

ANDREW & Co. LLP
S O L I C I T O R S

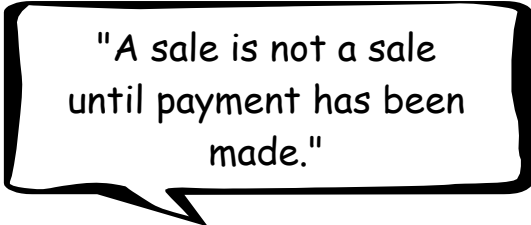
CREDIT CONTROL ROAD MAP



Andrew & Co LLP
St Swithin's Square
Lincoln
LN2 1HB

Tel 01522 512123
Fax 01522 518913
email: info@andrew-solicitors.co.uk
Ref 14.DMC.BM

CREDIT CONTROL ROAD MAP




"A sale is not a sale
until payment has been
made."

Cash is the lifeblood of all businesses. Without adequate cash flow there cannot be sufficient turnover and an acceptable level of profit cannot be achieved.

The slow or late payer has a particularly damaging effect on cash flow and therefore turnover and profit.

Credit control is vitally important.



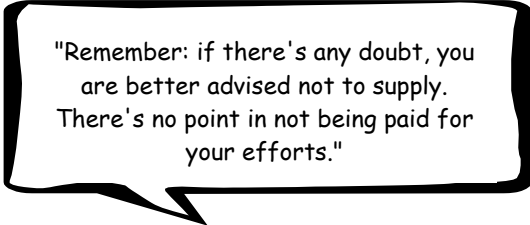
"Remember: know
your customer."

You will have a continuing relationship with some customers. These customers will purchase goods or services from you on a regular basis and make payment, say, 30 days thereafter.

Attached is a specimen application for a credit account (see Appendix D). Before goods or services are supplied to customers who are to pay later it is important that the application for the credit account is completed and credit worthiness is established. If, despite all your care, payment is not made, the information on the application form for credit will be useful in the event that court proceedings have to be issued.

It is important that you take up references. A specimen letter is attached at Appendix A.

Another step which is worth taking, particularly in the case of unincorporated businesses is to carry out a search at a credit reference agency. Similarly, in the case of limited companies, it is always worthwhile commissioning a company search.



"Remember: if there's any doubt, you are better advised not to supply. There's no point in not being paid for your efforts."

Keep an eye on debts which are owed to you. If the date for payment passes and no money materialises then chase payment, either by telephone or in writing. A specimen letter is attached. In the event that your reminder has no effect then the only way of recovering the money will be to take court proceedings. One point to consider before issuing proceedings is whether the defendant has the money to settle the judgment. If not, the process of proceedings will not be worthwhile.

All proceedings are issued through the local County Court. Form N1 is the form used to commence proceedings. You can issue this through Lincoln County Court at 360 High Street, Lincoln, LN5 7PS, telephone 01522 88300. You will need to check the current issue fee with the court which is based on the amount you are claiming including any interest claimed. Cheques are payable to "HMCS." You cannot claim any other legal costs unless issued through solicitors.

Where a claim is under £5,000 and it is defended then it is transferred to the Small Claims Track and is usually dealt with by the District Judge without the assistance of legal representation to the parties. The reason for this is that the courts try to minimise legal costs and only rarely make a costs order against the losing party where solicitors have been instructed to act.

Where you are dealing directly with your opponent either by telephone or face to face then we would advise that you keep notes of what is said together with the dates and time. This should include statements made by the customer and also your responses. We also advise that you keep copies of any letters, faxes or emails as they may be required in evidence if you cannot reach an acceptable agreement and it results in a defended court action.

