

Financial Solutions

The Commercial Debt Avoidance & Recovery Specialists

September 2008

Cash flow is King!

Financial Solutions South specialise in commercial debt recovery and commercial debt avoidance whilst aiming to assist in an equitable solution to all your financial needs.

We are located in Reading, Berkshire, covering the whole of the Thames Valley, the South East and London. Further to this we also have branches in both the West Midlands (Tamworth) and the North West (Liverpool) offering a nationwide service with the facilities to deal internationally.

The founding directors have in excess of thirty years experience. Indeed we were awarded a personal commendation from Thames Valley Police in 2007 for our assistance in the local community.

As an experienced business we understand that debt recovery costs need to be a factor in deciding whether to undertake the collection of commercial debts. As debt recovery experts we know how your debtors are likely to behave if court proceedings were to be issued and the remedies available to you.

We are a debt recovery agency that believes in candid conversation. We don't waste your time or monies when



Gareth Thomas, Director and Mark Foreman, Managing Director

there is no prospect of recovery. Our overall aim is to carry out debt collecting with the minimum impact on your profit margins.

Our aim is to be an integral support service to your business, not just your debt collectors.

Commercial Debt Beware! Liquidations on the increase by 44%



As the economy staggers awkwardly through 2008 companies must be cautious about their liabilities. With Britain in the midst of a credit crunch, repossessions on the increase and the apparent ease in which limited companies off load debt, commercial debt can only continue to increase in the near future.

Fact is that company liquidations are on the increase. Like for like comparisons show a year on year increase of 44%. The creditors consequently become victim to the draconian laws currently protecting limited companies in the United Kingdom. So as a business owner maybe now is the time to reassess your business' threat of accruing debt due to non payment by your debtors.

I would strongly advise that you take a look at the procedures and systems that you have in place for taking on new customers and how you set levels of credit. It's amazing how many people we deal with who have hardly any systems in place to protect themselves from non payment by customers. You should ensure that all businesses are credit checked, that the information on your new customer is detailed along

with a comprehensive terms and conditions policy. Further to this the ordering and delivery systems need to be clear and well documented. Finally the invoicing and payment terms should be closely monitored, with a back up policy for when things don't go to plan.

Quite often late payment is met with a sympathetic ear, for the fear of damaging your relationship with the customer and thus any future trade. Obviously good customer relations are paramount for your business success and this eagerness to please can often lead to your own business failing. However if you make your terms and conditions very clear in the initial stages, with a defined policy of consequences to late payment, potentially using a third party to collect with incurred charges, this should reduce the threat to your business.

Of course this isn't infallible, particularly as our draconian company laws make it so easy for a limited company to phoenix and offset the debt. In layman's terms this means that they put their existing company into administration, having already set up another company, and then purchase the good will, assets and name of the former company which is now in administration. The result is that they are able to continue to trade having offloaded the debt, without the company in administration's customers ever finding out.

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You may consider this to be pretty smart, until it happens to you and you are left with a commercial debt that you are not able to recover. Even more frustrating is the fact that both the new and old limited companies are protected by company law; so it's just a case of tough luck. Such an occurrence leaves a trail of debt and misery, which can make many companies insolvent as a result, or put great pressure on the following year or years of trading.

When attempting to recover commercial debt, businesses quite often engage a solicitor as their first point of call in order to obtain a court judgment against the debtor. Again

be cautious prior to engaging in such an activity as this can be quite costly and there is still no guarantee that the monies will be recovered. Speaking as a director of a commercial debt recovery agency, many of our clients have already been through the legal process and eventually engage our services in order to recover their money, after spending large sums with a solicitor with little or no success. The truth of the matter is that the recovery of monies can never be guaranteed. A professional, persistent and informed attitude is paramount for cost effective recovery and maintenance of your debtor's ledger.

Don't get caught out, for further information contact us directly on 0118 967 2803.

10 Steps to successful credit control

Step 1

Customer Account Application
Provided by FSS*

Step 2

Assess Risk
Once instructed FSS will credit check all companies and persons in order to assess their credit worthiness.

