



HENDERSON LOGGIE

Chartered Accountants

Survive and Thrive - Credit Management and Debt Recovery

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Introduction

- Business Strategy and the Credit Management Process
- Practical Tools to Minimise Bad Debt
- Legal Remedies for Debt Recovery



Business Strategy

- Where are you going with your business?
- Where would you like to be going?
- What do you need to do to get there?



Credit Management – 1

- Optimise cash flow
- Minimise bad debt
- Increase profitable sales
- Risk/Return trade-off
- Communication



Credit Management - 2

- Marketing – Identifying Targets
- Sales – Assessing Opportunities
Agreeing Contracts
- Supply – Delivering
- Administration – Invoicing & Credit Control



Business Strategy

- Where are you going with your business?
- Where would you like to be going?
- What do you need to do to get there?



Practical Tools - 1

Is your potential customer a good credit risk?



Practical Tools - 2

- Identify who you are dealing with :–
 - Sole Trader
 - Partnership
 - Limited company



Practical Tools - 3

- Credit References:-
 - Trade
 - Credit Agency
 - Credit Circle
 - Companies House



Practical Tools - 4

- Billing – quick and accurate
- Understand customer's system
- Credit Insurance
- Debt Finance
- Personal Guarantees
- Statutory Interest



Practical Tools - 5

- When to act?

Excuses for non-payment

Frequent changes in staff

Change in Directors/Registered Office

Failure to file accounts

Increased borrowing



Debt Collection Procedure - 1

- Letters
- Statements
- Telephone Calls
- Texts
- E-mails
- Personal contact



Debt Collection Procedure - 2

- Options
- Cost/Benefit
- Third Party Intervention



Retention of Title -1

- Common Law
- Sale of Goods Act 1979
- Insolvency Act 1986



Retention of Title - 2

- Clause must be incorporated into contract
- Types:
 - Simple
 - All Monies
 - Proceeds of Sale
 - Aggregation



Retention of Title - 3

Simple Clause:-

“The property in the goods shall remain with the seller until payment in full of the purchase price has been paid”



Retention of Title - 4

All Monies Clause:-

“Ownership of the goods shall remain with the seller until such times as the purchaser has been paid in full all that he owes to the seller”



Retention of Title - 5

Proceeds of Sale Clause:-

“The title of the goods does not pass to our customer until we have been paid for it in full and if our customer sells the goods before they have been paid for, then we have the right to the proceeds of such sale to the third party or such claims that our buyer has against the third party”



Retention of Title - 6

Aggregation Clause:-

“In cases where the goods have been converted into other products, whether or not this involves the addition of other items, irrespective of proportion, the conversion is deemed to have been made on the seller’s behalf and legal and beneficial ownership of the resultant product shall pass in full to the seller”



Statutory Demands

- Conditions:-

Debt at least £1,500 for individuals

Debt at least £750 for companies

Debt not in dispute

Debt due and payable



Court Actions - 1

- Small Claims
- Summary Cause
- Ordinary Action



Court Actions - 2

- Small Claims:-

No solicitor

Debts up to £3,000

Fees £15-£65

Expenses £0 if debt is less than £200

£150 if debt is £200-£1,500

10% of debt if £1,500-£3,000



Court Actions - 3

- Summary Cause:-

No solicitor

Debts between £3,000 and £5,000

Fees £65

Expenses recoverable



Court Actions - 4

- Ordinary Actions:-
 - Need solicitor
 - Debts more than £5,000
 - More expensive
 - Judicial Interest
 - Expenses recoverable



Diligence

- Attachment and Public Auction
- Inhibition
 - Security over property
- Arrestment
 - Asset in hands of third party
 - Wages



Insolvency - 1

- Liquidation or Sequestration
- Unable to pay debts as they fall due
- Apparent insolvency



Insolvency - 2

- Evidence of Apparent Insolvency
 - Expired Statutory Demand
 - Expired Charge for Payment
 - Bounced Cheque
 - Letter admitting can't pay



Insolvency - 3

- Possible Outcomes of petition
 - Company solvent – third party funds
 - Company insolvent – no assets
 - Company insolvent - assets



Directors' Responsibilities

- Personal Liability
- Wrongful Trading
- Fraudulent Trading



Pre Insolvency Recovery

- Take care!!
- Challengeable by Liquidator or Trustee if not in ordinary course of business





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