GetPaid

EDITION 1

10 Essential Cash-Changing Tips

Give your business the cash it has already earned

PRACTICAL CREDIT CONTROL FOR UK SMALL BUSINESSES

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xero CONNECTED APP

INTRODUCTION

Cash is the oxygen of your business

Cash is what keeps a business breathing. Without it, even a busy, profitable company suffocates. Yet cash management is often pushed to the sidelines, overshadowed by more glamorous numbers such as sales growth and profit margins.

Profit matters, but on its own it is a promise. Cash is real: it pays wages, suppliers and the rent, and it keeps the wheels turning every single day. Profit looks good on paper; cash is what you can actually spend.

So why does cash get so little attention? Because chasing invoices is less exciting than winning new work. In the rush to grow, monitoring and collecting cash becomes a job for “later”. Yet sound cash management is the foundation of financial stability, and neglecting it is one of the quickest ways to put a good business at risk.

In this guide I share ten practical tips, drawn from years of experience in credit management, to help you get paid for the work you have already done. Each tip starts with a short, everyday story, explains the problem behind it and shows what to do about it.

> **Don’t be blinded by revenue and profit. Cash is the real trophy.**
>
> Oliver Stich, Founder, BizzCtrl Ltd

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General information only – not legal, financial or tax advice.

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CHAPTER 1

The basics

Before overhauling your accounts receivable process, make sure the basics are solid. Define clear roles and responsibilities, and give people the time to carry them out. Equip your team with the right tools, such as accounting software and a CRM, and agree a defined way of using them.

Review your terms and conditions regularly so they reflect current practice and the law. Set specific targets for reducing unpaid invoices and review them regularly. Check whether your team needs training, and whether the people talking to customers about overdue invoices have the right skills for these sensitive conversations. Time spent on these foundations pays for itself many times over.

TIP 01	Set a target
TIP 02	Agree responsibilities
TIP 03	Automate and simplify

TIP 01

Set a target

> When Will needs to meet his bank manager to extend his credit line, he reviews his receivables. Will is good at contacting customers about overdue bills, and he builds a positive story around a few big invoices that got paid. A few weeks later, however, the overdue balance is back where it was, and Will feels deflated: despite all his effort, he is treading water.

THE PROBLEM

Will is driven by the need to satisfy the bank rather than by targets of his own. He has got used to a certain level of unpaid invoices, and with no target, any amount that doesn't disrupt day-to-day operations seems fine. In reality, he is starving his business of the cash it needs.

THE SOLUTION

Set a target and put an action plan behind it. Start by understanding two things: the best possible position and where you are today. Rather than trying to reach the best possible level in one step, set an achievable target for the next three months. It is more manageable, and reaching it gives you the motivation for the next step.

HOW TO CALCULATE THE TARGET

With payment terms of 30 days, every invoice should be paid 30 days after the invoice date. The best possible level is therefore 0 days overdue (£0 overdue). That may be too ambitious at first, and something like 5 days overdue on average can be a more realistic target. If your invoices are currently paid 90 days late on average, aim for 60 days within three months, then for 30 days in the three months after that.

WHAT WILL HAPPEN

A target singles out the invoices that need attention: you get a clear list of what to deal with to reach it. You will start thinking about proactive measures, such as automating reminders, and the task becomes smaller each quarter. Most importantly, you will feel back in control of your business. And perhaps Will won't need to see his bank manager at all.

Quick win

- Run an aged receivables report today and note your average days overdue.
- Set a realistic three-month target and put the review date in your diary.

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TIP 02

Agree responsibilities

> Roger and his son Craig run a small business that sells, installs and maintains alarm systems; Roger's sister Julia works in the back office. Roger founded the business, and over the years Craig became co-owner and director. The business grew, but while Roger and Craig focused on customers, receivables piled up. Whenever Julia wanted to call a customer, Roger said "I'll do it" but rarely found the time. Craig, an engineer in the field, only had time at weekends, when the office was closed. Julia felt she couldn't do her job. Almost half of their annual turnover was overdue.

THE PROBLEM

All three wanted the business to succeed, and each had their own expertise. But they had never sat down and agreed who was responsible for what in receivables management. All three saw it as somehow their job, none of them had the time to do it, and mixed ownership and seniority made it worse.

