

Risk and Reward



Getting paid 101

Produce, sell, invoice, collect. What a simple process business trading can be. Many businesses have excellent systems in place for the first three aspects of trading, but fall down badly when it comes to getting paid by their debtors. Here are some helpful hints for getting debtors' money into your bank account.

Prior to making the sale:

- Engage your customers and ensure they are familiar with and sign your terms of trade, which for larger transactions should include a personal guarantee and an authorisation for credit checking
- Ensure your quotes are detailed and accurate and allow for any extras to be authorised
- Develop quality control systems which prevent poor product or service delivery
- Clarify with customers how and when payment is expected

After delivery of your product or service:

- Send accurately detailed invoices promptly, restating the due date for payment
- Promptly follow up any customer issues, avoiding the likelihood of a dispute
- Contact customers immediately if payment is not received on due date

What next if you have a satisfied customer who just refuses to pay? We put this to an experienced fellow of the Credit Institute of New Zealand. Here's what he had to say:

1. If phone or email contact has been unsuccessful, write to the debtor advising that if the invoice is not paid within 7 days the account will be referred to a debt collector.
2. Be true to your word and don't pussy foot around. Take a strong stance and refer the debt for collection by a reputable agency.
3. The debt collector will take you through the process, which may include a number of legal remedies depending upon the debtor's legal structure and the nature of the goods or services supplied.

Often the threat of legal action will frighten the debtor into paying up, so don't be shy in demanding payment in this way. Remember also that great debt collectors are very experienced at getting blood out of a stone. Unless you or your staff have the experience and passion for collecting money, it's unlikely you'll get the same result.

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