



LET'S TALK
ABOUT BAD DEBT
**A GUIDE TO
AVOIDING AND
MINIMISING
NON-PAYMENT**

WE BELIEVE IN **YOUR** BUSINESS

INVOICE FINANCE • EXPORT FINANCE • BAD DEBT PROTECTION • FX

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FINANCIAL SERVICES



PROTECT YOUR BUSINESS FROM BAD DEBT

CASHFLOW ASSURED

Each year Irish businesses lose thousands of Euros because of poor payment practices, with the transport and construction sectors particularly prone. An unpaid invoice can mean the difference between a successful month and a dangerous financial shortfall.

Payment delays can present a real business risk, placing pressure on cashflow and restricting the capacity to expand. Even when a business is thriving, it can take just a few unpaid invoices to create significant issues. Getting debts paid promptly and agreeing reasonable payment terms remains critical for all businesses in all sectors.

Our guide provides proactive steps a business can take to reduce the risks posed by late payment or the failure of another company and reduce the number of 'debtor days' down to more manageable levels.

FINDINGS OF OUR LATEST SME CONFIDENCE TRACKER, Q4 2017 SHOWS:

AN AVERAGE OF
€13,780
IS WRITTEN OFF EVERY YEAR
BY EACH SME IN IRELAND

SLIGHTLY UNDER
1/3
OF SMES SUFFERED FROM A BAD DEBT
WITHIN THE PREVIOUS 12 MONTHS

57%
OF IRISH SMES CITED COLLECTING PAYMENTS
ON TIME AS THE MOST PROBLEMATIC ASPECT
OF THEIR CASH-FLOW MANAGEMENT

 **FIND OUT MORE**
You can find out more about Bad Debt Protection at
www.bibbyfinancialservices.ie/funding-new/bad-debt-protection

1 FORECASTING BAD DEBTS

You can never guarantee that every single customer will pay a bill on time, but there are things you can do to keep late or missed payments to a minimum. Anticipating the likelihood and potential level of bad debts will mitigate some of the risks and the time spent dealing with debtors. These steps can be used to identify the nature of any potential credit problems and minimise any cashflow issues.



KNOW YOUR CUSTOMERS

Run credit checks on all new customers before offering credit terms and set appropriate credit limits. A simple credit check online could save valuable time, and money, in the future. This should be an ongoing process as even the most reliable payers can have a change in circumstances.



MEET BASIC REQUIREMENTS

Avoid taking on customers who fail to meet your basic requirements. Whenever you're given little contact information, prospective customers are hard to reach or they fail to sign a contract, see this as a sign that they will be more hesitant to pay.



TAKE ON A GOOD SPREAD OF CUSTOMERS

By diversifying your customer base across a variety of sectors and industries, you'll stand a much better chance of reducing your exposure to bad debt.



CREATE RELATIONSHIPS

It's much harder to not get paid by people who know you and your business. Regularly check a customer's satisfaction for your products and services, and also discuss any approaching invoices due.



EFFECTIVE CREDIT CONTROL

Implementing a credit control process does not need to be complicated and can ensure payments are received on time. A structured approach can help reduce the threat of overdue payment.



CLEAR PAYMENT TERMS

Make your payment terms clear and consistent from the start and advise customers about any late payment charges to save disputes. Consider including payment terms on statements, invoices and in the terms and conditions of business.



BAD DEBT PROVISION

Determine a likely level of bad debt for a particular time period. A provision for bad debt will anticipate the likelihood of debtors failing to make payment – essentially, it's an estimate of the potential liability for taking sales on credit. Where possible, set aside cash to meet any particular shortfall in the event of a bad debt.



FIND OUT MORE

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KEEPING YOUR CASHFLOW HEALTHY

Small businesses are highly dependent on healthy cashflow and the consequences of late payment can have a huge impact. Therefore, managing cashflow and enforcing credit control is essential to protect your business from the effects of bad debt.

Here are a few steps you can take to offset the risk of bad debt for your business and manage your debtors effectively.

INVOICE QUICKLY AND ACCURATELY

Send invoices on time. E-invoicing can speed up the invoice issuing process as well as provide a record that it has been sent. Using technology, such as quality credit control software to automate manual processes can also enable a pre-emptive approach to payment delays.

KEEP TRACK OF YOUR FIGURES

If you don't know who owes you money, you don't know what is owed to you. Go through your debtors lists monthly and invest in good accounting software that you can access online. Make sure you keep it updated so you'll be able to tell at a glance who owes you money and how much.

MAKE PAYMENTS SIMPLE

A straightforward process can ensure that customer payments are made easily, and preferably online or by direct debit.

SEND PROMPT REMINDERS

As invoices become due send reminders, starting with an email. If there's no response within two business days, follow up by phone. Be proactive about this and keep copies of all communications. Don't start new work or supply more goods to someone who owes you money.