THE SOLUTION

Everyone involved in the process, or affected by its financial consequences, should agree the answers to two questions:

1. Who is responsible for which part of the process, from preparing the basics to getting professional help?
2. Who makes the decision on any escalation, for example a customer call, professional help or a write-off?

Then agree the time needed. Does the back-office person actually have time for receivables management, or are more resources or outsourcing the answer? Many accountants now offer outsourced credit control. A decision threshold helps: for example, everything up to a set amount is decided in the back office, and anything above it by the owner in a scheduled weekly meeting.

HOW TO ALLOCATE RESPONSIBILITY

The key questions are availability and capability: without time to run the process, professional receivables management is hardly possible, although automation and experience help a great deal (see Tip 3). For decisions, a good rule of thumb is about 80% at admin level and 20% at manager level: of 10 escalation calls, around 8 are decided within the process (based on criteria such as amount and customer sensitivity) and 2 by the manager. Review these decisions from time to time, adjust the threshold, and write down what has been agreed so that it is crystal clear to everyone.

WHAT WILL HAPPEN

With clear responsibilities, decisions are faster, customers are chased, cash comes in and there are fewer problem cases. Frustration turns into satisfaction and the atmosphere in the office improves. Roger, Craig and Julia agreed their process and decision responsibilities, and they are far more relaxed about running the business.

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TIP 03

Automate and simplify

> Pete writes all his invoices himself. He tries to remember the work he has done and notes the materials in his well-used black notebook. Printing invoices and addressing envelopes isn't a big deal, but taking the letters to the post office is a pain, so he combines it with a trip to the petrol station later in the week. When a customer doesn't pay, Pete writes a reminder over the weekend and posts it during his Friday shopping. Shortly afterwards he goes on a two-week holiday. Back in the office, so much needs dealing with that he forgets the unpaid invoice completely. When his accountant mentions it two months later, Pete feels guilty and wonders whether it is his own fault that he hasn't been paid.

THE PROBLEM

Pete's process is entirely manual and needs a lot of discipline and time. That was normal years ago, but Pete has never looked for anything that could make his life easier. As a result he is always a little behind, and the moment something gets in the way, the invoice is forgotten.

THE SOLUTION

Map out every step of your invoicing process, review it and find ways to automate and simplify it. This is not about replacing everything at once but about continuous improvement: focus on a different part of the process every other week, make one improvement, and once it works, move on to the next. Review the whole process every 6 to 12 months.

WHAT TO ADDRESS

Start with the basics: set up your products and services in your accounting software (for example Xero), copy and adapt existing invoices instead of starting from scratch, and send invoices by email. Switch on automatic invoice reminders (see Tip 9). And where your own efforts have not worked, connect to professional help early, for example GetPaid from the Xero App Store, so that unpaid invoices can be passed on for collection straight away.

WHAT WILL CHANGE

You will save time and cost, invoices will be paid earlier and your cash flow will improve. The time you free up can go into other parts of the business. Getting professional help where your own process hasn't produced payment saves even more time and reduces write-offs. Overall, business life becomes much less stressful.

Quick win

- Pick the one step in your invoicing process you dread most and improve it this fortnight.
- Email every invoice on the day the work is finished.

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CHAPTER 2

Before you invoice

Most late payments start before the invoice is even sent. Clear terms, complete customer data, the right contract clauses and a confirmed order remove most of the reasons a customer can give for not paying.

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TIP 04

Put your T&Cs to work

> Fred's company supplies restaurants and hotels with equipment for parties and events: tents, tables, chairs and more. When Fred quotes for a job, he usually writes "payment terms: 7 days" and gets paid on time. One customer, however, replied with their own order confirmation and 30-day payment terms, which Fred didn't notice. When he sent his invoice and expected payment within 7 days, he was told the agreed terms were 30 days. He was surprised, until he saw that the customer had attached their own terms and conditions.

THE PROBLEM

First, Fred decided he doesn't need T&Cs. Second, he didn't know that when both sides exchange their own terms, the set sent last before the order is accepted or the work starts will often win (lawyers call this the "battle of the forms"). The customer's terms replaced his 7-day payment term without him realising.

THE SOLUTION

T&Cs do many jobs and form the basis of your contracts with customers; here we focus on invoicing and receivables. Set out clearly what you expect: payment terms, what happens if payment is late (reminders, interest, compensation and, if necessary, the use of a collection service) and how disputes are handled. Treat business customers and consumers differently, with separate clauses for each (see "The law in brief").