Step 3

Credit Reference
If the potential Customer is considered to be high risk, FSS will seek credit references where necessary.

Step 4

Credit Agreement
Unless the Customer is deemed low risk we would advise that all customers sign a Credit Agreement incorporating comprehensive Terms & Conditions. FSS will provide a sample document tailored around your company's needs.

Step 5

Authorised Representatives
In order to reduce any potential issues we advise that an authorised representative form is completed and signed by the Customer. This will identify which persons have the authority to request an order from your company. FSS will supply this form for you.

Step 6

The Order
We recommend that all orders raised are documented and signed by the Customer on an order form. This will assist in preventing any problems when attempting to recover unpaid invoices. If you do not currently have an order form, FSS will generate one on your behalf. An order via electronic mail can be processed, although this is not ideal. If this is however common practice, please ensure that the sender is an authorised representative. We also advise that you reply to the sender with a confirmation of order receipt.

Step 7

Order Amendment
We strongly advise that all amendments to orders are documented. This is to ensure that no errors are made which may be contested by the Customer and thus a reason for non payment.

Step 8

Delivery & Satisfaction Note
A delivery note should be signed by the Customer on receipt of the goods or service in order to confirm that the order has been met and this is to their satisfaction. It is important to identify, prior to delivery where possible, who the agreed recipient should be. A delivery note can be produced for your company upon request by FSS.

Step 9

Invoicing
This should be prompt. Payment terms should be detailed on all invoices where possible and a system should be in place to ensure that the Customer is in receipt of the invoice to prevent delay.

Step 10

Non Payment
Advise FSS on the day that the payment term expires for any given invoice. We will then initiate recovery on your behalf as detailed in the "Recovery Process"

* Financial Solutions South are able to provide an application on request.

Common Questions

Why should my customers complete an Account Application Form?

Detailed information about your potential customer is essential in order to reduce your company's vulnerability to both the late payment of invoices and bad debt.

Will such a form deter the potential customer from engaging in business with my company?

An Account Application Form if presented in the correct manner can enhance your company's professional image. If a potential customer does not want to divulge such information it may suggest that they have something to hide.

Would my existing customers need to fill out an Account Application Form?

We would assume that you have sufficient information currently from previous transactions to complete this form on their behalf.

Any outstanding information can be gained politely where necessary.

In what circumstance might a credit reference be required?

If a company or person is considered high risk, yet you still wish to offer credit then we would advise that you obtain references. We are able to do this on your behalf.

This is not mandatory but may help to reduce the risk of non payment.

Which companies would be deemed as high risk?

Limited Companies & PLC's:

- All limited companies are potentially high risk due to insolvency laws.
- Company liquidations and administrations are currently 44% higher year on year.
- If a company has a positive credit score then although the risk of non payment still remains, this suggests that they are more likely to settle their accounts.
- If a company has a County Court Judgment registered against them we would deem them to be high risk.
- If the Company has been trading for less than 18 months then it would not be eligible for a credit rating and is thus high risk.
- If the Director of the company has a history of company insolvency issues then we might deem that company as being high risk.

Non Limited Companies:

- Sole traders should be credit checked in order to assess their credit worthiness on every occasion. This should be reviewed regularly.
- Any person with a poor credit rating should be considered high risk.
- In the event of dealing with Clubs or Associations not paying, you should identify a person responsible for settling the account and hold them personally liable where possible. The reason behind this is that collecting non payments from such organisations is extremely complicated and potentially very expensive.

Do all of my customers need to sign the Deed of Credit Agreement?

No, however if you wish to mitigate the potential risk to its minimum then we would advise that they do.

If your customer is a large company with an outstanding credit rating then it maybe not be required. However, in such circumstances we could not hold the Directors personally liable for the debt.

I have certain customers that I would not want to sign a Deed of Credit Agreement?

