



Managing Cashflow Guides

1. Knowing your customer



Cashflow is critical to business survival but all too often the day-to-day challenge of running a business, particularly a smaller business, can mean losing sight of some of the skills for successful cashflow management. This series of guides, developed in partnership with the Institute of Credit Management, is part of a series of initiatives providing practical support to help businesses help themselves through these difficult times. They are designed to provide straightforward and speedy advice with simple checklists and top tips. I hope you find them useful.

Peter Mandelson
Secretary of State for Business

Unless you know exactly who you're trading with, you won't be able to check if they are good for the amount of credit you need to grant, you won't be able to invoice them correctly, and you won't be able to commence legal action effectively if it becomes necessary.

Can you answer yes to all these questions?

- Do you know the exact name and trading style of the business? The people or company that own the business, and are liable for any debts, may not be the same as the name under which the business trades. Types of business include, amongst others, limited companies, partnerships and sole proprietors.
- If it's not a limited company do you know the name(s) and personal address(es) of the proprietor or partners?
- Have you seen headed paper or documentation that verifies this information?
- Have you used a credit reference agency to check their details and credit status?
- Does the information support the amount of credit they'll need? There are many sources of information, the most common and readily available being credit agency reports and references.
- Have you talked to other suppliers of the business to obtain references?
- Do the details on the order match those you were given earlier?
- If they were previously dealing with your competitor, are you happy about their reasons for coming to you?

Five Top Tips



- 1.** Check out the exact name and legal status of the business you're supplying. If it's a sole trader or partnership, the proprietor or partners are personally liable so make sure you have their full details. Businesses can disappear much more quickly and easily than individuals!
For limited companies you can undertake a free check on a limited company's basic details using the Companies House [WebCheck service](#).
- 2.** Don't be afraid to push for all the information you need – if you can't get it now, it will be far more difficult later.
- 3.** Watch out for 'friendly' references that the potential customer gives you. References that you choose are far more effective.
- 4.** Invest in credit reference information – it could save you a bad debt.
- 5.** Set some rules that you (and all your employees) always follow and don't be tempted to break them, even if you're put under pressure to supply urgently.

The Guides in this series:

1. Knowing your customer
2. Payment terms
3. Invoicing
4. Treating suppliers fairly
5. Credit insurance
6. Factoring and financing options
7. Chasing payment
8. When cash runs short
9. When all else fails
10. When your customer goes bust



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For tips on getting paid and advice on best practice in credit management, call the Institute of Credit Management on **01780 722 911** email **tech@icm.org.uk** or visit **www.creditmanagement.org.uk**

For further information and advice on starting up, running and growing a business, call Business Link on **0845 600 9006** or visit **www.businesslink.gov.uk**



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