



**Midland Credit Control**

# **Credit Control**

**FACTSHEET**



## What is Credit Control?

Credit Control is a system used to ensure that credit is extended to credit worthy customers. This function helps a company to maintain a healthy cash flow. Credit control consists of - credit limit approval, dispatch approvals as well as a collection process.

Credit Control can be a function that is carried out in house or outsourced to an external provider.

## When gaining a new customer.

Gaining new customers is the life blood of a business but if they fail to pay then a company's cash flow is at risk which could ultimately spell the end for the business. It's important to check each new customer rigorously in order to confidently grant the correct amount of credit.

Points to consider:

- It is important to get to know your customer before offering them credit.
- The exact name of the customer and the trading address including a company registration number (if a limited company).
- Names and personal addresses of the proprietors' if their business is unincorporated.
- Complete a credit check using a company such as Creditsafe or Experian.

Before you provide goods or services to any customer make sure you address the following:

- Discuss and agree payment terms with the customer before accepting the order.
- Agree the terms in writing by the customer signing a credit application form.
- If there is a gap between customer and supplier payment terms, consider whether finance is available to bridge the gap and whether there is enough profit to warrant extended terms.
- Have a standard policy in place to ensure that payment terms cannot be altered without appropriate authorisation.

After you have provided goods or services to a customer ensure that you:

- Raise invoices promptly and accurately.
- Have a process for chasing invoices.
- Have a process for dealing with disputes should they arise.

## In-house or Outsourced?

Successful credit control requires dedication, perseverance and know-how to support and retain best practice for all transactions.

Many smaller companies see credit control as a role that they can do themselves. This can work in the short term when there are only a few invoices being raised. However, once the order book starts to fill up it becomes increasingly difficult to keep on top of everything. This is the point where businesses should consider using an outsourced credit control company.

For larger companies who have more substantial credit control teams in place, similar issues can arise with recruiting and retaining the right personnel. Running a credit control team will bring a cost to the business and it is worth weighing up this cost against the costs involved in outsourcing this function.

## Benefits to outsourcing to Midland Credit Control

One of the main concerns of outsourcing is how to ensure that there is a balance during the chasing process. One of our customers recently said

*MCC achieve the right balance of dealing with day to day operations and the escalation of more key issues to relevant individuals. The service they provide is not intrusive but retains the ability to convey the key messages to management.*

*The benefits of working with MCC yield very tangible results, with timely cash collection, tidier sales ledgers and regular reporting of key issues giving peace of mind over credit control within our business. The benefits of outsourcing to a bespoke credit control function were apparent in a very short space of time both in terms of the quality of service and freeing up capacity within the business.*

Outsourcing to Midland Credit Control is beneficial as we have staff working on your behalf, seamlessly as part of your business without you having the concern of paying for staff absences, recruitment or training.