



DebtcolTM
Intelligent Debt Collection

The process of Knowing Your Customer



A Guidance Paper by  Debtcol
Intelligent and cost-effective debt collection

The process of Knowing Your Customer

An overview

In this guide we are providing advice on 'Knowing Your Customer' including Legal Status of your customer/client, Credit Limits, References and Credit Account Applications

Legal Status of your customer/client

- It is vitally important that you know the exact name and legal status of the business you are supplying.
- Types of business include, amongst others, limited companies, partnerships and sole proprietors. The people or company that own the business and are liable for payment may not be the same as the name under which the business trades.
- If your customer is not a limited company and is a sole trader or partnership, make sure you have the full names and addresses of all those involved.

Credit Limits

- It is essential to check your customer's creditworthiness before you start supplying. It is important that information you obtain supports the level of credit your customer is requesting.
- There are many sources of information, the most common and readily available being credit agency reports. However, the information provided by credit reference agencies is historic and sometimes can be inaccurate. Whilst credit reports are a useful tool, do not automatically assume the information reflects the "true position" of your customer's financial position. Make your own judgment!
- If your customer was previously dealing with a competitor, are you happy about their reasons for seeking a credit account with you? Is it because they have reached their existing credit limits or even been refused further credit?
- If you are unsure of a limited company's ability to pay, consider if you should seek personal guarantees from the directors and if so, will the personal guarantees provide the security you need?
- It is vital that you continue to monitor your customer's credit levels. Watch out for late payments, excessive queries and unexplained changes in order numbers or a customer failing to respond to telephone calls/correspondence.

References

- Request and take up references. However, watch out for 'friendly' references that your customer may provide.
- Contact each reference directly and learn as much as you can about the experiences they have had with the customer, find out if there were any problems or delay in being paid. This information

will help you build a credibility profile for your customer which will help you determine whether or not you want to do business with them and the level of credit you are prepared to offer.

- You may also be able to obtain bank references. Of all the references a business may provide you, none of them are as important or as telling as a banking reference. Since every business has a bank account, checking their standing with their bank will give you a good idea of your customer's ability to pay.

Credit Account Applications

- Always ask your customers to complete a credit account application form to make sure you obtain all the information you need to enable you to make an informed decision about whether to grant a credit account and if so, the level of credit offered.
- Do not be afraid to ask for all the information you need and if you are unhappy about any of the information supplied, seek the reassurance and evidence you require.



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This document explains the relevant position only in general terms and omits details less commonly experienced for the sake of brevity. It is not intended to be used as formal advice about your actual situation, for which you should consult us specifically and not rely upon this document.

Debtcol would be pleased to advise you formally and you should contact Paul Davies (Director) to arrange this by calling 01489 550 496.

Debtcol regrets it is unable to accept any responsibility to anybody who seeks to rely on this document.

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