



The Business Guide to Debt Collection and Credit Control

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The dangers of business debt



In business, cash flow is king and one of the most important ways to keep business cash flow positive is to stay on top of business debts.

We know that most business owners focus on getting new customers and orders, they then focus on providing the service or product for the customer. Owners don't really want to focus on chasing customers to pay.

It's only when the debt is becoming a real problem that owners notice, and they often react in the wrong way and take the wrong course of action.

Business debt can affect companies in many ways. Debt can stop a company from expanding, it can also stop a company from taking advantage of opportunities as they open up.

Bad debt has a negative impact on cash flow, and can even cause some companies to become late on their own commitments, which can negatively affect their business and standing in the business community.

In worst case scenarios businesses can become unstable, and even close down or reduce staff due to money owed to the business having an effect on current trading.

Businesses that become unstable and unbalanced due to carrying too much unpaid debt need to take rapid action before the business is no longer sustainable.

Can unpaid business debt close down your business? It can, and during the much publicised credit crunch we all saw many businesses fail for a variety of reasons, one of the main being that businesses couldn't collect money owed to them.

Ultimately, not all business debt is bad. But when the debt starts to affect the running of the business it can be toxic.



Internal debt collection processes

All businesses, whatever their field, need an internal debt collection process. This is true for sole traders, small businesses and large PLCs.

Some companies have large teams working full time on chasing outstanding invoices, whilst small business owners may only have one dedicated member of staff. Other businesses may utilise sales or production staff to chase outstanding invoices. Sole traders may chase payments themselves, when they have the time.

Whatever your business size or make-up, it's important to follow three key internal debt collection rules.

1 Set dates. It's important that you chase debts after they've become due. Outstanding invoices that aren't paid after 30 days or the agreed time period need to be noted, and chased as soon as it's clear the debt has not been paid. If you forget to chase payments, you can't blame customers who forget to pay.

2 Make notes of what has been said. When you or your staff chase an outstanding invoice and make contact with the client, you need to make note of what's agreed. A promise of payment made by a particular date must be recorded, and if necessary, followed up on the date when the payment should have been made.

3 Know when to pass the debt. This is the area where most companies fall down, if a promise to pay is made and then broken, don't hesitate in bringing in the professionals. Admitting that you've done all you can and passing the debt to an outside agency is a vital part of the debt collection process. Business owners are often reluctant to do this, or don't know who to contact, or what the process is. This guide is here to explain in detail why passing the debt on is the best advice.



Outsourcing debt collection needs

Here's a little secret about debt collection. The quicker you pass a debt on to a professional commercial debt collection agent, the quicker and easier it is to collect the debt.

Most business owners chase debts internally, and when they have no success in collecting the payment due, they often have no idea what to do. Some owners try sending letters, or take legal advice, whilst some business owners sit on the fence and do nothing about the debt.

We sometimes get business owners contacting our staff with old debts.

That's why our advice is to pass the debt on immediately after your internal processes have failed. The fresher the debt is, the quicker a commercial debt collector will be able to have the money back where it belongs and into your business account.

The older the debt, the harder it is for anyone to collect. Contact details may no longer provide a response and the client or customers may have moved on. If the debt has been left for too long the client or customer may have genuinely forgotten that they owe the money, particularly if the customer hasn't had recent contact regarding the outstanding payment.

In some cases the client may have become insolvent, left the area or gone out of business themselves. While there are steps we can take to get some money back in all of these cases, a debt collector would have sought payment before any of these actions had taken place.

Often, a professional commercial debt collection company can collect a fresh outstanding debt on **FIRST contact with the debtor**. So, the quicker the debt passes to a professional debt collection agent, the better.

Working with a commercial debt collection agency

As commercial debt collection agents we've been in business for over 20 years and have a client base of over 30,000 companies who regularly come to us for help and advice with business debt collection.

The best way to approach a debt collection agency is by phone. A chat with an account manager about your business needs will quickly outline the best way for the collection agency to proceed.

In most cases simple details are needed about each debt. These can include:

- Debtors name or trading name
- A contact name and position of the contact within the company
- Address details
- Telephone details email and fax number if known
- A brief description of the invoice
- Original invoice date
- The amount outstanding
- Any details of contact or disputes regarding the debt
- The debtors bank details (if known)

These details, or at least some of them are all a professional commercial debt collection agency need to get started.

Choosing a debt collection agency for your business

Once you've decided to improve your business' cash flow, the next step is to choose the right debt collection agency for you.

