

## How to Manage Debtors and Recover Bad Debt

Being cautious about credit helps maintain a healthy cash flow. You can minimise the risk of bad debt by avoiding those who don't pay but sometimes it's inevitable that we have to deal with a slow or non-paying customer. Here are some tips to better manage debtors and recover bad debt.



### PREVENTION IS KEY

Always invest in a credit report for new customers to review their credit history. Set up monitoring and alerts for all customers so that you're informed when important changes occur to their financial setting, such as defaulting on payment with another company or receiving a winding up notice from the ATO.



### MANAGE YOUR TERMS

Make sure your terms and conditions of credit are clear and that your customer agrees (in writing) to your penalties for late payment. Consider providing a manageable credit limit to begin with and increase it over time as necessary.



### FOLLOW UP

A lot of businesses risk their customers stretching their cash flow cycle. Many are scared they will come across as demanding and fear they will lose business when they request prompt payment. Remember you are in a justified position to tell your customers of the implications that late payment has on your business.



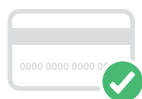
### BE ASSERTIVE

There is no problem with having an assertive attitude once you've provided goods or services. This is why it is important to always provide an invoice upon delivery and follow up with timely reminders. Make your invoices and statements stand out by attaching a CreditorWatch membership logo.



### FIND OUT WHY

When customers don't pay you on time, find out why. Perhaps the products or services you provided were not up to their expectations. The faster you find out, the better chance you have of receiving payment by resolving any issues that may have occurred.



### PROVIDE ALTERNATIVES

If a customer cannot afford to pay the entire amount and their reason is plausible, create a payment schedule and remind them of the penalties as outlined in your credit terms when instalments are not met.



### REPORT BAD DEBTORS

For customers that refuse to pay, send a letter of demand (with a CreditorWatch logo) highlighting the steps you will take to retrieve payment. If the debt is 60 days overdue, register a default – a black mark that will appear on their credit file which informs other businesses of their failure to repay a debt. This can encourage payment as your customer may fear ruining their credit file.