



MIRIAM TIGHE & CO SOLICITORS

# Debt, Credit Control and Cashflow

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The wheels of your business can really grind to a halt when cashflow becomes a problem. The key to this is maintaining tight credit control and having good debt collection practices and support in place. Here are 5 tips on the best way to make sure your credit is not turning into an interest free loan:

## **1 Use Clear Terms and Conditions**

Good clear t&c's are a great start so that your customers and clients are clear on your expectations from the outset. Clear t&c's, believe it or not, also help your case if you have to get tough and go the legal route later on. You won't have to backtrack – you'll have paved the way!

## **2 Have a Clear and Strict Process in Place**

eg if you offer 30 days credit, keep track of the deadlines and have your standard demand letter (or email) issued immediately if not paid within the thirty days. Phone calls can open up room for excuses and promises and delays – your terms need to be clear and if the matter finds its way to court, the letter speaks for itself.

## **3 Remember Who's Who**

If your defaulting customer is a company, address your letter to the accounts department of the company. Strictly speaking if matters become more formal it should be sent to the secretary at the registered office – though you can also send a courtesy copy to the place of business or the branch or location with whom you do business. Mark the letter "Strictly Confidential", and of course state that if the debtor has already made payment, they can disregard the letter: wrongly accusing a party of failure to pay can be defamatory if the accusation is seen by others.

## 4

## Set Out the Key Facts

Be clear about what invoice you are referring to, the amount outstanding, the best methods of payment (ie whom cheques payable to, account details for EFT) and set out politely but firmly a clear deadline for payment. Depending on how many letters you have sent to the party you might also state the next consequences of non-payment: eg "We would appreciate receiving full payment by X date, otherwise we will unfortunately have to pass the matter on to our solicitors without further delay."

## 5

## Get Tough

If your goodwill (and credit) is being abused waste no time in getting tough for the sake of your cash flow. It's the lifeblood of the SME.

# Options Review

**For help with drafting terms and conditions, or advice on debt collection (or just a "no obligation "heads-up" on your options) contact Erica Champ at Miriam Tighe Solicitors, on 01 6281755.**