The law in brief (England and Wales)

- Business customers: the Late Payment of Commercial Debts (Interest) Act 1998 generally lets you claim statutory interest of 8% a year above the Bank of England base rate on late payments, even if your terms don't mention it.
- On top of interest you can claim a fixed compensation sum per invoice: £40 for debts under £1,000, £70 for £1,000 to £9,999.99 and £100 for £10,000 or more. If your reasonable recovery costs are higher, you can also claim the difference.
- If no payment date is agreed, payment is generally late 30 days after the customer receives the invoice or the goods or service, whichever is later. Agreed terms between businesses should normally be no more than 60 days; a longer period must be expressly agreed and not grossly unfair to the supplier.
- If your contract sets its own late-payment interest rate, that rate generally applies instead of the statutory one, but only if it is a "substantial remedy"; a token rate can be set aside. So only include one if you mean it.
- Consumers: the Act does not apply. In general you can charge consumers interest or collection costs only if your T&Cs say so clearly and the charges are fair (Consumer Rights Act 2015).
- The Act applies across the UK, but court procedures and some other rules differ in Scotland and Northern Ireland.

Sources: legislation.gov.uk (Late Payment of Commercial Debts (Interest) Act 1998; Consumer Rights Act 2015) and gov.uk, "Late commercial payments: charging interest and debt recovery". General information only, not legal advice.

WHAT SHOULD BE DONE

First, make sure you have T&Cs. Templates are available from organisations such as the British Chambers of Commerce and from legal websites, but have them checked for your business. State your payment terms clearly, along with the consequences of not paying on time. If a customer sends their own terms, or challenges yours, reconfirm your terms in writing before you start the work and resolve any differences.

WHAT WILL HAPPEN

Clear terms make collection faster and cheaper: with business customers, the law generally lets you claim interest, a fixed compensation sum and, in some cases, further reasonable recovery costs from the late payer. They also create transparency. When customers know the consequences of late payment from the start, any later action is seen as fair and reasonable, and your reputation as an honourable business stays intact.

TIP 05

Keep customer data complete and current

> Janet runs a thriving start-up making high-end curtains for family homes. Most of her clients come through referrals, and her customer database is a mixed bag: sometimes an address, sometimes just a first name, sometimes only an email address. Invoicing works, but it is always a struggle. Some invoices have to go by post, and now and then she has to go back to the person who referred a customer to find their details. In one case the customer had moved house, and with no other contact details Janet simply couldn't reach them.

THE PROBLEM

There are two problems. First, customer data is incomplete from the start, which leaves few ways to contact or check a customer. Second, contact details change: people move house, change jobs, email addresses and phone numbers, so records go out of date.

THE SOLUTION

Fixing this takes a little discipline. When you take on a new customer, record a complete set of data: full name or registered company name, address, email address and phone number. Check that your contact is actually the person who approves and pays the invoice, because not everyone who places an order is allowed to pay. Note an alternative contact if possible. Then, every time you speak to a customer, take a moment to confirm their details are still up to date, simply by asking or by reading them back.

Where your customers are individuals or sole traders, this is personal data. Under UK GDPR, collect only what you need, keep it accurate and secure, and explain in a privacy notice how you use it.

WHAT WILL HAPPEN

You get an efficient process that can be automated, from emailed invoices to automatic reminders and, if it ever comes to it, collection. And if something changes at the last minute, there is always a second route: if the address has changed, the email or phone number may still work. That gives you a real sense of control over your business and your cash.

General information only – not legal, financial or tax advice.

TIP 06

Use a retention of title clause

> Florence sold three antique dining tables, each with six beautifully restored chairs, to a customer who had just opened a French restaurant. She sent her invoice and heard nothing. Three reminders later, still nothing. So Florence drove to the restaurant to speak to the owner, who explained that business was slow and it would take a long time to find the money. Florence's instinct was to take her furniture back, so she called her lawyer. The lawyer checked her terms and conditions: without a retention of title clause, ownership of the furniture had passed to the restaurant owner on delivery, whether he had paid or not.

THE PROBLEM

Without the right clause, handing over the goods and getting paid are two separate matters. Ownership usually passes to the customer when the sale is agreed or on delivery, whether or not they have paid. If the customer doesn't pay, Florence is left with an unpaid invoice and no right to her furniture.