CONSIDER BAD DEBT PROTECTION

For peace of mind and to safeguard against non-payment, bad debt protection provides reassurance that any debts will be protected in the event of customer insolvency or inability to pay. Credit control and sales ledger management services can also help identify potential issues before they become a problem.

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EFFECTIVE CREDIT CONTROL

No matter how small or big your business is, you must ensure you have good risk control in order to improve your cashflow and increase your profit. Setting up an efficient and effective credit control system is an essential part of reducing the risk of bad debt.

RESPONSIBILITY

Appoint a single member of staff or small team to be responsible for credit control to make sure that matters are handled efficiently. Create a credit policy that covers accepting new and existing customers, payment terms, credit limits, suspending accounts and using third-party enforcement.

INVOLVE YOUR SALES TEAM

Your sales team will have a valuable insight into customers' behaviour and can identify potential risk.

PROCEDURES

All new customers should be credit checked to minimise risk and set low credit limits. Group customers into new, current and arrears by value and credit risk, changing your approach to them as needed.

UNDERSTAND PAYMENT AND DEBTOR PROFILES

Determine the highest tendency for debt by looking at the write-offs over the last three to five years to identify what bad debtors look like and the causes for bad debt. Use your customer payment data to understand and predict payment patterns and update your customers' risk profiles when you need to take action.

PAYMENT

Set out your payment terms in writing and make sure that all customers are aware of them. Send your invoices promptly.

REACH AN AGREEMENT

If your customer has a genuine reason for not making a payment, reach an agreement without the need for legal action.

PERSISTENT DEBTORS

If a customer continues to default, you should consider concluding your business with them.

A STOP LIST

Create a list of customers you do not want to give more credit to. Update the list regularly and do not supply any more goods until they are taken off the list and all your invoices are paid.

ADD INTEREST OR LATE PAYMENT CHARGES

You are legally entitled to add late payment interest once an invoice has passed your payment terms (usually 30 days). You can also make a fixed late payment charge to cover your costs of recovering the debt.

LEGAL ACTION AS A LAST RESORT

If you're not getting anywhere recovering the money you're owed, or your customer consistently misses the deadlines you give, send a polite but firm email and letter giving them seven days to pay before you intend to take any legal action to recover your money.



FIND OUT MORE
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Bad Debt Protection at
[www.bibbyfinancialservices.ie/
funding-new/bad-debt-protection](http://www.bibbyfinancialservices.ie/funding-new/bad-debt-protection)



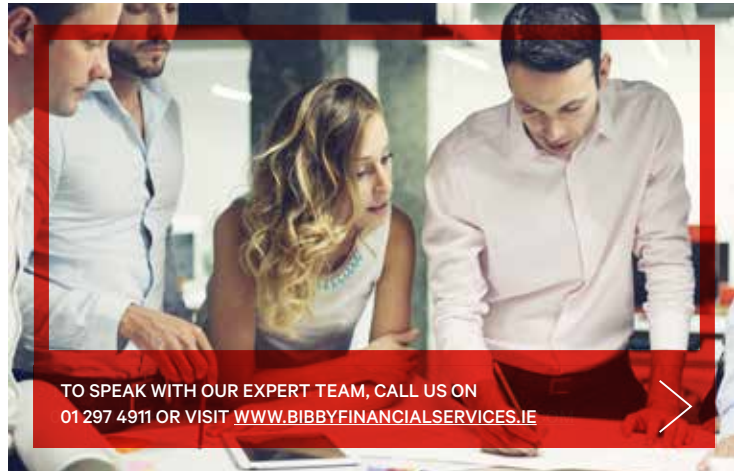
SUMMARY

Bad debt affects a large number of businesses in Ireland, irrespective of size or sector. Our guide aims to provide a practical source of help to enable you to take preventative measures and reduce the risk of late payment. Due diligence and effective credit control are paramount to understanding your customers and ongoing monitoring can help you to identify the signs of bad debt before any problems arise. The key aspect is to deal with bad debts quickly and to take action to recover debts as soon as possible.

For more information on how we can protect your business from bad debt, visit: www.bibbyfinancialservices.ie/funding-new/bad-debt-protection

ABOUT BIBBY FINANCIAL SERVICES

Bibby Financial Services has been supporting businesses of all sizes since 1982. We are a trusted financial services partner to over 10,500 businesses globally and have built a reputation for consistently delivering high levels of client service. We don't just fund your business, we believe in it.



OUR PRODUCTS AND SERVICES

We help businesses unlock working capital for a range of scenarios, including cashflow funding, new equipment purchase, growth and expansion.

Our range of financing options includes:

- Invoice Discounting
- Export Finance
- Recruitment Finance
- Factoring
- Foreign Exchange
- Bad Debt Protection