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Credit Vetting and Collections Process Checklist



Read this before you begin

Before you start working on your credit vetting and collections process with this checklist, read our article, [Make sure your clients pay up with financial management systems that work](#). This will give you the context you need to understand why a credit vetting and collections process is so important, and what you need to know before you begin.

We also explain all the key business terms you need to understand.

Introduction

Old Mutual supports business owners because of the important role they play in contributing to and fueling their country's economy.

This checklist is designed to assist you, the business owner, with the most critical function within your business: getting paid.

Use this checklist as a guide to place the following critical functions in place in your business:

1. Negotiate the best credit and debtor terms within your business

- a. Develop a plan to get clients to pay later.
- b. Develop a plan to ask suppliers to extend their payment terms.

2. Credit vet your customers

- a. Develop a plan to get clients to pay later.

3. Collect your cash

- a. Work with your accounts department to always invoice on time.
- b. Track who has and who hasn't paid you.
- c. Put a system in place to ensure you or your accountant follows up on late payments.
- d. Determine a process of when and how you will hand over bad debts to collections agencies.

4. Insure yourself

- a. Work with your broker to determine what coverage suits your business needs best.

Your checklist

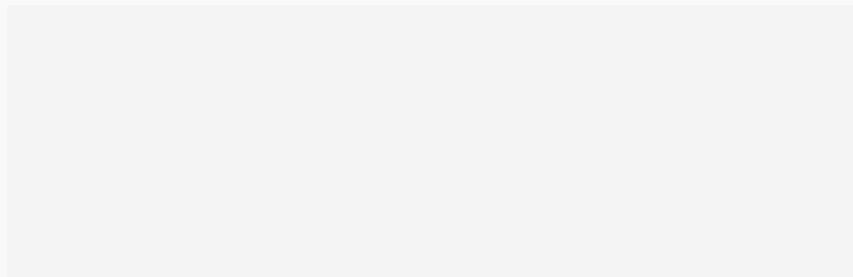
Step 1: Negotiate the best debtor and creditor payment terms for your business

Ideally, you want clients to pay you upfront, on delivery or at 30 days. On the other side, you want to pay your suppliers at 45 or 60 days.

a. Get clients to pay earlier

Consider offering an incentive for immediate payments, such as a 5% discount – or charge interest on extended payment terms. But be careful not to let the desire to be paid earlier cut into your profits.

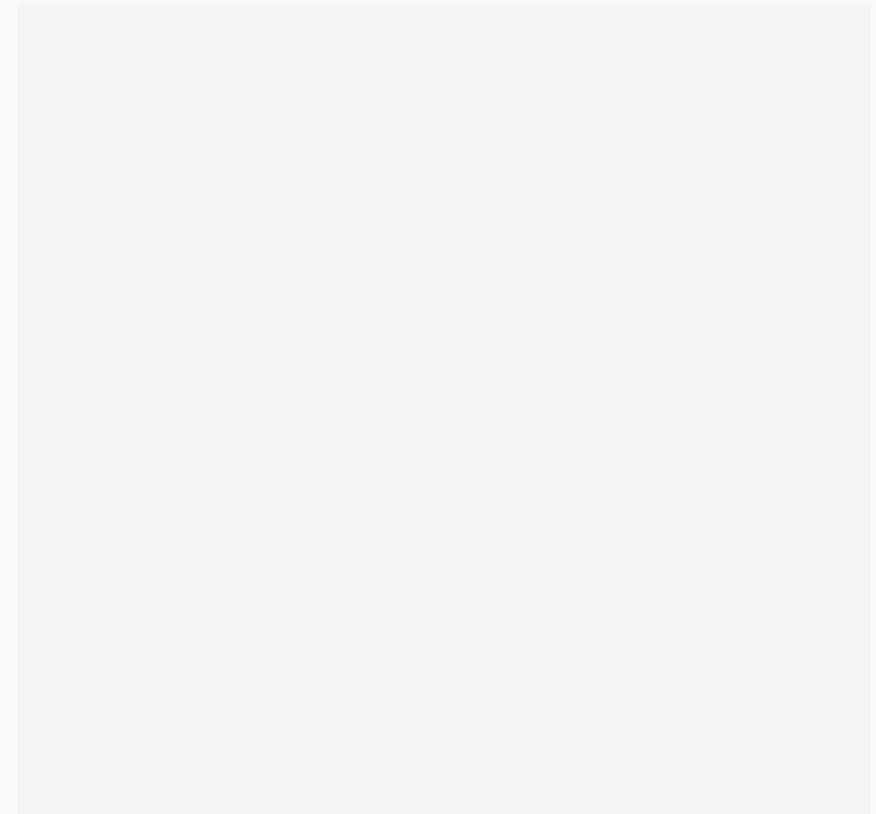
Outline your strategy to get clients to pay upfront on or before delivery, or to get paid soon after delivery below

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b. Get suppliers to agree to extended terms

Step one is asking the question. Step two is figuring out what it will take to get a yes. Some suppliers will agree if you give them your order book or agree on a barter system.