Like all sectors, some debt collection agencies are better than others. We'd advise that you look for an established agency that has been in business for a long time, and has a proven track record.

Here at Commercial & Domestic Investigations we're seen as thought leaders in the industry and often feature in the print media and online. Recently we've featured in The Guardian and The Times newspapers.

The Times featured our services in its SME hub which was designed to help business owners with cash flow problems. A featured debt collection case study looked at a Commercial & Domestic Investigations' client who had his business cash flow improve by **80 per cent** once he enlisted our services.

Ask for similar case studies from other collection agencies or contact us on **08444 159200** for more advice on what we can offer your business.



Working with a commercial debt collection agency

A good commercial debt collection agency will do more than chase debts on your behalf. In the first instance, we'll look at your internal process and see if our services will help prevent bad debt in the first place. How can we do this? With Credit Reporting, which is a vital tool to help prevent bad debt.



The debt collection process

Our process is simple. Firstly, we contact the debtor who owes your company money. We're upfront and professional when we make contact, and we make it clear that the debt has now been officially assigned to us to collect.

We make the debtor aware of our standing as professional commercial debt collection agents and experts in our field. We also make clear our strong commitment to collecting the debt in full.

Debt collection law is a complicated subject, but our agents are all fully trained and aware of what legislation we can use to enforce payment of money outstanding. In all our correspondence and conversations with the client we rely on our in-depth debt knowledge to make the debtor aware of what powers we have within the law.

This is why often, the first time we make contact with a debtor, a payment in full or a payment arrangement is forthcoming. Those who previously didn't want to pay now realise that a legitimate debt can be enforced by a professional collection agency.

Our agents also have vital telephone skills, and are not easily fooled by those who 'won't pay', and they're able to offer advice and assistance to those who clearly 'can't pay'. Learning the difference between 'can't pay' and 'won't pay' is a vital skill for a debt collection agent, and it often only comes with many years of experience dealing with those who owe money.

If we are unable to get a payment, or a reasonable payment arrangement in place, we'll look at what options are open to us legally. This can include enforcement action through the courts, which is an area where specialist knowledge is vital.



Tracking and tracing

We often come across business owners who are owed money by people who seem to have disappeared. These debts are usually accompanied by telephone numbers that no longer work, addresses that return the post with no forwarding address, disconnected mobile phone numbers and office addresses that are now inhabited by different businesses.

The business owners have sometimes heard rumours that the debtor has done a runner to Spain or a midnight flit to another city.

In the modern world of databases, it's hard to move anywhere without leaving some sort of footprint. At Commercial & Domestic Investigations we're confident that we can find a debtor wherever they've gone and we offer our tracing and investigations service on a 'No Trace-No Fee' basis. We often trace debtors that have 'gone away' within the same day.

If nothing can be found via a database search we have more old fashioned techniques to track down those who owe your business money.

Debt prevention and the importance of credit checking

We've talked briefly about the importance of preventing bad debts affecting your business in the first place. One way to help stop bad debts is to credit check potential business customers.

This can be complicated if you don't understand the process, so here at Commercial & Domestic Investigations we offer a full credit reporting service so that you'll have peace of mind about exactly who you're dealing with. You can then proceed with deals with the knowledge that the company you're dealing with has its own finances in order.





Outsourcing credit control

Some companies we come across just don't have the staff level or the aptitude to run a credit control department. That's why we offer a service that sees Commercial & Domestic Investigations become the credit control department of your company.

We'll assist with invoicing, chase any debts and credit check potential customers. We'll also offer advice regarding credit control on a more general basis and assist with business cash flow.

This solution allows business owners to run their business and concentrate on sales, development, new business and expansion, while we make sure that your debts are being paid within a reasonable time frame.

More about Commercial & Domestic Investigations

Commercial & Domestic Investigations are regarded within the industry as one of the best credit management companies in the UK.

Commercial & Domestic Investigations was established in 1988 to support and service all sizes of companies in the field of Credit Management.

Primarily clients use our automated Debt Collection Services, but over the last eighteen years clients requirements have changed dramatically, something Commercial & Domestic Investigations has addressed.

We now boast a national client base in excess of 30,000 companies. Commercial & Domestic Investigations has grown by listening to clients requirements and adapting our services to meet all companies needs from Sole Traders, SMES, Ltd and Plcs

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You can contact Commercial & Domestic Investigations on 08444 159200.

www.commercialdomesticinvestigations.co.uk