

How well do you know your customer?

Litigation & Dispute Resolution



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Knowledge is power and detailed knowledge of customers will greatly improve your chances of obtaining payment if they should later become debtors.

For the small but problematic proportion of outstanding debts that are likely to lead to court action, it is vitally important to ensure that you have enough information to enforce a judgment successfully should the need arise.

Jethro Powell, a dispute resolution specialist with Ware & Kay Solicitors, advises business owners to handle all new enquiries with extra care.

"In the excitement of taking on a new customer or contract, before you begin your first transaction, take care to obtain as much information as possible to ensure that you can pursue them effectively in the event of non-payment," says Jethro.

New consumer customers

If your customers are consumers, obtain personal information, carry out credit checks and validate telephone numbers, as well as email and postal addresses.

Find out whether your consumer is employed, as you may need to apply for an attachment of earnings order in due course. If the consumer is a homeowner and there is equity in the property, this information may be used to obtain a charging order. If they own a valuable item such as a car, an enforcement

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How well do you know your customer? 2/3

agent may be able to seize it, sell it and pay the proceeds towards the debt.

Clearly, the amount of information you need will depend on the potential size of a customer's debt. It may not be worth seeking judgment against a debtor for a very small debt, especially if the cost of the litigation is likely to exceed the recoverable sum.

New business clients

If you are dealing with a business customer, find out the nature of their business and how they deal with their own debts. This information will be key to ascertaining the level of risk of a particular corporate debtor.

Who owns the company and where is their registered office? Make a note of their company registration number or partnership number. Find out the names of individual directors and check up on them. What are the company's own terms of business with their customers? Are their purchase order requirements compatible with yours? Have they reported profit in recent years? