

# Managing Cashflow Guides

## Chasing payment

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The Managing Cashflow Guide series is produced by the Chartered Institute of Credit Management (CICM) in association with the Department for Business, Energy and Industrial Strategy (BEIS).



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# #7

When you get paid, the sale is complete. When a customer doesn't pay, they're hanging on to money that is rightfully yours and you should ask for it. You should have a routine system for following up non-payment that includes letter, email, and telephone, but be prepared to act more quickly if the amount is large or you are concerned about the customer.

## CAN YOU ANSWER YES TO ALL THESE QUESTIONS?

- › Did you agree the payment terms with the customer before you accepted their order?
- › Are you sure the invoice is accurate and no dispute has been raised?
- › Has the payment due date passed?
- › Has the customer confirmed receipt of the invoice?
- › Do you have proof of delivery for any goods delivered?
- › Does the invoice say how and where payment should be made?
- › Do you keep a record of all collection activity? It will be vital later if you have to engage a third party (see guide 9 '**When all else fails**' in this series).

# Chasing payment

## FIVE TOP TIPS

1. If the invoice is large, call the customer before the payment due date to make sure it has been received and there is no query; this is good customer service.
2. Make immediate contact when payment has not arrived, be assertive about what you expect and when you expect it, and make the consequences of non-payment clear. Follow up promises to make sure they're met.
3. If a customer persistently pays you late or makes excuses, check them out (see guide 1 'Knowing your customer' in this series) and consider whether you're prepared to continue supplying on credit terms. It may be better to lose an order, or even the customer, than supply goods, not get paid and suffer a bad debt (when that happens you lose the goods and the money you're due. At a net profit margin of five percent, to recover a bad debt of £10,000 will require additional sales of £200,000).
4. Be polite, professional and persistent; do what you say you're going to do when you said you were going to do it.
5. Try to get customers to pay by electronic transfer or Direct Debit to avoid waiting for the cheque to arrive.



# Contacts and suppliers

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*The Chartered Institute of Credit Management (CICM) is the largest recognised professional body in the world for the credit management community. Formed over 75 years ago, the Institute was granted its Royal Charter in 2014. Representing all areas of the credit and collections lifecycle, it is the trusted leader and expert in its field providing its members with support, resources, advice, and career development as well as a networking and interactive community. In addition to its comprehensive suite of qualifications and learning opportunities, events and magazine 'Credit Management', the CICM administers the Prompt Payment Code for BEIS. Independently, and through collaboration with business organisations, it provides vital advice to businesses of all sizes on how best to manage cashflow and credit.*

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*Note – inclusion of supplier details in the above list does not constitute endorsement or recommendation of that company, its products or services.*

Credit Services Providers – To be included in this page, please email [cashflowguides@cicm.com](mailto:cashflowguides@cicm.com) for further details.



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## Guides in this series:

1. Knowing your customer
2. Payment terms
3. Invoicing
4. Treating suppliers fairly
5. Credit insurance
6. Invoice Finance and Asset Based lending Options
- 7. Chasing payment**
8. When cash runs short
9. When all else fails
10. When your customer goes bust
11. Managing cash through Brexit
12. Investing in equipment

For tips on getting paid and advice on best practice in credit management, call the Chartered Institute of Credit Management on **01780 722912** email **helpline@cicm.com** or visit **<http://www.cicm.com/member-helpline/>** For information and advice on starting up, running and growing a business visit **[www.gov.uk](http://www.gov.uk)**

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## Prompt Payment Code

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