

Customers avoiding payment.

These are customers who are not handling their cash flow efficiently and paying suppliers as they get paid by their customers. Possibly they are not at risk of failing but you need to watch them carefully.

The following suggestions are dependent on your business type or your contracts and whether you have negotiated your terms of trade with your customers.

1. The first thing to consider is to stop credit on the account. There is no point in increasing the debt with this customer if you cannot get paid for the current invoices. You will only add to the problem.
2. Check your dispatch or stores department to make sure there is nothing due to be sent out.
3. If you are currently doing a job for them then consider stop working on the job.
4. There is no point in wasting time on the accounts payable person if you have exhausted their authority and responsibility. Ask for the supervisor, accountant or manager. Refer to your customer information regarding who is responsible for authorising the release of cheques.
5. Be polite and assertive, but not rude.
6. Avoid telling the customer about your money problems, they don't care.
7. If you are persistent and they have funds available, you could possibly get paid. If you do nothing your invoice will get put to the bottom of the pile and other noisy persistent people will get paid instead of you.
8. If you have an agreement, remind the customer of this. Try to enforce the agreement.
9. Some customers still deal in cheques. If the customer is within a reasonable distance, pick up the cheque. If you are dealing with a remote site, find out who their regular freight delivery company is and make an arrangement with them to pick up the cheque.
10. Funds transfer is preferable but remember that some banks will delay payment depending on the time of the day or the day of the week. If they say they are to transfer funds, ask for a bank authorisation to be emailed to you.
11. Try to avoid suggesting that you will stop supply if you think they could still be a viable ongoing customer, but advise they may have to go on COD until the account is up to date.
12. Be resourceful and look for solutions.

How do you recognise that a customer has serious cash flow problems?

1. You can't get past the receptionist.
2. The customer is evasive and won't give a payment commitment.
3. You cannot get to talk to the owner or accountant.
4. They tell you they have cash flow problems
5. mail is returned and the phone disconnected.

If you phone 3 days after due date and discover your customer is in this situation you will be able to deal with it easier than if the invoice is 60 or more days overdue.

What can you do about it?

1. Firstly, instigate the actions for the customer who is avoiding paying their account. Particularly stop credit and stop work on a job. Don't add to the problem you have with this customer.
2. It is important to phone frequently but no more than 3 times per week to stay in line with the ACCC guidelines.
3. Be consistent because you may be able to get paid before others when funds are available.
4. Also send out final notice reminders.
5. Try to avoid dealing with the accounts payable person and deal with the management or accountant if you can get to talk to them and get your own management involved.
6. Accept a weekly payment agreement if you can get it. At least some of the debt is being reduced.
7. You may decide to continue to supply if you can get COD because if the company can continue trading then there is less chance of them liquidating. This would be a management decision as it depends on how bad things are for the customer. Put it in writing that your terms are COD and have them sign that understanding. Still try to get some part payment to reduce the current debt.
8. Consider using the strong letters, but it may be worth getting legal advice first as you need to follow through if you send the letters and the customer does not respond.
9. Review your Terms of Trade Policy and your Customer Credit Policy to see if you can reduce the risk of this happening in the future.

Unfortunately, when a customer gets to a point where they are having difficulty paying their accounts that is the risk you have taken by giving customers credit. The only way you will avoid this risk is not to give credit at all. But if you decide you want to give your customers credit, the way to reduce your risk of writing off a sale is to put strong procedures in place and monitor the customer, as has been discussed in this course.