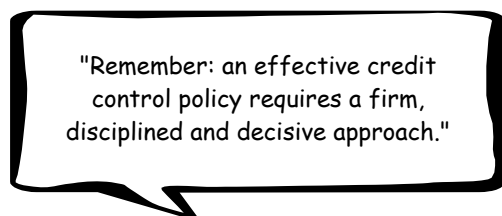
Unless your conditions of sale or conditions of business state otherwise and the sale or deal is with a commercial customer then you will be able to claim interest from the date the invoices became due and payable under the Late Payment of Commercial Debts (Interest) Act 1998. This is currently set at 8% plus the Bank of England base rate.

So, what next if you have obtained your judgment and the debtor fails to pay? If the debt is under £600 then you can instruct the County Court Bailiff. You should use Form N323 to issue the warrant of execution. Again, there is a fee to pay which may be recoverable from the debtor. You can obtain details of current fees from the Lincoln County Court. Alternatively, if the judgment is for over £600 and a figure in excess of £600 is still owed after taking into account any credits or payments made, then you can apply to the High Court Enforcement Officer at Nottingham, Cumberland House, 35 Park Road, Nottingham, NG1 6EE, telephone 01159 886220 to register the judgment in the High Court and to enforce it. You will need to send a copy of the original judgment to the High Court Enforcement Officer (HCEO) together with a cheque for the court fee, which is currently £50 and made payable to "HMCS." The enforcement is then dealt with by the HCEO thereafter to include continuing interest at 8% from the judgment date, enforcement fees and any other costs which are all payable by the

debtor. If the HCEO fails to recover anything from the debtor then there is usually a fee payable to the HCEO by you. This is currently restricted to £60 plus VAT for each named property visited by the HCEO however many visits he may make to that property to meet with the defendant. Usually, the address which he would visit would be either the trading address or a home address where the defendant is an individual or trading in his own name. You may instruct HCEO to attend at any or all of the debtors' addresses known to you.

We can advise on other methods of enforcement such as charging orders and garnishees.

The judgment will remain registered with the Registry Trust for 6 years and is usually noted by the credit references agencies such as Experian. Where a judgment is fully paid then you should acknowledge this in writing to the defendant and advise him to file a copy with the County Court together with a fee of £15 and request that the judgment is noted as paid or settled. The fee is payable by the debtor, not you. The Court should then notify the Registry Trust that the records are to be marked as "judgment satisfied."



If you require any further assistance or information please do not hesitate to contact a member of our employment and dispute resolution team.

The Court Service website contains useful information including the addresses of all county courts in England and Wales and additionally Form N1 and N323 can be downloaded from the website www.hmcourts-service.gov.uk.

Appendix A - letter requesting reference

Dear

[NAME OF ADDRESS OF BUSINESS APPLYING FOR CREDIT ACCOUNT]

The above named business has applied to open a credit account. Our Conditions of Sale provide for payment of all invoices within 30 days. The average monthly volume of product to be supplied to the business is estimated to be worth £..... per month.

Your name has been given as a reference. Please confirm:

1. That the business is honest and trustworthy.
2. That the business would not, in your view, incur a liability that it was unlikely to honour.
3. That there is no reason to doubt that the business would be able to settle liabilities of the anticipated level within 30 days of invoice.
4. That you know of no reason why it would be unwise of us to trade with the business at the anticipated level.

We thank you in advance for your assistance. A stamped addressed envelope is attached.

Yours faithfully

enc: SAE

Appendix B - Specimen Claim Form to be used with Form N1

IN THE COUNTY COURT

Claim No

B E T W E E N :

[NAME OF YOUR BUSINESS]

Claimant

- and -

[NAME OF CUSTOMER]

Defendant

C L A I M

1. The Claimant has supplied goods to the Defendant at the request of and to the order of the Defendant.
2. The sum of £..... is due and payable by the Defendant to the Claimant and the sum remains outstanding and unpaid. Details of the goods and the calculation of the sum outstanding appear in the invoice/invoices attached.
3. The Claimant is entitled to interest on the sum outstanding pursuant to section 69 County Courts Act 1984.

