



CREDIT APPLICATION FORM GUIDANCE

As soon as a company or individual/s approaches you for a credit account you need to think about collecting information about the potential customer. Not only will it help you make an informed decision about whether or not to extend credit but also, what information you will need if you need to chase payment.

DATA PROTECTION



Firstly, if you are storing or processing customer information you will need to ensure you are complying with data protection and the newly introduced GDPR regulations.

When designing your credit application form you should consider the following:

1. Who are you dealing with? One of the most common issues we come across when our customers are trying to either credit check a potential customer or start the process of collecting overdue invoices is knowing exactly who they are dealing with.
2. What information do you need to make credit checking the potential customer an easy process?
3. What information do you need to provide your service and / or products and what information do you need to help minimise payment delays.
4. What information will open up as many avenues as possible for you if the customer doesn't pay and you need to take further action.



Who are you dealing with and what do you need for credit checking?

It is really important to understand exactly who is requesting to open the credit account. This is important because ultimately this determines who you need to credit check and who is liable for any monies outstanding on the account.

1. What is the legal entity of the business opening the account. Is it a Ltd co, Partnership or Sole Trader? The legislation around credit checking, collecting money, claims for interest and civil litigation are different depending on what legal entity the business is.
2. If the business is a limited company, make sure you ask for the company registration number. A limited company's registration number is a unique number for the company and is the best way to identify a limited company. There are over 2 million limited companies in the UK, with many different name variations. For example, as well as Top Service Ltd, there is also Top Services Ltd. Invoicing with the incorrect name can be costly in litigation cases. It's worth noting that a company can change its name many times, making it more difficult to trace, however, the company registration number remains the same.
3. If the business is a partnership, for pre-action protocol purposes, they are treated the same as a Ltd company. So not only is it best to credit check all the partners, knowing the business is a partnership will help your collection agency be more effective. When it comes to debt liability all partners are 'jointly and severally liable'. If you don't have all of the company partners names, your collection activity will not be as effective.
4. Does the new customer have an associated company and if so, do they have an account with you? Associated companies that already have a credit account with you can easily go undetected, asking for this information will ensure you make an informed decision as whether you accept or decline the company's credit application.



What information will help to prevent delays in payment?

Missing invoices or incorrect invoicing details is the biggest cause of payment delays along with questions over who was authorised to place the order. Not only do they delay payments but they also cause more work. You can help to minimise this by asking the right questions early in the new customer's application for credit.

1. Is the invoicing address different to the company address?
2. How does the customer prefer to receive invoices, email or post? Or what is your stipulation? If email, record the correct email address
3. Is a purchase order required and if so, who should provide it?
4. Who at the company has the authority to place orders ?
5. How will orders be placed - email, telephone, at trade counter?
6. Who at the company is responsible for making payments and what are their direct contact details?
7. How does the business pay invoices - cash, cheque, card or bank transfer? Or what payment methods will you / won't you accept?



What information will help maximise the chance of a successful recovery?

Information is vital when it comes to recovering debt, the best time to gather your information is when the new customer wants something from you (a credit account). Your customer will be less likely to provide you with extra information, once they owe you money and when they are avoiding your calls.

1. Trading addresses, gather as much information as you can on other trading / site addresses your potential customer has. If you need to instruct a High Court Enforcement Officer, you will want them to attend the most appropriate address (where they can levy goods).
2. The business bank details, this will help you to allocate unidentified payments into your bank and also, opens up the option for a 3rd Party Debt Order as a method of enforcement.
3. Directors home addresses. Directors now have the option of providing a service address for their home address, for the public record. If you ask for the home address this is another method of contact for you if you or your DCA needs it when collecting overdue payments.

Please click the link to our **downloadable credit application form**.

For further information and support please contact our help desk:

Telephone: **01527 518800**

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