



It's getting closer, so get paid quick

### Part 2: When customers cannot pay

#### Will you or they go broke?

In *Payment Times* October issue (need a copy?) we gave a few credit control tips in case things got worse.

They have, so get paid before a big customer goes broke and takes you with them. Ask small ones to pay too because 1 in 3 firms now only pay their bills at 60 days. This increases bad debt risk by 10% and bigger the delay bigger the risk. If it reaches 90 days, the bad debt risk doubles (source: American Law League).

If you must cut costs, avoid cutting credit control because if you do you will be at the back of the payment queues. Being at the back means you will struggle to pay your bills, but suppliers will insist that you do pay them. If you do not, they will cut you off. Then what?

**Before** you make those “*Kindly pay today*” calls, last month we suggested honing your collection skills by sending credit staff (or yourself) to a one day seminar because the game rules are changing and getting paid is getting harder. We suggested [www.hattways.com.au](http://www.hattways.com.au) \* who we have used, but there is also [www.tbst.com.au](http://www.tbst.com.au) \* who we have not (currently only Sydney or Melbourne). But whatever you choose, do something because your money is at risk. \*These are not endorsements

## Grab it...



Catch it before the holidays or wait until late January to get paid.

## Debtors slow to pay at Christmas

Christmas is a slow time for getting paid because there is often someone around to accept payments, but rarely anyone to make them. So find out when credit account customers will be closing for the holidays.

Over the holidays, payment delays can increase by 3 weeks or more if you are not careful, so if you are owed \$40,000 waiting an extra 3 weeks will affect cash flow and interest costs.

If December accounts – and previous arrears - are not paid before Christmas, odds are they will not be paid until late January. So contact your debtors, especially those who owe a lot, and get them to agree to pay before Christmas. Then remind them on the Monday before their closedown and again on Wednesday, Thursday and early Friday morning if they have not paid.

## The credit control Olympics – event 1



The *Getting Paid* game might not be a big crowd puller, but it can save you from being thrown to the lions.

If more than 70% of your debtors are current (not overdue) then you are in control. But if less than 70% are current, your debtors are controlling you. Ideally, nothing should be overdue, but in reality only 20% of debtors should be at 30 days with only 5% at 60 and 90 days – with a sound reason for 90 day debtors, meaning it was previously agreed.

To get you out of jams and to avoid undermining credit staff when overdue debtors ask for extra time, say: “Sorry, but I cannot make any arrangements without consulting our credit controller.” If yours is a small business and you do the credit control, blame it on the accountant, shareholders, partners or the bank (they are unlikely to mind!).

If you have to accept part-payments from a slow-payer, ensure the first one starts as soon as possible. It should be this week and not next month, otherwise they are getting you off their back and receiving an extra month’s credit before paying anything. Whilst cheques take time to clear, if they bounce the fact that they issued them means they have accepted the debt, which makes it very hard for them to dispute it later on.

**Our writer is going on annual leave in December, so unless the payment situation deteriorates, the next issue of *Payment Times* will be January, 2009**

**But if you, your clients or friends need help or a free assessment please email us:**

**ACCOUNTS RECEIVABLE SOLUTIONS (AUSTRALIA) PTY LTD**

[www.franchise@credit-co.com](mailto:www.franchise@credit-co.com) ☎ 07 4774 4757

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