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From monitoring your company trading experiences to director guarantees, make sure you have the right advice and tools to manage business relationships whilst keeping cash flowing

Now the economy has fully opened and the financial support is needed to be repaid and / or coming to an end it is important that credit management stays on top of the priority list. We urge our members and the wider construction industry to focus on understanding their customers and suppliers to manage business relationships whilst keeping cash flowing and actively monitoring trading experiences to act upon early warning signs. Above all, ensure your credit control team has the tools and support to be able to be proactive and use an industry specific service that can spot changes in payment patterns resulting in regular, more in-depth, and up to date checks being carried out to pick up information quickly.

Information is key!

Information is key so they say, the more information you can acquire on a potential customer the greater your chances of securing payment on work carried out or supplied. Using a credit application form is the easiest way to ensure relevant and appropriate details of the potential customer are being taken. It doesn't have to be long winded or lengthy, simply take the basic details you need to open a credit account and protect yourself:

Company Name AND Registration No

The entity of business if not Limited

Names of key people in the business

Contact numbers & email addresses

Using a credit application form is one thing but the key to protecting yourself is in the detail and checking the form and information provided for any anomalies is where you will be able to protect yourself the most.

Check?

- Use a credit reference agency to check you have been approached by a bona-fide company.
- Check the Directors of the Limited company and see if they have a lot of either active Directorships, resignations or insolvent companies.
- Use your credit reference agency to look at the trading history of the business, have other suppliers experienced non-payment or made enquiries about potential fraudulent applications.

Research and Monitor Company Trading History

We urge our members and the wider construction industry to protect their businesses by actively monitoring trading experiences and acting upon early warning signs. Don't wait for the information to come to you, use an industry specific service that can spot changes in payment patterns resulting in regular, more in-depth and up to date checks being carried out to pick up information quickly.

If you already have a trading history with the business, look at the orders that have previously been placed. Some companies will establish a good line of credit with suppliers, placing small, regular orders to give the appearance of a good customer. However, once an order pattern starts to change, ask questions to establish the reason for the change.

At Top Service we encourage members to actively monitor company directors.

What you should look out for:

New directors being appointed can have a positive effect on a company for up to 6 months as they are bringing in potential new business.

Directors resigning can have a negative impact on the business for up to 6 months as the director could be taking business and knowledge away from the company.

If a director has any insolvent companies this can have a negative impact on their current company's score.

Directors/personal guarantee what to consider?

A personal/directors guarantee is a promise bound in law. It's a contract that says if the principal individual or company accessing credit (in the form of goods, money, or services) is unable to meet their financial obligations to the lender, then the guarantor will step up and do it on their behalf.

Personal/directors guarantees are used in all sorts of credit situations. When a bank loan or overdraft application is made, there's sometimes a third party acting as guarantor to the borrowed money. This individual or business gives the lender more confidence; should the primary borrower find themselves unable to make repayments, the guarantor will step in. In some situations, a guarantee is the difference between a deal falling through and a deal taking place.

What could go wrong?

A well-written, carefully considered personal guarantee can push your business, and its financial success, forward. By giving you extra security to trade more freely, they can let you expand in new directions with minimal risk. However, this value is lost if the contract is flawed, and you're left as vulnerable as if you'd had no personal guarantee in place at all. These are just some of the ways personal guarantees can lose their intrinsic value:

- The agreement hasn't had the benefit of being seen and signed off by a specialist solicitor.
- The wording of the agreement is unclear.

- The guarantor hasn't been given the opportunity to seek legal advice or properly understand what they're signing.
- An original copy of the agreement hasn't been received or the identity of the guarantor hasn't been validated.

How to avoid the pitfalls of personal/director guarantees

Personal/directors guarantees can be a very useful route to recover your money but the way they're written needs to be watertight. There should be no grey areas, all key clauses should be included, and a specialist solicitor should lead the way. Without these a signed guarantee can be discharged by the courts, leaving you powerless and out of pocket.

The most failsafe way to avoid a useless personal guarantee and protect your money is to use a specialist solicitor.

By enlisting the help of professionals, you can gain absolute peace-of-mind that should the worst happen and a debtor default, both your investments and your business itself are protected. Silverback Law can oversee every stage of the personal guarantee drafting, creating contracts that let you focus on day-to-day business, knowing that from a legal standpoint you're covered and, if you need it, the debt recovery process will be simple.

We work with trusted partner [Silverback Law](#) specialists in both debt recovery and commercial litigation, making them the ideal choice for you to set out the terms of a strong personal/director guarantee.

Personal/directors guarantee service

What we offer:

1. Free consultation on Personal/directors guarantees
2. Reduced fixed fee for drafting a stand-alone deed of guarantee
3. Reduced fee for advising and drafting on incorporating guarantees to account opening forms
4. Reduced fees for advice and drafting of terms of business

For more information and help with personal/directors guarantees or to discuss how we can support your credit control and debt recovery processes please **contact our helpdesk team today on 01527 518800 or email helpddesk@top-service.co.uk**

