

Basic Credit Control Checklist for SME's

By following this checklist, SME's can effectively manage credit risk, improve cash flow, and maintain healthy financial stability in their operations.

1. Establish Clear Credit Policies: ▪ Define credit terms, including payment deadlines, credit limits, and acceptable payment methods.
2. Perform Credit Checks: ▪ Conduct thorough credit checks on new customers before extending credit terms. ▪ Utilize credit reference agencies to assess the creditworthiness of potential clients.
3. Set Credit Limits: ▪ Determine appropriate credit limits for each customer based on their financial stability and payment history.
4. Communicate Credit Terms: ▪ Clearly communicate credit terms to customers before providing goods or services. ▪ Ensure that customers understand their payment obligations and consequences of late payments.
5. Issue Invoices Promptly: ▪ Issue invoices promptly upon delivering goods or completing services. ▪ Include clear payment terms, due dates, and payment instructions on invoices.
6. Follow Up on Overdue Payments: ▪ Monitor payment deadlines closely and follow up promptly on overdue invoices. ▪ Implement a structured process for chasing late payments, including reminder letters, emails, and phone calls.
7. Offer Payment Incentives: ▪ Encourage timely payments by offering early payment discounts or other incentives. ▪ Clearly communicate any incentives or discounts available to customers.
8. Implement Credit Control Software: ▪ Invest in software to streamline invoicing, payment tracking, and credit management processes. ▪ Leverage automation to send payment reminders and monitor payment statuses efficiently.
9. Negotiate Payment Plans: ▪ Be open to negotiating payment plans with customers experiencing financial difficulties. ▪ Work collaboratively to find mutually acceptable solutions for managing outstanding debts.
10. Review and Analyse Credit Performance: ▪ Regularly review credit performance metrics, such as average debtor days and bad debt ratios. ▪ Analyse trends and identify areas for improvement in credit control processes.
11. Educate Staff on Credit Control Procedures: ▪ Ensure that staff members involved in credit control are trained on company credit policies and procedures. ▪ Empower staff to effectively communicate with customers regarding payment issues.
12. Seek Professional Advice When Needed: ▪ Seek professional advice from credit control experts or financial advisors when faced with complex credit management challenges. ▪ Stay informed about changes in regulations and best practices related to credit control in the UK.