

"Reduce overdue in a business"

What is an Overdue in business?

According to the Business Dictionary, it is when a loan, bill of exchange, and other obligation remain unpaid past their due date. All financial arrangements become overdue one business day after their due date.

We need to make sure that we don't get an overdue on a loan so that we can continue to have borrowing power in the future. To continue to have these powers we have to find some ways to prevent or reduce overdue.

Like the phrase says "Prevention is better than cure" let's look at some ways to prevent this from ever happening. According to an article in simplybusiness.co.uk there are 7 easy things to remember.

1. Make your payment terms clear.
2. Automate your response.
3. Consider credit checks.
4. Offer incentives
5. Wield a big stick
6. Understand your clients
7. If all else fails have a backup.

But let's face even after all these. We will have some overdue. Figures from the FSB shows that around 77% of its members have suffered late payment at least once over the past year.

So it's much more Important to know how to reduce overdue.

1. Create a well-defined credit policy.
 - Your policy does, however, have to be clear about when you are willing to give credit, how much and who to, as well as when exactly you will consider a payment to be overdue. The most important thing is to stick to this policy's.
2. Always see the bigger picture:
 - Giving credit is as much a part of your business as getting orders; a profit on paper may quickly turn into a loss after you add to your costs the cost of financing your working capital, chasing up late payments, and absorbing non-payment. Think like a your someone's banker.
3. Don't make credit management secondary to sales:
 - Make sure the incentives you give to your sales team take credit into account and do not allow sales to overrule the people in charge of credit management.
4. Know your customer:
 - Get to know your customer's payment process and the systems they use, ensure your invoices are designed to fit into their way of working.
5. Know your rights:
 - The law gives you as a supplier the ability to charge interest on overdue payments; you can calculate this using an online tool hosted on Business Link. This is easier said than done, but it's still useful to clarify, in writing, that you reserve the right to charge interest. Some suppliers even do this automatically when debts become overdue, and invoice their customers for the additional interest right away. The point of this is rarely to actually receive the extra money, but rather to jolt customers into paying on time.