



# A GUIDE TO PROTECTING YOUR BUSINESS FROM BAD DEBT

SUPPORTING BUSINESS. **AS USUAL.**



# MINIMISING NON-PAYMENT

## Has your business written off money owed in the past year?

You are not alone...



On average, UK SMEs each have **£82,000** owed to them in **unpaid invoices**\*



**30%** of SMEs have suffered a **bad debt** in the last year with the average amount lost being **£11,711**\*



There has been a **36% increase** in company **insolvencies** in England and Wales over the past 12 months\*\*

With rising costs continuing to cause cashflow pressures for businesses and with insolvencies on the increase, there has never been a more important time to minimise the risk of bad debt to your business.

You can't guarantee that every single customer will pay a bill on time, but there are processes you can put in place to keep late or missed payments to a minimum and reduce the risks posed by late payment or the failure of a customer.

\*SME Confidence Tracker, September 2022

\*\*Insolvency Service Statistics, July 2022

# PROTECTING YOUR BUSINESS FROM BAD DEBT

## STAYING ONE STEP AHEAD

### Know your customers

Use a reputable credit reference agency to run credit checks on all new customers before offering credit terms and set appropriate limits. A simple credit check online could save valuable time and money further down the line.

This should be an ongoing process, as even the most reliable payers can have a change in circumstances.

### Be clear on payment terms

Make your payment terms clear and consistent from the start and advise customers about any late payment charges to avoid disputes. Include payment terms on all invoices and reminders.

### Build strong relationships

It may seem obvious, but it's worth remembering that good customer relationships support prompt payment. Regularly check in with customers and make sure you know how satisfied they are with your products and services.

### Make a provision for bad debt

Estimate the likely level of bad debt for a particular time period and, where possible, set aside a cash provision to cover it. This creates a buffer to help ease the blow of any shortfall from non-paying customers.

### Create a credit policy

So that both you and your customers know where they stand, your credit policy should set clear actions for dealing with all credit scenarios.

This could include:

- accepting new customers
- the changing status of existing customers
- exceptions to payment terms
- changing credit limits
- suspending accounts
- use of third parties to support enforcement.



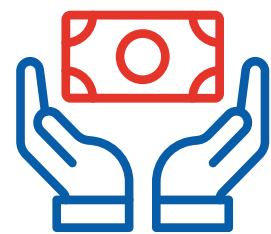
# PROTECTING YOUR BUSINESS FROM BAD DEBT

## KEEPING YOUR CASHFLOW HEALTHY



### Invoice quickly and accurately

Send out invoices promptly within a defined timeframe, ideally within five days, after services or products have been provided.



### Keep close to your finances

Make sure you know at any given time who owes you money and how much by regularly reviewing Client Online.



### Deal with non-paying customers

**Can an agreement be reached?** If a customer has a genuine reason for not paying, it may be possible to reach an agreement without the need for legal action that could damage the relationship. Work with your Relationship Manager to consider the most appropriate course of action.

**Is this customer a repeat non-payer?** If a customer consistently defaults on payment you need to consider whether it is safe for your business to continue trading with them. You can always discuss repeat non-payers with your Relationship Manager for support in deciding whether to conclude your business with them.

**Keep a stop list:** Make sure you have an up-to-date list of customers you do not want to give more credit to and ensure relevant employees know where to access it. Always inform late payers that they are 'on stop'. This is often all that is required to gain payment.

## CONSIDER **BAD DEBT PROTECTION**



**Implementing good payment processes can help you reduce the risk to your business from late or non-paying customers.**

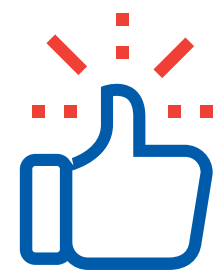
However, there are many circumstances where a customer's refusal or inability to pay cannot be pre-empted.

If you are concerned about how customer non-payment could affect your business performance and profitability, Bad Debt Protection can safeguard your business against the impact of a customer's insolvency or inability to pay.

# WHY CHOOSE BIBBY FINANCIAL SERVICES?

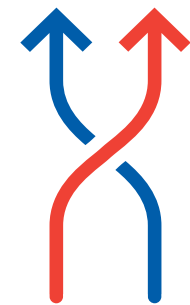
## Bad Debt Protection simply bolts onto your existing funding facility.

You continue to work with your BFS point of contact, who will then also support you in the management of your Bad Debt Protection. This support includes applying for limits, managing claims and monitoring customers, so you can concentrate on running your business.



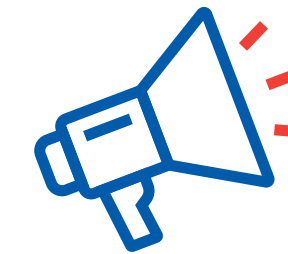
### Peace of mind

We'll protect up to 90% of the value of the invoice\*, so you keep the funds you've received in the event of customer insolvency or inability to pay.



### Flexibility

You can choose to cover all or a selection of your customers.



### Customer monitoring

We will alert you if we spot any changes in your customers' financial performance, so you can act before they become a bad debt



### Protection within 24 hours

We can arrange set up quickly, so you could have protection from bad debt within 24 hours of contacting us.



### Ability to backdate

We'll automatically back date protection on most debts up to 60 days.\*\*

### FIND OUT MORE

**Speak to your Relationship Contact to find out more about Bad Debt Protection**

\*Protection is for 90% of the debt (excl.VAT) subject to a maximum of 90% of the limit. Minimum threshold of £500. Published October 2022.

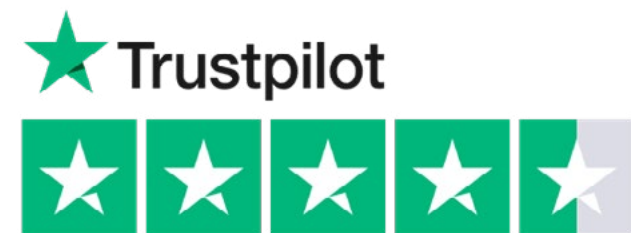
\*\*Criteria apply. Speak to your Relationship Contact for full details.

NOTE: The information provided in this guide has been prepared for general guidance and does not constitute professional advice.

**FIND OUT MORE**

Speak to your Relationship Contact to find out more about Bad Debt Protection

Connect with us on:



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