



Whether your business is booming, breaking even or struggling in difficult economic times, the common denominator is cash collection.

Having an established and efficient cash collection cycle can accelerate your cash flow which will in turn allow your business to develop and survive unforeseen costs which can arise.

How can a business effectively manage cash flow?

An effective cash flow strategy is essential for any business no matter what size. The central characteristic of your plan should be attention to detail. Do you know your customer/client? Should you carry out any searches or decide on a credit limit before entering into an agreement? Can you request payment upfront? In addition to safeguarding your own business, getting to know your client's business will also help you to cater for their specific needs and offer them a better quality service.

Terms and Conditions – Start as you mean to go on...

Drafting effective terms and conditions is one of the key steps any business can take to protect their cash flow. Good legal advice at this stage can prevent

complications further down the line. It is essential to make sure that your clients are aware of your terms. It might be helpful to send out a copy to every new client and to print your standard terms on each invoice you issue. You may also wish to consider retaining title over any goods supplied until your client has paid in full. Including a term that you can recover reasonable legal costs if payment is delayed is also essential.

Time is of the essence!

The key to cash collection is to be assertive. A simple phone call reminding a client that payment is overdue might be all it takes. Establishing a timetabled policy lets clients know clearly where they stand and will highlight any problems at an early stage. Threatening to take legal action and not following through can be detrimental as subsequent threats will not be taken seriously. It is useful to formalise a protocol of a letter and telephone calls before taking firm action unless of course you have a genuine concern that the client may be in financial difficulties.

Legal Action – the options

- The first step is to issue a Solicitor's letter which indicates that the debtor has a specific period to pay (usually 7 days). This warns them that if they fail to respond, you will proceed with legal action to recover the money. It also advises them that they will be responsible for your legal costs and interest. This will often encourage clients to make contact with you and open the lines of communication and may even lead to immediate payment as the debtor now sees you are serious about taking action.
- In cases where there is a genuine belief of financial difficulty/insolvency and the debt is not disputed, a Statutory Demand can be issued. This gives the debtor 21 days to pay and will put pressure on them either to pay in full or seek appropriate advice, especially if they are continuing to operate a business. If they fail to do so a Bankruptcy Petition (for an individual) or Winding-Up Petition (for a

company) can be issued. This petition will be personally served on the debtor, informing them of the court hearing date. Even if the petition is dismissed or withdrawn, from the date of issue it will appear on a bankruptcy search against the debtor's name. In the case of companies, notice of the petition must be advertised and therefore business contacts may become aware of the position. This may affect existing trading relationships. Bankruptcy can negatively impact the debtor's accreditations with professional organisations or even prejudice their current employment. It also places control of the debtor's assets in the hands of an appointed Trustee for the benefit of creditors.

- If negotiation fails in relation to a disputed debt, the only way to proceed may be to seek a Court Order. This will either be in the County Court for debts up to £30,000 or in the High Court for debts surpassing this amount. A Judgment will include a sum for your

legal costs and interest due. However, getting to this point can be a lengthy process and not all costs may be recoverable. In Northern Ireland the only way to enforce a Judgment is through the Enforcement of Judgments Office (unless insolvency proceedings are appropriate). The EJO has a wide range of powers to secure payment from debtors. These include but are not limited to the following:

- Attachment of Earnings Order (payments come directly from the debtor's salary);
- Order Charging Land (a 'charge' is placed on the debtor's land for 12 years);
- Attachment of Debt Order/Garnishee Order (which gives the EJO the power to freeze the debtor's bank account).

Each debt is different and therefore the legal action taken can be tailored to suit the individual circumstances and to allow it to be dealt with in the most cost effective way.

Practical steps to assist any business in the area of cash collection:-

- Establish a cash collection policy and ensure all employees are aware of this - be consistent.
- Consider which terms are needed to match the needs of your business and your clients.
- Be proactive not reactive in chasing your invoices. Set a timetable and follow through.
- Be prepared - know the amounts due, payment dates and terms.
- Finalise things - when and how will payment be made.
- If your client defaults, obtain legal advice in relation to the most appropriate way to proceed.

Managing cash flow is crucial. Forward planning is essential to ensure that your focus is on your business rather than chasing debt.

We Can Help

At Mills Selig our talented Debt Recovery team work to secure the most practical and commercial outcome for clients.

It's an approach based on responsiveness, value for money and regular communication at all stages.



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