

Scaling the mountain of debtors

Tackle outstanding debts as early as possible, writes solicitor James Seymour.

Cash flow has never been as important for small businesses. The economy is on the up but the legal profession is now hugely engaged in debt recovery because of demand from businesses to collect outstanding monies due to them. Until the books are balanced, many companies remain in belt-tightening mode. Smaller businesses and sole traders are often low down in the pecking order for payment due to the Revenue Commissioners, secured creditors and employees taking priority in the payment scale.

This somewhat unfair pecking order continues to mean that many businesses have to write off debts owed to them- an unfair result particularly because the write off could result in the business also failing. Try and collect outstanding debts before you resort to sending a solicitor's letter to a customer- the landing of that envelope from a law firm often signals the end of the relationship with that customer.

Follow these top three tips to maximise debt recovery in your business before resorting to legal action:

1. When dealing with a limited liability company, always ensure that one or more of the directors of that company signed a personal guarantee for the company's debts

when opening an account with your business. This will focus the minds of the directors to deal with the debt because they will have a personal interest in ensuring that it is paid.

2. Nominate someone in your business to deal with outstanding invoices. Often a debtor will try to deal solely with the person in your business providing the service to them and it can be awkward for that person to raise the issue of the outstanding debt. By tasking one person in your business with chasing up invoices, it allows for their collection to be centralised and focused.

3. Never engage verbally with a debtor who is abusive. Try and keep your cool. If the debtor continues to be abusive, hire a solicitor. Abusive debtors only cause you stress and take up time which could be better spent on your actual business.

There are plenty of businesses out there who just won't pay unless the case reaches the steps of the court. If you have a suspicion that an outstanding debtor will likely lead to court proceedings, seek legal advice as early as possible.



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