEs. In light of this, V1 document management and imaging software company, provides SMEs with the following top ten tips on how to reduce late payments, helping to ensure a healthy cash flow.

1. Don't underestimate the importance of credit checks.

It's vital to assess a customer's creditworthiness before supplying them with goods and services. Don't be afraid to turn away business if your potential supplier has a poor credit history as a handful of poor payers can bankrupt a small company. There are licensed credit reference agencies available as well as online credit check companies. The latter are suitable for even the smallest of companies.

2. Ensure credit limits are authorised and enforced by the relevant people.

It's also advisable to enable the electronic authorisation of credit limits by all relevant people internally, such as the managing director, finance director and credit controller. This speeds-up the credit limit authorisation process, keeps all the key people in the loop and provides an authorisation trail for future reference.

3. Always be clear about your terms and conditions for payment.

Print these terms on the invoice to avoid any potential ambiguity.

4. Request a purchase order number/reference and ensure this is visible on the sales invoice.

It's also important to reference the person who authorised the purchase to avoid queries further down the line.

5. Electronically deliver sales invoices and statements.

Electronic rather than postal delivery ensures customers are in receipt of invoices sooner. There is also a record of when the invoice was received (and read) by the customer so that you can say "you received it at 9.15am on the last day of the month and opened it at 9.20am". This bypasses any problems with the postal office and prevents customers from using the excuse that they haven't received the invoice in order to delay payment. Electronic delivery also frees-up staff time spent printing, photocopying and enveloping invoices and statements so that they can focus on chasing late payers.

6. Always provide electronic copies of signed proof of deliveries (PODs) with the sales invoices.

This will eliminate the all too common excuse; "but we never received the goods".

7. Store all sales invoices, statements, PODs and related documents in a secure, electronic archive.

These documents also need to be instantly accessible from the desktop and linked to the relevant ledgers in the accounting system so that they can be retrieved quickly and no key documents can ever get lost.

8. Provide early payment discounts and late payment charges to incentivise customers to pay on time.

Remember that the Late Payment of Commercial Debts (Interest) Act 1998 allows small businesses with less than 50 employees to claim interest on overdue payments from other companies.

9. Introduce flexible payment options.

Consider introducing more flexible ways for customers to pay such as in pre-agreed instalments.

10. Keep in regular contact with debtors.

This will help to identify any potential payment issues early on.

In the current climate, it's crucial that companies take action to claw back monies owed if they are to avoid insolvency due to late payments like 4,000 firms in 2008 (according to the Federation of Small Businesses). A few simple changes to the credit control process can make a huge impact, ensuring SMEs are around to prosper when the economy recovers.



Get in touch about how V1 can benefit your business:

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