THE SOLUTION

Include a retention of title clause in your T&Cs, for example: "Ownership of the goods remains with the seller until the price has been paid in full." With such a clause, agreed as part of the contract before the sale, Florence would have had a good chance of reclaiming her furniture. The clause also gives customers a strong reason to pay. Have the wording checked by a solicitor, as it generally only protects goods that can still be identified and have not been sold on or become part of something else.

WHAT WILL HAPPEN

Two things. First, customers are encouraged to pay promptly, knowing they could lose goods they rely on. Second, if a customer becomes insolvent, goods covered by a valid clause still belong to you, so you can usually claim them back instead of queuing with the other unsecured creditors. If an administrator has been appointed, you will need their consent or the court's permission before you repossess.

General information only – not legal, financial or tax advice.

TIP 07

Confirm every order

> Henry asked Richard, a builder he had known for years, to install a new guest toilet. On site, Richard estimated the cost at around £1,200 and sent the figure to Henry by text. While Richard was there, Henry's wife Vera asked him to do a few extra jobs: fix some small problems in the upstairs bathroom and tile the new guest toilet. When the work was finished, Richard presented a bill for £1,950, including the extra work. Henry was shocked. The final amount was far higher than he had expected, he felt let down, and he threatened not to pay.

THE PROBLEM

Both learned the hard way how important a written order confirmation is. Had the scope, price and terms been agreed in advance, and every change confirmed, the misunderstanding and dispute could have been avoided.

THE SOLUTION

Richard should have sent Henry a written order confirmation that accurately reflected what Henry had asked for. When Vera added work, Richard should have got her instructions in writing and confirmed the new price with Henry, ideally before starting the extra work, or at the very least as soon as possible afterwards. The invoice should then show clearly what was done and who asked for it. It might even have helped to go through the bill with Henry and Vera together.

WHAT TO EXPECT

In business, transparency and predictability are highly valued, and surprises, even justified ones, rarely go down well. If Richard and Henry had documented each step, Henry would have known in advance that the bill would be around £1,950. He would have been delighted with Richard's excellent workmanship, and Richard would have left with another happy customer, and his money.

Quick win

- Confirm every quote, order and change by email, even a one-line "as discussed".
- Show who requested each item of work on the invoice.

General information only – not legal, financial or tax advice.

TIP 08

Offer a discount for prompt payment

> Klaus, an architectural designer, felt undervalued. He had produced excellent drawings for a client's new extension, and the council had approved them. But his invoice was already four weeks overdue. Despite several reminders, it took six more weeks to get paid, and Klaus was left with a bad feeling in his stomach.

THE PROBLEM

Klaus had delivered everything that was required, but his client had other priorities, and paying on time wasn't one of them. This isn't necessarily deliberate, but it is inconvenient for Klaus, and it isn't fair.

THE SOLUTION

Give the customer a reason to pay early. In Germany this is common practice and called Skonto: a small discount on the invoice for paying within a short period.

HOW IT WORKS

Say Klaus needs £20,000 for a job. He invoices £20,619 on 30-day payment terms and states on the invoice that the customer may deduct 3% if they pay within 14 days, which brings the amount down to £20,000. A commercially minded customer will take it: saving 3% for paying 16 days early works out at around 70% a year, far more than any bank pays on deposits. If the customer doesn't pay early, they pay the full £20,619 by the due date, so Klaus earns the extra £619 either way. And if they pay after the due date, statutory interest and compensation can generally apply as well with business customers (see Tip 4).

Check the VAT

A prompt-payment discount only changes the VAT if the customer actually takes it. You can then adjust the VAT with a credit note. Without one, your invoice must show the discount terms and state that the customer can only recover the VAT actually paid. HMRC suggests: "A discount of X% of the full price applies if payment is made within Y days of the invoice date. No credit note will be issued. Following payment you must ensure you have only recovered the VAT actually paid." (HMRC VAT Notice 700, para 18.2.2.) Ask your accountant how best to set this up.

General information only – not legal, financial or tax advice.

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CHAPTER 3

The reminder phase

Most overdue invoices don’t need a personal letter, just a timely, polite reminder. Let your software do the routine work so that your time goes to the cases that really need it.

