

The effect of time on debt recovery rates & business performance

Advanced
Collection
Systems



Good credit control and effective cash collection rely on risk management coupled with prompt and punctual action.

The earlier you act, and the more consistent you apply consequences, and move your outstanding accounts to the next stage of the process, the more likely you are to recover the debt.

“Age is one of the biggest factors affecting collectability. The sooner we get an account, the more successful we are for our clients and this is reflected in our rates”
Lisa Phillips, Director, ACS



The key to a healthy cash flow - Decisive and timely action

Increased business risk, more costs, and high rates of bad debt are the likely consequences of not acting decisively and in a timely fashion when chasing debt.

If you let your customers go beyond your terms, they will do so. Debtors will take as long to pay you as you allow them often paying ahead of you the suppliers who are firmer with them.

Ageing debts are the hidden cost in a business. The longer a debt remains unpaid the less likely it will be recovered - a 90 day old debt may have less than a 75% chance of being paid. In addition, the more time that passes the more costs you incur as for example staff are taken from other work to chase the debt.

If you are insistent on getting paid on time, and implement the consequences you have outlined, you are less likely to experience bad debt and enjoy a healthy cash flow.

Old debts are harder and more costly to collect - Why?

As a debt ages the cost and difficulty to recover it increases. The reasons for this include:

- Lost records/paperwork
- Staff departures
- Debtor changes address
- Debtor absconds
- Debtor files bankruptcy/insolvency



Improve business performance - Avoid these outcomes

Not acting early can have significant consequences for your business including,

- **Increased business risk**
The longer you leave it before taking action, the more risk you have that a struggling customer will go bust, or find an alternate supplier (so putting their account on stop will have less impact).
- **Large Overdraft/Less profit**
The longer your customers take to pay, the more reserves or external finance you will need, increasing your costs and reducing your profits.
- **Hard to break even**
The longer you leave it to take action, the more debt you will inevitably have to write off. Every penny written off is profit - if you operate on a 10% net margin, you have to sell 10 times the amount just to catch up.

Take control - Follow a robust credit control process

The message is clear, time is your enemy. Take control of your debt recovery. Make sure you have a robust credit control process in place, follow it strictly and pass delinquent accounts to your specialist recovery staff or agent for debt recovery promptly. Do this and you will benefit from lower costs, lower risk and an improved bank balance.

If you need assistance setting up a credit control process seek the advice of a professional credit control agency such as ACS. ACS offers a range of services to help you manage your debt and keep your cash flowing in the right direction. Services which can be outsourced include;

- Debt Recovery - No win, no fee, no risk for single and multiple debts.
- Cashflow management - Full credit control processes Strategy reviews. Staff training.
- Credit management programmes - Debt letters. Telephone campaigns.
- Utility services - Disconnections. COT Verification. Meter investigation. Site visits.

ACS provides outsourced solutions and ad-hoc collection of single and multiple debts for clients from all sectors. If you would like to find out more about ACS and how its services can be integrated with your in-house processes to support your credit control call or email Lisa Phillips at the address below.

For more information

Visit www.advancedcollection.co.uk

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