

Managing Cashflow Guides

Knowing your customer

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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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Unless you know exactly who you're trading with, you won't be able to check if they are good for the amount of credit you need to grant, and you won't be able to commence legal action effectively if it becomes necessary.

CAN YOU ANSWER YES TO ALL THESE QUESTIONS?

- › Do you know the exact name and trading style of the business? The people or company that own the business, and are liable for any debts, may not be the same as the name under which the business trades. Types of business include, amongst others, limited companies, partnerships and sole proprietors.
- › If it's not a limited company do you know the name (s) and personal address (es) of the proprietor or partners?
- › Have you seen headed paper or documentation that verifies this information?
- › Have you used a credit reference agency to check their details and credit status?
- › Does the information support the amount of credit they'll need? There are many sources of information, the most common and readily available being credit agency reports and references.
- › Have you talked to other suppliers of the business to obtain references?
- › Do the details on the order match those you were given earlier?
- › If they were previously dealing with your competitor, are you happy about their reasons for coming to you?

Knowing your customer

SIX TOP TIPS

1. Check out the exact name and legal status of the business you're supplying. If it's a sole trader or partnership, the proprietor or partners are personally liable so make sure you have their full details. Businesses can disappear much more quickly and easily than individuals! For limited companies you can obtain information and documents at : <https://www.gov.uk/get-information-about-a-company>
2. Check if the business is a signatory to the Prompt Payment Code. If so, they have committed to the Code and, if they don't pay promptly, you can raise a challenge and the Chartered Institute of Credit Management will intervene on your behalf. Their Prompt Payment Code entry will also give information about how they pay and what you need to do to ensure you are paid promptly. If it's a large company (Turnover £5.75m or 250 staff) there will be a link to their entry on the Duty to Report portal after April 2017.
3. Don't be afraid to push for all the information you need – if you can't get it now, it will be far more difficult later.
4. Watch out for cultivated 'friendly' references that the potential customer gives you. Referees that you choose are far more effective.
5. Invest in credit reference information – it could save you a bad debt.
6. Set some rules that you (and all your employees) always follow and don't be tempted to break them, even if you're put under pressure to supply urgently.



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 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**

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Prompt Payment Code

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