TIP 09 **Switch invoice reminders on**

TIP 09

Switch invoice reminders on

> Sharon, the hard-working office manager of a busy marketing agency, was drowning in unpaid invoices. Sending reminders by hand, her days blurred into a cycle of chasing payments. As the pile grew, she realised her manual approach was no longer sustainable: the business was short of cash, and she had lost track of who had been reminded and who had not. Personally it was even worse. She was losing sleep, saw no end to it, and began to think she was in the wrong job.

THE PROBLEM

Sharon spent far too much time on reminders that didn't need personalising and could have gone out on a standard schedule. That left less time for cases that needed real attention: a large unpaid invoice, an unresponsive customer or a credit check on a new customer. The repetitive work also led to mistakes and delays.

THE SOLUTION

Switch on your accounting software's automatic invoice reminders. In Xero, invoice reminders send emails to customers with overdue invoices on a schedule you choose. By default there are three, at 7, 14 and 21 days after the due date. The standard wording works, but it is worth softening the first reminder (assume an oversight) and making the third firmer by explaining that the next step is collection, which can mean extra costs for the customer.

EXCEPTIONS

You can exclude individual customers or invoices from reminders: for example a long-standing customer who always pays a few days late, or a disputed invoice that is already being dealt with. You can also edit the reminder texts, change the timings, and add or remove reminders.

WHAT TO EXPECT

Every overdue invoice now gets its reminders automatically, which takes a lot of work off your desk. Instead of writing reminders, you review the status of invoices. If payment hasn't arrived after the third reminder, it is time to consider professional help. And you can relax, knowing nothing important will slip through.

General information only – not legal, financial or tax advice.

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CHAPTER 4

Professional help

When reminders and phone calls haven't worked, every extra week makes an invoice harder to collect. Knowing your next step in advance turns a stressful decision into a routine one.

TIP 10 **Get professional help early**

TIP 10

Get professional help early

> Jeremy's team had just finished fitting a kitchen. The customer, Laura, was delighted: she tipped each of the fitters £50 and cooked them a stew on her new range cooker. Getting paid, however, turned into a problem. Jeremy sent his invoice and reminder emails, but no payment came. When he called, either nobody answered or he was told it wasn't a good time and they would call back, which never happened. A solicitor offered to send a letter, but it would cost money with no guarantee of payment. A debt collection agency quoted high fees and asked him to complete a complicated onboarding and upload all his documents himself, which he found overwhelming.

THE PROBLEM

Jeremy doesn't know what to do once his own options are exhausted. He knows the next step could be time-consuming and expensive, with no guarantee of success, and he hasn't found a simple solution that works with his accounting software, Xero.

THE SOLUTION

Connect GetPaid from the Xero App Store (search for "GetPaid" at apps.xero.com). GetPaid brings in your overdue invoices from Xero, so there is nothing to upload. Choose the invoices you need help with, get quotes from vetted collection partners and pick the service that suits you best. It takes just a few clicks. With business customers, the statutory interest and compensation described in Tip 4 can generally be claimed from the late payer.

WHAT TO EXPECT

Once you have given your instructions, you get the kind of professional and ethical service that large companies rely on. You can follow the status updates until the money arrives in your bank account, and get back to running your business.

Try it

GetPaid on the Xero App Store, with a free 30-day trial:

apps.xero.com/uk/app/getpaid

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NEXT STEPS

Want to talk it through?

If you'd like to see GetPaid in action, or have a quick question about any of these tips, get in touch. A demo is free and there is no obligation.

Website	**www.bizzctrl.com**
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Xero App Store	**apps.xero.com/uk/app/getpaid**

THE CASH-CHANGING TIPS SERIES

01	**10 Essential Cash-Changing Tips**
02	Build your credit control process
03	Know your customers
04	Invoices that get paid
05	T&Cs that protect your cash
06	Protect your cash flow
07	Chase overdue payments
08	Resolve disputes and finish strong

Important information

This guide contains general information about credit control and getting paid in the UK. It is not legal, financial, tax or other professional advice, and reading it does not create an adviser–client or any other professional relationship with BizzCtrl Ltd.

The law described is mainly that of England and Wales. Laws and official guidance change, and the rules can differ in Scotland and Northern Ireland. Every business is different, so please take independent professional advice on your own situation before acting on anything in this guide.

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