Outline your strategy to get suppliers to agree to extended terms below

A large, light gray rectangular box intended for users to type or paste their strategy for getting suppliers to agree to extended payment terms.

Step 2: Credit vet your customers

If you want a healthy, cash positive business, you need to ensure you'll get paid for the work you do before you begin doing it.

a. Require applications for credit

If a customer requests payment terms, require them to fill out a credit application form that requires signed consent by your customer for you to conduct a credit check on their business

b. Perform a credit check

A credit check allows you to gauge your client's track record on payments to other companies. This helps you to see how they have honoured their debts in the past as an indicator to how you might expect to be paid by them. Some of the biggest credit service companies in South Africa can help you check out potential clients. Visit [Transunion](#) and [Experian](#)

STEP 3: Collect your cash

A strong collections process is vital to a growing business's success, as it helps you to minimise issues with late-payers or worse, non-payers.

a. Invoice on time

The sooner your invoice reaches your client's accounts department, the higher on the list you will be when payments are made.

Outline your process below for correct and timeous invoicing

b. Employ a tracking system

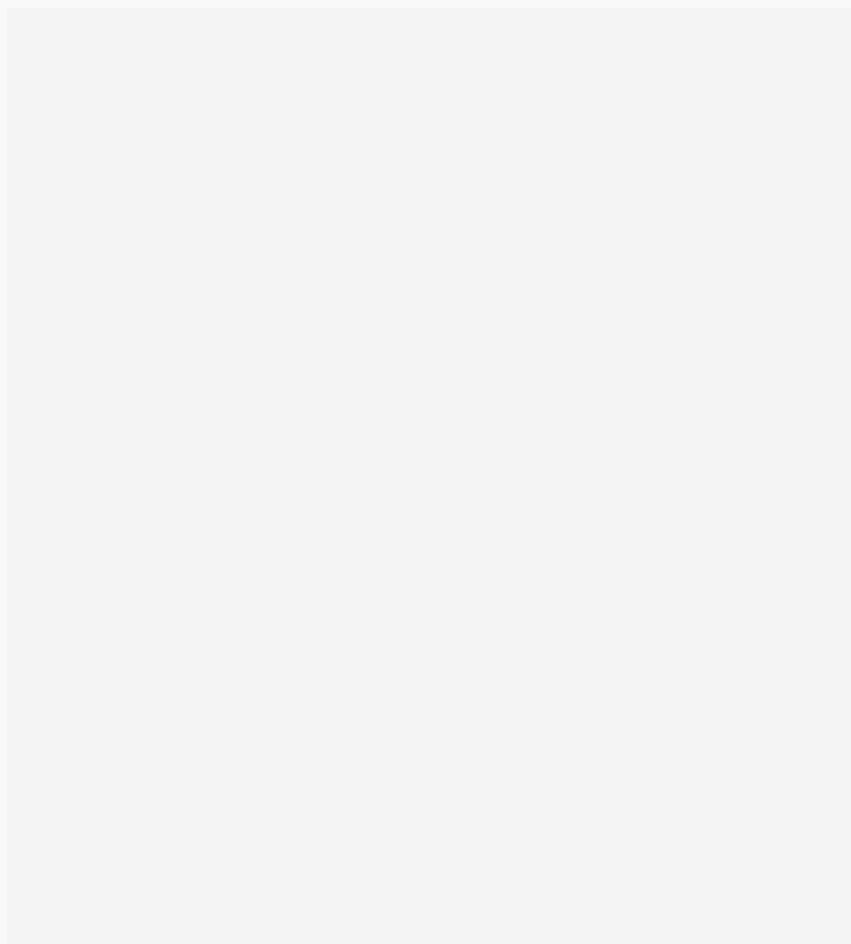
A good accounting software system ensures you're made aware of late payments before they can affect your bottom line.

List the tracking system process you will use to be alerted of late payments

c. Follow up on late payments

Chasing late payments keeps clients on their toes and ensures they avoid repeating the offence. Persistence is key.

