

At some point in your business, you will encounter a client who does not adequately respect the work you do. The most unfortunate part of this unfortunate truth is that it will all too often present itself in the form of a client who refuses to pay for your services once all of the work has been completed or goods have been delivered.

You can put some safeguards in place to guarantee that if this kind of client disrespects you and a dispute arises, that you are not left without any leverage to help you to satisfactorily resolve the situation.

Some people feel that smaller businesses would have little recourse should the customer not hold up their end of the bargain. They think that once a small business or individual supplier has taken the time to complete the work and deliver it, that they as the client have all the power to control the outcome of the business transaction. But now more than ever, this is not the case.

One thing these clients overlook is the advent of social media outlets that small businesses and freelancers have at their disposal. Review sites and the ability to report experiences of doing business with them can shine a light on cynical business practices and bad behaviour.

The main thing to remember if you find yourself in this position is that you are in the right, and you do not have to stand for being bullied by a client simply because they are a client.

You have the right to be compensated for the time and effort that you put into a project and for the goods that you have supplied. Even with no physical contract, the buyer knowingly entered into an agreement and is therefore completely liable for upholding the terms of the agreement. Sometimes — not always — you may find that the client has challenged the payment only to see if they can get away with it; and once you stand up to them and demonstrate that you will not be undercut, then they go ahead and pay.

Of course this will not always be the case, and your situation may be difficult. Do make sure to remain civil, consistent, confident and above all resilient to make it through this tiring ordeal. By doing this, you might not only keep your business comfortably afloat but also retain a bit more of your sanity.

The best way to avoid situations like these and to preserve your precious cash flow is to pre-empt as much as possible and be prepared to enforce your rights.

These tips should also help:

### **Use Comprehensive Supply Contracts**

One standard safeguard is a comprehensive project or supply contract. This sets up a payment structure that usually prevents major problems and should prevent the client from withholding full payment for any reason. Use the language and structures that most contracts follow. Most contracts call for a deposit at the beginning, and partial payment at various stages of the project. But this is not always preferred by the client, or even occasionally by suppliers.

A contract is a clear and simple way to outline the specifics and expectations of a project for all parties involved. It includes a timeline for completion and delivery, as well as other checkpoints. The payment structure in the contract can ensure that you at least get paid something for your time and effort. It also provides you with some measure of legal recourse in the event of a breach of contract, such as non-payment of the final invoice. A contract also projects an air of professionalism and sets you up to be taken seriously.

While the payment structure in a contract can be a pro, it can also be a con, turning off many clients who are not comfortable paying a deposit. Clients might also be turned off by contracts because they don't know what they want or how to describe it, and they feel a contract would lock them in too tightly and not give them enough room to revise later. Another con is that if you are unclear in the language of the contract, you might actually leave yourself open to be taken advantage of, and by the time you realise it, you are contractually obligated to complete the project.

Ensure that your contract is a reflection of how you wish to do business, and not something borrowed from another company. It has to fit your business, the way that you have agreed to supply your customer and the individual terms of your agreement. Invest in a great solicitor in order to produce a great contract.

### **Get Paid In Advance**

Your business has no obligation to provide credit to a customer. They are, after all supposed to be paying you for your work. If you are supplying something of value, then there should not be an issue if you ask for payment either in advanced or at the time that you deliver it. Many businesses and industries work exclusively this way so there is no reason that your business can't too.

Many businesses fear that they will lose business if the refuse to allow customers to pay 30 days after the have supplied their services or goods.

With non-payment, it is better that a non-payer refuses to pay your competitor rather than you!

If they are not worthy of credit or trust, then do not spend your time and money to supply them if they are unlikely to pay you.

### **Obtain References**

Before advancing credit terms and allowing a customer to pay you after you have already supplied your goods or services, obtain references and other details to ascertain whether your customer is credit-worthy in the first place.

Do you ask your customers to apply for a credit account facility? If you don't, how can you be sure that the client is in a position to pay you?

Unless you can build a picture of the capability and track record of your client to pay you, how can you be sure that they can? Without a process that cuts the chances on non-payment down, you can have a nervous 30-day wait to see if your customer has either the money or inclination to pay to for something that you provided around a month ago.

Referees will at least answer a few questions that will share their experience as a supplier.

### **Credit Check**

Invest in a facility that allows you to check the credit-worthiness of a prospective customer using the information that is compiled and published by credit agencies.

This will only give you credit information up until their last submitted set of accounts, but can give you some clear indications of whether it is safe to allow customers to pay you after you have already supplied them.

Details such as whether they are in liquidation, have any CCJs, are non-trading, have a poor credit rating, a huge trading deficit or a history of paying their suppliers late and by how late on average, can help you to assess your chances of getting paid.

Many firms continue to trade after they have been dissolved and present themselves as solvent when they are anything but. A credit check will uncover these rogues and should encourage you to run in the opposite direction!

### **Say No To Bad Business**

Any potential customer who has a history of late or non-payment, is bankrupt, in liquidation or has a bad attitude is highly unlikely to pay you without a very protracted wait, if at all.

