



Credit Control Procedures

Presented on

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Client Management Services Australia (CSMA) is a customer focused receivables and credit management Company. CSMA is customer focused, and an extension of your relationship with your client, whilst keeping the receivables management at arms length – in essence CSMA becomes your credit department.



1 Overview

A sale is not a sale until the money is in the bank!! The impact of late payment from customers, whether it be 60 days or 90 days plus is that your money is being used without interest being paid. Currently many customers will withhold payment until the last possible moment and will only pay upon demand. This has a serious impact on your cash flow. Also customers use multiple suppliers and when you stop credit they move to the next supplier and the cycle begins again, but by this time getting your money is even more difficult.

2 Receivables Management

Staff awareness by staff who are serving the customer, in relation to the procedures in place to reduce late payment and bad debt. The in branch staff are dealing with the customers on a daily basis either face to face or over the phone and this opportunity should be utilized to reduce outstanding accounts and also to gain inside information in relation to customers who may be having difficulty.

Be the first to ask. Let your customer know that you have a professional credit department that will be on the phone asking for money the day after it falls due. In this way you are educating your customers to pay on time.

Customers will also learn that they will not be supplied and therefore projects will be held up if payment is not received.

The key objectives to be met by CSMA are:

- Reduce bad debt write off
- Reduce outstanding accounts 60 and 90 days plus
- Encourage early payment through direct debit system
- Build customer loyalty with your store
- Free up staff to sell rather than be debt collectors
- Provide systematic approach to all new credit applications and customer credit control

2.1 Procedure's

2.1.1 Stop Lists

A stop list will be prepared for each branch every Monday Morning which will be formulated from the trial balance sent through at close of trade on the previous Friday.

The stop list will list all customers currently in 60 days and 90 Days plus and will be at the service counter for all staff to refer to when taking customer orders.

If the customer is on the stop list (in 60 days) and it is the first 15 days of the month, then the staff member would then take the opportunity to give the customer a friendly reminder that their account is overdue and would they like to pay it now.

The branch Manager will send through to the credit department a list of customers, who although overdue have an arrangement with the branch and therefore will not be pursued by the credit department.

CSMA will commence calling all customers on the stop list and will report to the branch Manager on a weekly basis in relation to customer promises for payment and any recommendations in relation to delinquent accounts.

CMSA will in the first instance undertake to telephone customers, where they are not contactable a reminder letter will be sent in the first instance and if still no reply this will progress to stronger letters and then where necessary, after discussion with the branch Manager to pre-legal or summons.

All payments made on a daily basis at branch level will be emailed to CMSA so that the outstanding accounts are kept at a current level.

2.2 Timetables

The branch will send to CMSA a trial balance every Friday at close of business.

CMSA will forward to each branch a current stop list every Monday morning – notations in relation to customers in 60 and 90 days who may still be supplied as per the branch Managers directive will also be listed.

2.3 Reporting

Every Friday a report will be forwarded to the Branch Manager and give a synopsis of discussions with 60 and 90 day customers and also show promised dates for payment of arrears.



A detailed report of actions within the month and results achieved will be forwarded to the branch at month end, together with recommendations for further recovery action.

A report with results achieved will be formulated on a quarterly basis with key performance indicators for each branch.

3 C.O.D. Customers

There is no valid reason why bad debts can happen with COD customers, but happen they do. By putting in place strict COD procedures you can reduce the risk.

- Cash on delivery is exactly that. If the customer is not on site when the goods are delivered, or does not have a cheque or cash to pay, then the goods should not be delivered.
- If you are accepting a cheque from a COD customer then identification eg Drivers License must be provided and all details written on the back of the cheque.
- If a customers rings to order COD and they are unknown to you, ask for credit card payment.

Even when these procedures are followed, still cheques can bounce, but if we have the correct identification, they can be chased and the debt recovered.

4 Credit Applications

The first step in the credit process and the relationship with the customer is the credit application.

The credit application must be completed in full by the customer applying for credit. A copy of the customer's driver's license should be taken to ensure the person applying for credit is who they say they are.

Once the branch receives the completed credit application, it should be sent together with any knowledge the branch has of this customer to CMSA for processing.

The completed credit analysis of the new customer will be sent back to the branch together with a recommendation to open the account or in the case of a bad credit finding, a recommendation to the branch manager to not open this account and the reasons why. The branch manager will of course have the final decision as to whether he wishes to open the account or not.

4.1 Credit Limit

The branch staff or Manager should take the opportunity to talk to the customer when they request a credit application and discuss what credit limit they will require and also to assess the type of project the customer is buying for.

This information will enable CMSA to assess the customer's means to service the account on a monthly basis.

The correct credit limit will also allow the branch to chase income early when a customer requires more products. Eg you have reached your credit limit would you like to increase the limit (opportunity to reassess the customer's credit file or make a payment to allow delivery of new product).

4.2 Identification

Make sure the customer is who they say they are, get identification eg drivers license. Identity theft is real and it is too late once the account is open and you are owed the money to find out the customer is not who they say they are.

4.3 References

Within the credit application, new customers are asked to supply 3 trade references. When receiving the account application make sure that 3 trade references have been given and they are Companies that supply product not just other associated Plasterers or small traders.

All credit applications will be checked extensively through a credit reference company which has detailed information on all credit enquiries for the past 5 years, some additional information in the form of references supplied by the customer also assists in the analysis of the credit worthiness of the customer applying.

4.4 Directors Guarantees

The credit application has a section asking for Company director's guarantees for payment of outstanding moneys.

It is very important that all Companies sign this guarantee. As Companies are generally limited in their liability, should a Company have problems, if we have director's guarantees we can pursue the directors personally.

Many Companies say it is their policy not to sign the Directors Guarantees – you should make it your policy to not accept credit applications without them signed or to take a bank guarantee or caveat as another form of security.

5 Conclusion

A systematic approach to credit control, whilst continuing to build the relationship between branch and customer that is the CMSA philosophy.

Analysis of the customer applying for credit, assessing their trading history, credit worthiness and previous companies associations, together with industry information allows an informed decision to be made prior to granting credit. There is no point in gaining a new customer who is only going to become a new problem.

CMSA is part of your team and through strong communication and on-time discussions with your customers you will reduce the number of customer accounts outstanding from month to month, which if let run can and do become bad debts that you write off each year.

CMSA will provide training to all staff to enable them to adhere to the credit control procedures and make informed decisions when dealing with the customer.

CMSA through its extensive data base within the Building Industry will also provide information in relation to prior customers who have skipped, or had bad debt or delinquent accounts so that they cannot do it to other branches within the group.

To reduce the outstanding accounts and bad debt write off of your branch you need a system to control and manage the debt throughout the year, there is no one stage that will reduce the debt, there is only one way – a constant and integrated management system that provides you with the tools to control your customer information and communication systems to recognize risk in all forms.

“Bad debt can be reduced – Cash flow can be improved – The process must be Managed”