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## How do you choose the right debt collection specialists?

Chasing up overdue accounts often presents a delicate balancing act for businesses.

You need to recover your money as quickly and as cost-effectively as possible but on the other hand you may want to maintain a good relationship with the very customers who owe you money. The current gloomy economic climate has added a new sense of urgency with many firms now hanging on for as long as possible before paying up.

The problem has become so acute that organisations like the Credit Services Association (CSA) are offering advice on how to make sure you choose the best debt collection agency. They stress the need to make sure that you look for people who specialise in business to business debt collection as opposed to business to consumer where the skills and working practices required are quite different.

The CSA also recommends asking for references and checking on remittance terms - that is, how quickly they send the money to you once it is recovered. This is clearly important because you obviously want to get your money as quickly as possible to improve your cash flow.

Such advice may seem obvious but it is still useful as it is all too easy to



overlook the basics when you may be preoccupied with the day-to-day tasks of running your business.

J&P has been one of the leaders in the credit industry for more than a hundred years and would echo the advice that firms need to think very carefully before choosing a debt collection specialist. It's important to select people who can devise a debt collection strategy to meet your individual requirements including everything from the content of their letters and their telephone style to their ability to follow the process through to court action if necessary.

It is a good idea to choose a firm that uses the County Court Bulk Centre. This will ensure fast and efficient processing through the court system. We use this approach at J&P and find that it enables us to speed up the process enormously and so collect debts in the quickest possible time. We can often recover debts through the courts more quickly than clients could do themselves and at less cost.

However, court action should be a last resort so make sure you go with a firm that has a pre-litigation team with a proven track record of success. This is where specialist solicitors have a distinct advantage because, although a letter from a debt collection agency can have some effect, the fact that as solicitors we can carry out our threat of issuing proceedings immediately means that debtors usually take notice of our first approach without us having to go any further.

It means we can offer a seamless service because we don't have to refer out to a third party as many debt collection agencies would have to do.

The other point to remember is that it is important to maintain a good relationship with your customer even though you are chasing up unpaid invoices. We are sensitive to this and deal with every case in a firm but fair and civilised manner. At all times we try to ensure that you will be able to retain your customer for future business. This is not always easy and requires a great deal of experience to achieve exactly the right balance.

Recovering debts need not be expensive. You are entitled to charge penalties for some late payments and add interest so it is sometimes possible to recover your costs and even make a profit on the exercise.

J&P Credit Solutions provide debt recovery services for commercial clients from multi-nationals to small and medium sized enterprises across all business sectors. We have attracted and maintained the attention of these firms by our commitment to collect their debts in an effective and ethical way while always acting in compliance with legal requirements.

## Mortgage lending figures down 44%

Gross mortgage lending was 44% lower in October this year than in the same month in 2007, according to figures from the Council of Mortgage Lenders (CML).

A total of £33.4bn was lent in October 2007. In October 2008 that figure had dropped to an estimated £18.7bn. The one good piece of news is that the October figure was 7% higher than September when only £17.5bn was lent. However, experts say the outlook still remains gloomy.

The director general of the CML, Michael Coogan, said: "While lending in October ticked up from a low figure in the preceding month, the outlook is one of continuing weakness for housing

and mortgage markets in the coming months, despite the Bank rate cuts. Consumer confidence is now being affected by the worsening economic outlook. However, any recovery in lending is also being held back by the continuing shortage of mortgage funding."

The CML believes that weakening consumer demand and continuing funding restraints will keep lending figures low into the first quarter of 2009. It estimates that the final gross mortgage lending figure for 2008 will be £255bn compared with £363bn in 2007.

The CML is made up of lenders who between them provide about 98% of all residential mortgage lending in the UK.

# Insolvency specialists warn of more business failures

The retail sector is already reeling from the failure of high street giants like Woolworths and MFI but there could be worse to come, according to the insolvency specialists Begbies Traynor.

It says there could be a spate of insolvencies in the sector in the New Year. As consumer spending continues to decline, Begbies believes the next three months could be critical. It has placed 323 retailers on its critical watch list, which means it believes they have a 70% chance or more of failing.

Other sectors will also be facing increased pressure. Begbies says the number of companies facing critical problems has more than doubled since the start of 2008. A 'critical problem' is defined as having County Court Judgments totalling more than £5,000 or facing Winding-up Petition related actions.

A total of 1798 companies faced such problems in September compared with only 736 in January – a rise of nearly 250%.

The number of companies with significant

problems – those with a court action and/or poor accounts – almost doubled in the same period from January to September to 58,564.

Ric Traynor, Executive Chairman of Begbies Traynor Group, said: "With twice as many companies now experiencing 'significant' problems, we expect to see a further increase in 'critical' business problems as distress escalates over the next year.

"Stricter lending criteria and the inability to secure funding mean many businesses which might have relied on additional credit to see them through a temporary downturn no longer have that option."

The decline of previously successful businesses is not only traumatic for those directly involved. It can also cause tremendous problems for their creditors who can be dragged under themselves through no fault of their own. In such uncertain times it is doubly important to keep on top of credit control and ensure that late payments are dealt with quickly and efficiently to protect the future of your business.



## Debt advice line says business bankruptcy calls have doubled

The number of businesses seeking advice about bankruptcy procedures has more than doubled over the last year, according to figures released by the charity advisory service, Business Debtline.

There has also been an increase in the number of inquiries about bad debts and late payments. Business Debtline, which is run by the Money Advice Trust (MAT), said the number of firms it had helped increased by 63% in the first half of 2008 compared with the

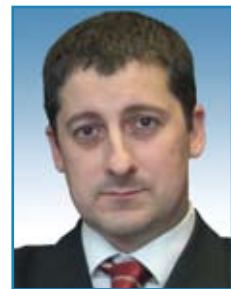
same period in 2007. A survey revealed that 70% of callers felt more in control of their finances after receiving advice and thought they were less likely to get into difficulties in future. A total of 88% had been able to negotiate repayment schemes with their creditors and had been able to maintain the arrangements.

Paul Mullins, Chief Executive of Business Debtline, said: "Our latest figures show the demand for business debt advice is increasing as many small businesses have had a difficult couple of years. Our figures show a 38% increase in trade shortfall between 2007 and 2008 and the number of callers

enquiring about bankruptcy has more than doubled in the last 12 months. Many businesses are feeling the effects of the credit crunch and the slowdown in the economy as households up and down the country start to reduce their spending."

Liz Barclay, of MAT, said: "As the last recession was over 16 years ago, many current traders will have no experience of trading through such a dramatic economic downturn."

## Where next



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## Surge in credit insurance claims

The increasing problem of payment defaults has been illustrated by a surge in the number of businesses making credit insurance claims.

The latest figures from the Association of British Insurers (ABI) show that there were 6,805 claims in the third quarter of 2008 compared with 5,084 in the same period in 2007. That's an increase of 34%. The total value of the claims was up 58% to £97m, compared with

£61.4m in the third quarter of 2007. Nick Starling, the ABI's Director of General Insurance and Health, said: "Trade credit insurance claims figures are a good indicator of what is happening in the UK economy and how that is affecting UK businesses.

"Latest ABI data shows that large numbers of UK businesses have had to turn to this vital insurance to help them during the current financial crisis."



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