There is no reason that you have to provide them with goods or services, so feel free to say no.

You have the right to refuse to supply, so in circumstances where you feel that you are unlikely to get paid, exercise this right.

It will cost you money to supply goods and to deliver a service, so why would you do so for free? Say no at the very beginning and save yourself a lot of hassle.

## **Maintain Complete Records and Solicit Feedback**

By ensuring that you have a signed delivery note, a signed document confirming the satisfactory delivery of a service, or similar sign-off, you can cut down on any possibility that a customer will say that they are dissatisfied as an excuse to delay or avoid paying you.

Often disputes arise because of a desire to avoid paying, not because there were any issues with quality. The situation can be compared to a restaurant patron who complains about the food after he has eaten his meal and cleaned his plate, confirms that his meal was delicious, but complains when the bill arrives.

If you know that there are issues, you must address them before they become a dispute and ensure that the customer confirms their satisfaction.

A satisfactory sign-off and positive feedback will also come in handy when challenging the non-payment either with the client or through a payment collection process that may necessitate court action.

## **Have a Comprehensive Set of Terms And Conditions**

Terms and conditions describe the working relationship between you and the customer. By doing business with you without seeking amendments to your terms, your customer has accepted your terms and should be bound by them.

Ensure that your terms and conditions are available for the customer to read.

## **Claim Interest and Late Payment Penalties**

Ensure that you reserve the right to apply late fees and interest for late or withheld payments. The law allows businesses to charge interest at a rate of 8% p.a plus the Bank of England base rate. This is 'statutory interest'. You can apply this interest at the equivalent daily rate until the payment is made to you for any debt that is still outstanding 30 days after the invoice has been received by your customer.

You can claim interest and debt recovery costs if another business is late paying for goods or a service.

This is a useful right to mention in a contract and your terms and conditions.

## **Have a Debt Recovery Process**

After businesses have exhausted the initial elementary steps for seeking payment, smaller businesses do not have an established process for how they should proceed.

It is important to know what you can and **should** do next and to have a well-designed process to follow that will be able to recover debt from even the most stubborn of non-payers.

Making your debt-recovery process available to prospective customers may act as a deterrent to anyone who may otherwise be tempted to act cynically when considering paying your invoice.

## **Become Proficient At Credit Control**

Credit control is the process of asking for money that is overdue and enforcing your payment terms. Many businesses, especially smaller enterprises can be very inefficient in applying their credit control processes, or may not even have a formal process.

One of the most common situations that arise is that smaller businesses are reluctant to ask for the money that is owed, in case they upset the customer that is refusing to pay them!

There are many ways to ask for your payment professionally and effectively.

## **Know What is Possible And Proper**

Most businesses are not aware that they can apply for a County Court Judgement (CCJ) against a non-payer for any outstanding money up to the value of £10,000 without having to go to court or involve solicitors.

You can in fact apply online through the government's information portal.

If your application is contested, you may have to go to court to show your evidence, so make sure that your records and processes are in order.

Once a judgement has been issued, it will show up on the non-payer's publicly-available credit report and drastically affects their credit rating until they clear the debt. This should act as a deterrent to non-payment for most potential debtors.

CCJs are often viewed as an indication of an insolvent company that could not pay the debt in order to avoid receiving a court judgement. Most organisations, as a consequence, would refuse to do business with a company that has a CCJ. Credit ratings for all but the wealthiest companies would drop in the event of a CCJ and credit guidance would recommend that further credit should not be made available.

Court Bailiffs can be instructed to enforce the judgement and recover goods and money to satisfy the debt, interest and recovery costs.

Find out more here: <https://www.gov.uk/make-court-claim-for-money/overview>

## **Be Prepared to Go To Court For Every Invoice**

This tip is straight out of the Boy Scout school of business.

If your processes are correctly structured to easily and quickly enforce your right to payment through legal action, most customers would be discouraged from miss-behaving.

Your processes alone would demonstrate that you are serious and professional and ready to enforce your right to payment. As such, they are worth publishing or sharing with customers in order to impress them with your professionalism and to remind them that you expect to be paid on time.

These processes would also weed out high-risk customers and ensure that they could not be in a position to owe you payment for goods and services that you have already delivered.

The standard required in order for your procedures to be compliant with court processes will also go a long way towards ensuring that you and your organisation are also always on your best behaviour.

You should hardly ever find yourself in a position where you have to take court action, but when you do, you should win comprehensively and quickly. This should cut the cost of taking a non-payer to court and any protracted wait for payment.

Be prepared.



SALT Business Growth have many years of in-depth expertise in this area and can help to guide you through the process of getting paid and cutting the potential for non-payment in a way that creates greater security and satisfaction for everyone.

While we are well-known for helping our clients to make more money, it is our ability to ensure that you can collect payment that is essential to making sure that you are ultimately successful.

Learn how to create a comprehensive set of processes and procedures that cut the potential for non-payment situations.

Become proficient in credit control conversations and get paid every time.

This is all part of our mission at SALT to cut the high rates of SME business failure through directly combating the common causes of failure.

Call us today to get started. 020 8873 0073.



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