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FLEET OWNERS NEED TO LOOK AT CREDIT CONTROL

A leading accountant is urging transport business owners to undertake a root and branch review of their credit control procedures, amid widespread fears of a tide of New Year insolvencies.

Birkenhead accountant Woods Squared said pulling rank on finance is vital with an estimated 130,000 firms facing bankruptcy across the UK. The firm warned that many businesses deliberately delay starting insolvency proceedings until the New Year, hoping they will recoup money over the festive period.

"The recession is far from over," he said. "Another tide of post Christmas insolvencies is widely expected in the New Year. Moreover 2010 will be a hugely challenging year as the UK comes to terms with the recession and starts the first unsteady steps towards recovery. The blunt truth is that failure to get a grip of credit control, and the scourge of late payment, could be massively damaging to small firms which are performing well despite the economic climate. We passionately urge those successful firms not to throw away their hard work by failing to enforce tight credit control procedures."

Woods advised business owners keen to grow their business to 'get tough' on late payment.

"Cash flow is the lifeblood of any business," he said. "So you need to do all you can to keep that lifeblood flowing consistently and strongly. We advise checking the credit rating on all new and existing clients and customers to assess their health and performance. We then advise asking all clients to pay by standing order, or direct debit, rather than cheque so you have a nailed down payment date which can't be pushed back. If a customer refuses to do this make clear what your payment terms are and consider suspending work or charging interest until payment is made."

Mr Woods said it is wise to have a set procedure for chasing payment as soon as the invoice has been sent.

"Check immediately with the customer it has received your invoice and ask when you can expect payment," he said. "This lets them know you are on the case and are alert to any potential problems. It is critical that the client is aware that you are prepared to chase payment hard. That way they are more likely to pay your invoice before invoices which are not been chased."