Most companies have customers who they consider to pose no threat to their credit control. With this in mind you may want to list your customers using our "traffic light system" in order to assess your current vulnerability.

Green - Companies who you are confident pose no risk.

Amber - Companies who are a potential risk.

Red - Companies who are high risk.

Once you have assessed the risk we would advise that all Amber and Red customers sign all relevant documentation.

Credit can be offered to Red customers, however extra documentation may be requested.

What happens if they refuse to sign the Deed of Credit Agreement?

This may suggest their lack of ability to pay any outstanding invoices. This will dramatically increase your vulnerability for bad debt.

Recovery charges might become your responsibility.

Why not ask them "If you applied for credit from the Bank, but refused to sign any agreement, would you still get the credit?"

Does stringent credit control procedure make me uncompetitive in the current market?

- Competent credit control procedures enhance a company's professional image.
- Only to those that can't pay or consider themselves to be high risk.
- If you do not need to factor in bad debt to your costing then you can potentially offer more competitive pricing.
- Make the process easy for the Client by reducing any unnecessary questions.
- Information can be electronically sent to your Client and faxed back where signatures are requested.



A Vote of Confidence

“We are pleased to support Financial Solutions in their efforts to assist businesses to control debt, improve cash flow and recover sums due from recalcitrant debtors. Financial Solutions seem to us to be very commercially aware and to take account of the practicalities when balancing the needs for effective credit control against what is achievable in the real world: and in assessing whether a debtor is sincere but struggling to meet his financial obligations, or make a career of avoiding such obligations. We have found them very pro-active, and very persistent where necessary.

As far as we are aware their Debt Recovery Combined Package is a unique and comprehensive system, and we use this ourselves”.

Robert Last - Caversham Solicitors, Reading, Berkshire

A Reputation For Success

Our client was owed a substantial amount of money for plumbing works carried out on behalf of a letting agent. Our client knew of our services as we had collected monies from him previously. Consequently he approached us and asked if we could collect the monies owed.

After collating the information required we delivered our “7 day letter” by hand to the Director of the letting agency and asked that he kindly respond at his earliest convenience.

An hour later we received a phone call from our client advising us that the outstanding monies had been paid and that the case was closed.

We have since had in excess of ten referrals from our client, which just goes to show that a reputation for success leading to word of mouth referrals is the best form of advertising.

Quite often debtors believe that a defiant attitude will eventually lead to their creditors writing the debt off, at Financial Solutions South our aim is to successfully collect and we do!

Subscribe to our Debt Avoidance Package – Offering FREE Debt Recovery.

Essentially we ask our clients to subscribe to our Debt Avoidance Package (D.A.P) in order to prevent themselves from becoming a victim to non payment by a limited company that goes into administration or liquidation.

Initially to do this we must first of all perform a risk assessment on the Client in order to assess the Company’s vulnerability and restructure and amend all terms and conditions, credit agreements and documentation where necessary.

Further to this we then check the credit worthiness of all our clients’ prospective customers and then attach them to our in-house risk tracker so that any company changes or credit alerts are e- mailed to us directly. Consequently we are able to review any debtors if a concern is highlighted in a timely manner.

Once our clients’ customers exceed the agreed terms of credit we issue a polite reminder letter offering a seven day extension with no further costs being incurred.

If payment is not received in the initial seven day extension period we issue a final demand letter instructing the Debtor that all funds must be received and cleared within the following seven days or recovery costs will be initiated.

After this fourteen day extension has expired we then initiate full recovery.

Due to the fact that our client’s terms of credit incorporate a personal guarantee under the Statute of Frauds (Amendments) Act 1828 to their creditors, the Debtors are unable to hide behind the limited liability of a limited company. Further to this the Client’s terms of credit will include the statement that all costs of recovery become the responsibility of the Debtor, hence free recovery.

The result is that if the Debtors do not pay the outstanding monies we are able to petition for bankruptcy or initiate a charge on their assets until full payment is received.

Contact us now: 0118 967 2803 or email info@finsolssouth.co.uk

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