AND the Claimant claims against the Defendant:

- (1) The sum of £.....

(2) Interest on the outstanding sum at the rate of 8% per annum from the date upon which payment fell due until today's date in the sum of £..... and continuing down to judgment or earlier payment at the daily rate of £.....

(3) Costs
[NB - costs not applicable in small claims cases]

STATEMENT OF TRUTH

The Claimant believes that the facts stated in this Claim are true. I am duly authorised to make this statement.

Signed

Dated

Filed this by Service of all proceedings will be accepted at

Appendix C - letter chasing debt

Dear

INVOICE NO:
AMOUNT: £

Payment of the above mentioned invoice is now overdue. I regret that I will be compelled to issue court proceedings to effect recovery if payment is not made within 21 days from the date of this letter. The claim will also include court costs and fees together with interest in accordance with our Conditions of Sale or alternatively under the Late Payment of Commercial Debts (Interest) Act 1998, currently%.

I hope that this step will not be necessary but you will understand that as a small business it is necessary to keep a tight control of cash.

If there are any points which you wish to discuss then please do not hesitate to telephone.

Yours sincerely

Appendix D - Application for Credit Account

[to be produced on your headed note paper]

APPLICATION FOR CREDIT ACCOUNT AND GUARANTEE FORM

We agree to abide by your Conditions of Sale (a copy of which is printed on the reverse side of this form) and we agree that all accounts will be paid on the day upon which they are stated to be due and payable in your Conditions of Sale.

Signed (on behalf of the Applicant)

TO BE COMPLETED BY ALL APPLICANTS

Name of business Date/...../.....
Business address
Postcode Tel No
Fax No Email address
Nature of business OVERALL CREDIT LIMIT REQUIRED

Names and addresses of two trade references:

Reference 1 Reference 2
.....
.....

I/We the undersigned agree that we will jointly and severally guarantee performance of all the partnership/company's financial obligations to you.

Signed Position: Proprietor/Partner/Director/Company Secretary
Signed Position: Proprietor/Partner/Director/Company Secretary

**IF THE APPLICANT IS A COMPANY ALL DIRECTORS AND THE COMPANY SECRETARY MUST SIGN.
IF THE APPLICANT IS A PARTNERSHIP ALL PARTNERS MUST SIGN.**

TO BE COMPLETED BY LIMITED COMPANIES ONLY:

Full name of company
Place of registration Registered number
Registered office
Names and addresses of all directors
.....
Name and address of Company Secretary
.....
Amount of issued share capital
Name and address of ultimate holding company, if applicable
.....

TO BE COMPLETED BY PROPRIETORS AND GUARANTORS (IF MORE THAN TWO PROPRIETORS/GUARANTORS) PLEASE CONTINUE ON A SEPARATE SHEET).

Individual/1st Proprietor	2nd Proprietor
Surname.....	Surname
First name(s)	First name(s)
Date of birth	Date of birth
Home address	Home address
.....
If less than 2 years, previous address	If less than 2 years, previous address
.....
.....

**THIS DOCUMENT CONTAINS A GUARANTEE. IF IN DOUBT ABOUT ANY TERMS PLEASE SEEK ADVICE.
PTO FOR OUR TERMS AND CONDITIONS**

Appendix E - Court and Enforcement Fees

	As at March 2008	As at	As at
Small claims issue fee (claims less than £5,000)	Variable - check with court office. Recoverable from debtor.		
Interest accruing on debt from date payment due	As per your conditions of sale or 8% plus Bank of England base rate		
County court bailiff fees	Variable - check with the court office but may be recoverable from the debtor		
Fee to register judgment at HCEO (debts over £600)	£50		
HCEO recovery fee	£60 + VAT each property visited		
Registry Trust fee for noting judgment as satisfied	£15 payable by the defendant		

NB cheques for the court/HCEO should be payable to "HMCS"

Appendix F - Credit Control Flow Chart

