

2017 New Year Business Resolutions: 5 top-tips to getting fully paid, and on time

Business is tough. This is especially true when customers and clients do not pay you for the work you have done or the services you have provided. If you provide credit to your customers then you are acting like a bank so you need to start thinking like one. Banks generally get paid!

The following is a brief list of a few ideas to ensure that you have the best possible chance of getting paid and on time.

- 1 Get your documents in order.
 - a. Terms and Conditions – these are the main focus of your relations with your client. Common mistakes are lack of security for payment, unclear payment terms, lack of ability to claim costs of debt collection and unclear variation procedures.
 - b. Credit application – This is often the only document your client will sign so it needs to talk to your terms and also to any guarantee document.
 - c. Guarantee – people do give personal guarantees so get them from your customers wherever possible. Your customer company may have no money but its directors may.

- 2 Get other peoples' contracts checked – see our article on [“A Business Lawyer’s Guide to Contract Reviews & Negotiations”](#).
 - a. Supply agreements, customer terms and conditions and any documents which you are asked to sign need to be checked properly, ideally by a professional.
 - b. Don’t sign anything you don’t understand.
 - c. If you think there is no room for negotiation at least understand what the risks are so that you can minimise them using commercial policies and procedures.

- 3 Take security for your goods and payment – see our article on [“Personal Property Securities Act”](#).

Security can include:

 - a. Caveat over property (including guarantor’s property);
 - b. Personal Property Security Register (**PPSR**) securities over your goods and also a general security for payments;
 - c. Guarantees – see above;
 - d. Deposits;
 - e. Pre-payment; and/or
 - f. Direct debit arrangements.



Security also improves your chances of getting paid (secured creditor) and keeping any payment (defence of preference claims) if your customer becomes [insolvent](#).

- 4 Sort out your invoicing and debt collection procedures – see our article on “[A Business Lawyer’s Practical Guide to Debtor Management and Recovery](#)”.
 - a. One of the most common errors we see is invoicing the wrong entity. You need to ensure you know who your customer is particularly where a trust is involved.
 - b. Follow up payment before the debt is due – eg: reminder 5 days before a 30-day invoice is due.
 - c. Call or email the day the invoice is overdue and agree a definite date for payment. Follow up with a confirmation email.
 - d. Send a demand letter immediately payment is not received as agreed. The demand letter must meet legal requirements. Follow up with a statutory demand from a lawyer promptly.
 - e. Cease work the day the demand letter is sent or earlier. Ensure all goods and equipment are removed if relevant.

Lawyers do not generally take a percentage of the debt when collecting it and a lawyer’s letter is often more persuasive than a debt collector. Debt collectors often use lawyers for difficult debts and may still charge a percentage on top of lawyers’ fees.

- 5 Don’t do business with people with no money – see our article on “[Our Approach to Debt Collection](#)”.

It’s hard to get paid when the customer is broke. A bit of investigation and reference checking can save you a great deal of heartache. Even if business is tight, taking a contract or working for a client that will never pay is a great way to lose money.

Follow the above steps and get some advice regarding your documents and you will likely have more time to spend on growing and developing your business and less time chasing money.

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