



## 8 TOP TIPS ON HOW TO DEAL WITH LATE PAYMENTS

On December 3rd 2022, The Business Secretary Grant Shapps ordered a review aimed at tackling late payments for small businesses, suggesting that small businesses are owed £23.4bn in outstanding invoices.

Many small businesses operate with low cash reserves, which means getting paid on time is absolutely crucial. A study by the Federation of Small Businesses found that late payments cost small businesses £684m a year, and that more than half of payments to small businesses are paid late, with as many as one in 10 paid more than a month late.

Whilst the focus is predominately on small businesses being paid late by larger corporations by our government, I think its evident that its not just the big boys that are paying late.

Below are my **top tips** on how to deal with late (or disputed) payments:

- Have a well drafted bespoke set of terms and conditions identifying the obligations and clear payment terms which stipulate the consequences should payment not be made on time;
- Always take a deposit, or payment up front. If you are invoicing on a monthly basis, invoice at the beginning of the month rather than the end;
- Use an online accountancy software such as Xero that will send invoice reminders, without you having to think about it;

- When the invoice becomes overdue send a personal email in house, it may have just been overlooked or deemed unimportant. A general nudge may prompt the payment;
- If this is ignored, disputed or acknowledged it is fair to allow a further 7 days before chasing again and making them aware of your statutory right to charge interest and also compensation;
- Consider a third party to pass your debtors too and make reference to them in your follow up email. Some companies charge a % of the amount recovered whilst others may charge a fixed fee. From as little at £99 + VAT we can send what is called a 'Letter Before Action'. Which is required to commence legal proceedings under the Civil Procedure Rules;
- A letter from a third party often has a promising response however some companies may still be trying their luck. Top tip here is, don't give up! There is a common misbelief amongst small businesses that taking someone to court is costly and time consuming. Providing you have your evidence (e.g. terms and conditions) it is a fairly inexpensive (depending on the value of debt) and straight forward process;
- Within our support consultancy package for just £130 + VAT we can not only send your debtor letters but also guide you through the money claim online process. We have clients that have been successful in doing so. Often with full payment made including interest, compensation and court fees without further dispute and of course no need for a court date.

*Get in touch for more information...*



## **CONTACT US**

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