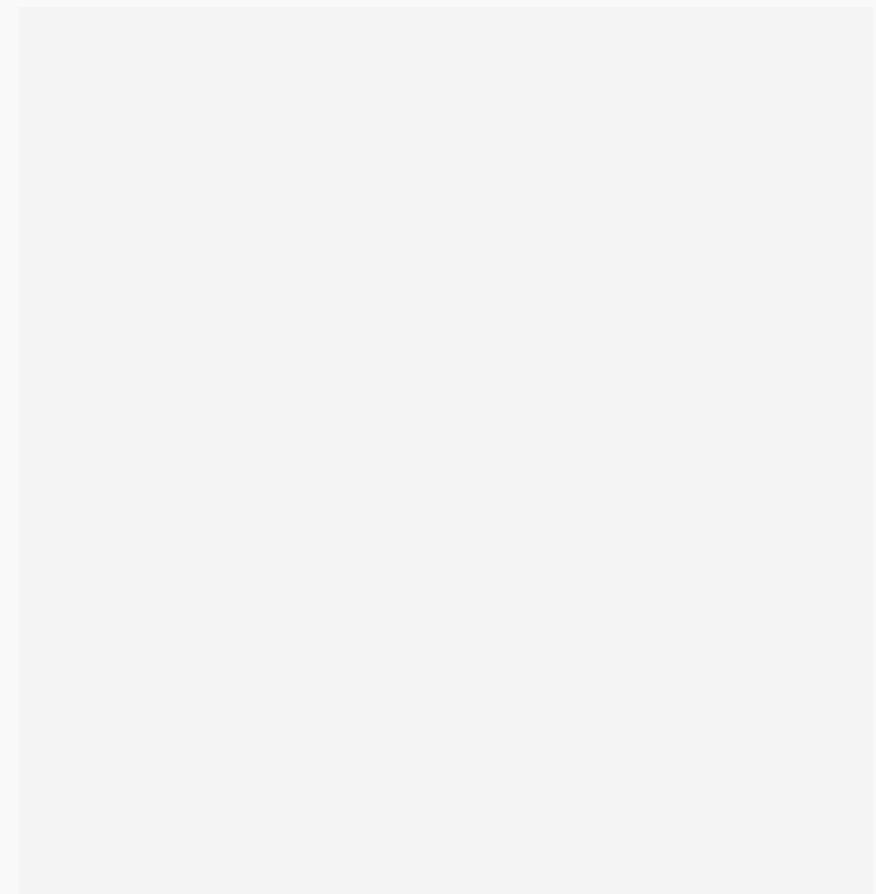
Outline your late payments collections process below

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d. Hand over to collection agencies

This is a last resort for small business collection, but can often help you get paid quicker than your own efforts.

Outline your policy below for how and when you will you hand late payments over to collections agencies

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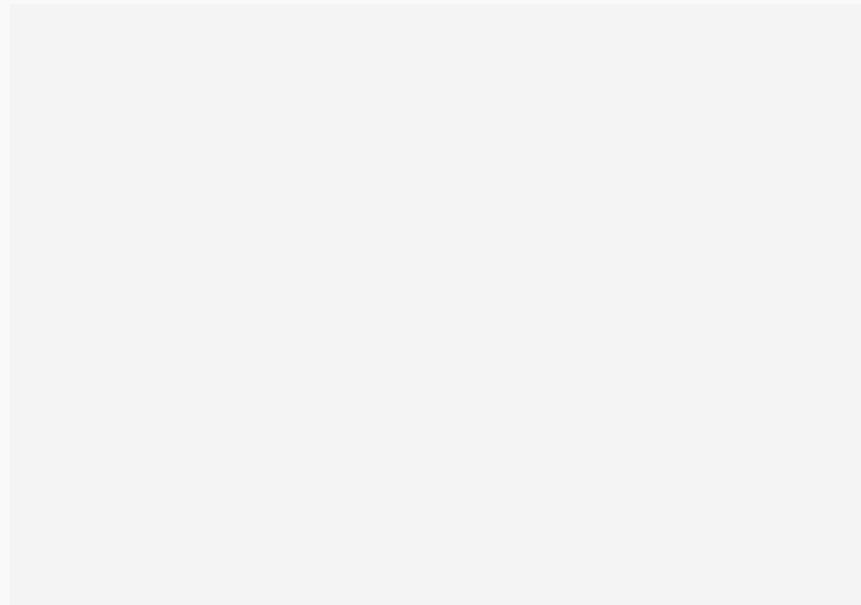
STEP 4: Insure yourself

There are policies you can take out to protect your business against non-payment.

a. Apply for a debtor insurance policy

Insure your business against your clients' risk with a debtor insurance policy which is ceded to a financial institution and extends the value of your debtor's book.

Outline the discussion you have had with your broker and key points below





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Get in touch with us today to find out more about our solutions and how to get the right tools for your business.

FIND OUT MORE

