THE LAST WORD

BY **GARETH THOMAS**

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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.

The prosperity of 2009 is questionable, are we in a recession or on a brink of one? I'll leave that for the economists and politicians to debate. Fact is, however that company liquidations and administrations have increased like for like in excess of 44 per cent.

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 goodwill, 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. 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, the paper trail relating to outstanding invoices is critical for successful recovery. It must also be acknowledged that unless, as a supplier, you require payment on delivery you are offering credit to your customer for the duration of the payment terms. Therefore it would be prudent to secure the credit by implementing credit control systems and documentation that promotes commercial debt avoidance.

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.

Commercial debt avoidance is paramount during such tentative economic circumstance, offering worthy credit to the credit worthy.

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