



VERITAS

Warning Signs & Difficult Customers

A Veritas Inside Guide

Truth | Tenacity | Teamwork

Spotting the Warning Signs

There are a number of clear warning signs that a customer is experiencing difficulties. The key indicators that there is something wrong include:

- Avoiding calls or calls constantly diverting to voicemail
- Ignoring letters
- Not sending promised payments
- Stopped cheques or post-dated cheques
- Defaulting on repayment plans
- Undisputed balances outstanding beyond terms
- Credit card payments are denied or charged back
- Asking for extended payment terms
- Making partial payments
- Claiming they cannot pay you until they receive payments from their customers
- Spurious queries
- Frequent changes of staff or directors

One key indicator of a distressed company is a change in payment patterns. If you observe this (typically accounts that always paid on or close to due date) you should take immediate action.

Obtain a credit status report, ask the sales team to visit (or visit yourself) and encourage the customer to be open with you as regards their situation so that you can support them.

Consider reducing the credit limit to reduce your company's exposure or stop supplies.

If the customer genuinely 'can't pay' (as opposed to 'won't pay') then you may decide to agree a repayment plan. This should include statutory interest and costs, defined payment dates for instalments and be confirmed in writing. You should also make it clear to the customer that in the event that they fail to adhere to the agreement you reserve the right to demand full payment of the amount due.

Try to obtain a written confirmation of the agreement from the customer. The best repayment plans have weekly instalments paid by standing order and are for no longer than 12 weeks. This means that you are alerted to any default at an early stage, as well as quickly reducing the outstanding balance.

Whilst you may want to show support as a business partner, you must assert the fact that the payment is overdue and that you expect to be paid on time, every time. You must minimise your risk at all costs so, if it is commercially viable, recommend to your finance director and sales team that the account is put on stop!

Summary

- Know your customer's habits
- Act immediately if anything changes
- Deal with repayment plan defaults as soon as they arise
- Stop supply to limit your risk

Dealing with Difficult Customers

It is easy to spot the difficult customer – the one with the most excuses.

The difficult customer blames everything, from the computer to the economy, for not paying their account. They give any excuses or even claim that they do not owe anything.

Always adopt a cool, professional attitude and make sure you are talking to the decision maker. Remember, you have delivered the goods or supplied the service and you have a right to expect payment.

Never allow things to become personal. Never be sarcastic or abusive but be assertive and show that you are committed to achieving your goal.

Control the conversation – keep it focused on the business at hand. Don't be side-tracked by excuses. Your sole objective is to collect what is owed. Accept nothing less!

Ask questions. The more you ask, the faster you will get to the truth. When customers make up reasons for not paying they are always hoping that you will accept what they are telling you at face value. The longer you continue the conversation, the harder it will be for them to continue to invent reasons for not paying you. Eventually they will decide that you are determined and that it is easier to pay the account than continue to try to avoid payment. Ultimately, you will establish the real reason for non-payment and will be able to deal with that in the appropriate manner.

Where possible escalate the issue to somebody more senior within their organisation and confirm your discussions with the customer by email.

Avoid being drawn into heated arguments or lengthy correspondence and never make a statement of action if you're not prepared to follow it through, such as taking legal proceedings.

Advise the customer of the further action that will be taken should the account remain unpaid and ensure that they fully understand the implications and costs of any further action to them as a business.

Summary

- Don't make it personal
- Keep focused on your objective
- Keep asking questions to get to the real issue
- Be prepared to escalate the matter





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.

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