



VERITAS

Know Your Customer

A Veritas Inside Guide

Truth | Tenacity | Teamwork



Know Your Customer

“Know Your Customer” (KYC) is the mantra of all professional credit managers.

Yet it is a widely misunderstood concept that goes far beyond the standard checklist below:

- Company registration number
- Registered name and address
- Company trading name and full address
- Invoice address (if different)
- Contact details (telephone and fax numbers, email address)
- Directors' names
- Company letterhead (containing the registration number)
- The amount of credit requested and payment terms

Beyond the checklist

It is logical that the more you know about your customers and the industry that they operate in, the more effective your credit management will be. In fact, today more than ever KYC is being viewed as a critical component of an organisation's risk management framework.

It pays to obtain as much information as possible before you extend credit.

When taking on a new customer, before you even open the account, it is important to ensure that they complete a credit application form and sign your terms and conditions.

If your sales team meets with the customer, why not talk to them to find out more about the company and its staff?

It is worthwhile getting to grips with the nature of the business, its processes and the inflows/outflows into the accounts. Establish if there are any special billing procedures in place such as EDI billing, electronic invoices in pdf format, self-billing arrangements, etc.

Make sure you have a personal go-to contact in accounts payable and start a dialogue with the key person who will authorise your invoices. Remember that for sole traders, you will have to obtain the names and addresses for the individuals and obtain their prior permission to carry out a credit check.

Also, make sure that you are complying with UK and international legislation such as the Money Laundering Regulations.

Check Your Customer

We always recommend that you obtain a credit status report on all new customers, particularly if you need to turn the credit application around within a tight deadline.

A good credit report will give you background and financial information as well as a credit rating and recommended credit limit. Check that there are no CCJs on record, and that there has been no other significant adverse information recorded.

Once you have completed the credit checking exercise, always establish payment terms and set a credit limit and confirm these in writing to the customer.

Next Steps

Monitor the media for information about your customers and their industry sectors. Be aware of changes, both positive and negative, that may impact on your customers and be prepared to manage that change in your own business. The good news is that there's a wealth of information available at no cost - so do feel free to use it!

For those dealing in export markets, you not only have to manage the customer risk but also economic risk (aka country risk). The recent economic problems have shown that Governments may take steps that prevent even the most stable businesses paying their accounts to terms.

When dealing with overseas customers, make sure that you are trading on terms that reflect the level of risk that your company is taking by using secure payment terms where appropriate.

Most credit reporting agencies enable you to monitor your customers, providing updates when any key information changes. At least you should run a new credit status report on an annual basis and revise the credit limits or terms if necessary.

Review credit limits and payment terms in the light of any new information, good or bad. And keep all your records up to date.

Finally, make sure that the information held on your system and shown on your invoices is accurate. That means invoicing the right legal entity (not just a trading style), otherwise you may have problems if you need to take action at a later date.

All of which goes to show that care taken upfront with KYC protects your business, promotes a positive credit culture and provides improved performance.





VERITAS



Contact Us

Call

Please call our team and talk confidentially and informally to one of our expert advisers about your requirements and objectives.

Phone: 0330 223 2525

Alternatively, email us at

contact@veritascs.co.uk

Meet & Plan

Built from years of working closely with businesses, our unique planning process will ask the key questions to chart where you are now, your desired destination, and your route to getting there.

All discussions are in complete confidence and without obligation.

Head Office:

Ground Floor, Suite F, Breakspear Park,
Breakspear Way, Hemel Hempstead HP2 4TZ

North West Office:

53 King Street, Manchester M2 4LQ

Veritas Commercial Services is a trading style of The Quartz Partnership Limited, Company Number 06613710, registered in England and Wales. Authorised by the Financial Conduct Authority, Authorisation Number 679409.

www.veritascs.co.uk

© Veritas Commercial Services 2016