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April 2010

We never received your invoices ... honest!

Unscrupulous companies are using "every trick in the book" to avoid paying invoices on time, according to research by the business information provider, Creditsafe.

It found that 1 in 10 companies had been forced to reissue at least 20% of their client invoices in the last 12 months. Nearly 9 out of 10 companies had to reissue a customer invoice over the same period.

The research suggests that asking suppliers to reissue invoices is becoming routine for some firms who hope that the move will restart the timescale for payment. This gives them the chance to hold on to their money for longer and so protect their liquidity.

They overlook the fact that this will cause major problems for suppliers who may be relying on those funds for their survival.

David Knowles, Business Development Director, Creditsafe said: "Unscrupulous accounts payable teams and finance directors are using every trick in the book to prevent paying invoices on

How unscrupulous firms deliberately delay paying bills

time. Ensuring the reissue of invoices is, unfortunately, often an effective tactic to delay payments, but is extremely poor business practice and ultimately flouts a moral obligation to pay on time."

The most commonly used excuse for requesting a duplicate invoice is to claim that the original was never received. Some firms can become very arrogant, as in the comment from one director: "I'm too important to read my post so why would I know you billed me?"

Faced with such intransigence it is best to start taking legal action as quickly as possible. A straightforward solicitor's letter is often enough to secure payment because people then realise you are taking the matter seriously.

For those who still refuse to budge there are several other options available to get them to pay. In fact, firms can turn credit control into a profit making operation



by recovering unpaid money in a way that earns more than enough to cover the cost of pursuing bad payers. This is possible because businesses are entitled to levy a statutory late payment fee depending on the size of the debt and they can also impose punitive interest charges.

If this doesn't make the debtor pay, it may be necessary to issue a 'court order for questioning' against the company secretary. This is often enough to prompt many late payers into action but for those who still refuse to pay, there are other legal options available.

Some firms have been reluctant to take action in the past but faced with such outlandish behaviour from customers, more companies are refusing to allow bad debt to threaten their business.

Government departments failing to meet pledge on

The public sector is failing to meet the Government pledge to pay invoices within 10 days, according to research by the credit reference agency Graydon UK. In 2008, Business Secretary Peter Mandelson said that Government

departments would start to pay trade invoices within 10 days. Graydon carried out a survey of 320 companies supplying Government departments and found that 98% did not get their money within that promised time frame. Even worse, 63% had to wait more than the standard 30 days for invoices to be settled.

prompt payments



FPB spokesman Phil McCabe said: "Some trusts are obviously well aware how important getting paid quickly is to their suppliers. As a result, these trusts are commendably processing the majority of their invoices within 10 days and many have voluntarily signed up to prompt payment schemes.

"But others seem worryingly oblivious to the Government's guidance on this issue and don't appear to be making any attempt to increase prompt payment at all."

Where next



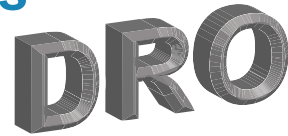
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Meanwhile, research by the Forum of Private Business (FPB) found wide inconsistency in the way NHS trusts are paying their bills.

Some are paying 90% of invoices within 10 days while some aren't paying any at all within that timeframe.

The FPB used the Freedom of Information Act to check payment records. It found that "at least five NHS trusts had paid fewer than 1% of their bills in 10 days over the past year. Additionally, at least 35 trusts processed fewer than 10% within 10 days".

More people to qualify for Debt Relief Orders



Far more people are to become eligible for Debt Relief Orders (DRO) under new proposals put forward by the Government.

DROs were introduced last year as a low cost way of helping people who find themselves overwhelmed by relatively low levels of debt. To be eligible, people should have debts of no more than £15,000, a surplus income of less than £50 a month and assets of less than £300.

This excludes people who have a pension pot of more than £300 as it is classed as part of their assets. A recent survey by the Citizens Advice Bureau found that this ruled out more than 9 out

of 10 people, even though most of them had pension funds of less than £5,000.

The Government now wants to make DROs available to people with small pension pots to give them a low cost way to avoid bankruptcy.

Business Minister Ian Lucas said: "Debt Relief Orders help people who would otherwise be trapped in poverty to get back on their feet. Following representations from independent money advisers, I'm proposing a common sense change to ensure that vulnerable people with a very small pension pot are treated fairly."

The Government will consult on the

proposed changes before the details are finalised. However, changes to insolvency fees are now coming into force. The changes, effective from 6th April, mean that many fees are increased.

For example, the debtor's deposit on a bankruptcy petition increases from £360 to £450 while the creditor's deposit on a bankruptcy petition increases from £430 to £600.

Mr Lucas said: "We have always made it clear that we expect those petitioning for bankruptcy to pay their fair share of the cost and that the taxpayer should not be responsible for the cost of bankruptcy."

Firms secure credit by revealing their management accounts

Research by CreditPal has revealed that 77% of SMEs were able to obtain or extend credit over the last two years after revealing their management accounts to their suppliers.

CreditPal says the firms revealed their accounts after being asked to do so by trade credit insurers who are now demanding more disclosure from customers.

The research showed that 35% of SMEs that supplied their management accounts to suppliers were able to extend their credit terms. A further 42% were able to maintain their credit terms, even at the height of the recession.

More than 670,000 firms were asked to provide their management accounts for insurance purposes over the last two years.

Some 47,000 firms that refused to comply when asked to do so found that their credit facility was cancelled or refused.



Chris Poll, CEO of CreditPal, said: "Increasingly credit trade insurers are looking to source intimate financial information about their clients' trading partners. Insurers and businesses are adopting new strategies for financial risk mitigation to ensure they minimise their exposure to bad debt and defaulted payment.

"Financial directors are increasingly coming under pressure to supply real time updates regarding a trading partner's financial status to satisfy compliance requests from their credit trade insurer. Annual report data that could be over 18 months old filed at Companies House is no longer deemed sufficient."

New regime means FSA may treble fines for rule breakers

The Financial Services Authority (FSA) can now impose tougher penalties which could see fines treble in size as part of a new clampdown on individuals and firms who break the rules.

The new framework means that there will be a closer link between fines and income. An FSA statement says fines can now be based on:

- up to 20% of a firm's revenue from the product or business area linked to the breach over the relevant period;
- up to 40% of an individual's salary and benefits (including bonuses) from their job relating to the breach in non-market abuse cases; and
- a minimum starting point of £100,000 for individuals in serious market abuse cases.

Margaret Cole, FSA director of enforcement and financial crime, said: "We imposed record fines in 2009, but this new approach further amplifies the deterrent effect of our penalties and sends a powerful message to firms which makes it clear that non-compliant behaviour will not be tolerated."

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