Our Back to Business? research, published in earlier this year, showed that the cost of doing business is the joint number one challenge that businesses say they will face over the next five years. Meanwhile, the Office for National Statistics reported in July 2021 that more than a quarter of all businesses have just three months’ or less of cash reserves.

We are emerging from lockdown into a world where, for many businesses, credit lines are close to zero, government loans and grants have been used up, and bank savings are exhausted.

With that in mind, here are eight simple steps you can take now that will help manage cash flow and make sure you get paid what you are owed.
1. Stick to the terms of your contract
   Too many businesses don’t know their own contract terms. Review them and make sure invoices are issued promptly. You are unlikely to be paid before an invoice is sent.

2. Maintain strict credit control procedures
   Those who are shouting loudest and chasing hardest will usually get paid first. Send invoice reminders every 14 days until payment is made, and consider threatening Court or insolvency proceedings to recover stubborn debts.

3. Know your customers
   Keep regular tabs on your clients, especially those that are paying late. Up to date research might alert you to problems. Have frank conversations with customers who are late with payment – ask them if there is a problem. You can only plan appropriately with the correct information.

4. Consider stopping work
   If you are owed debts from a customer that is still expecting services or goods from you, consider whether you can stop working for them. This can be risky, but provides leverage.

5. Get it in writing
   If a customer wants more time to pay, ask them to document in writing that they accept the validity of the debt and have no concerns about the quality of any goods or services you have provided.

6. An instalment plan
   If a customer cannot pay in one go, consider an instalment plan. Include a clause that if any one instalment is missed the whole amount due becomes payable immediately, and continue with strict credit control procedures.

7. Add interest and costs
   If your contract terms allow you to charge interest or costs, you should so so. If not, for B2B contracts, the Late Payment of Commercial Debts (Interest) Act 1998 implies into qualifying contracts a charge for interest, a fixed sum, and the costs of recovery. Add these to overdue invoices from the relevant date.

8. Be pragmatic
   It may be that the most commercial solution is to accept part payment of the debt in full and final settlement. If this is the case, mark any communication negotiating this ‘Without Prejudice’ or ‘Without Prejudice Save to Costs’, and document the settlement so that everyone understands the precise terms agreed.

Of all businesses have less than three months’ cash reserves.
Office for National Statistics
Business Resilience – July 2021

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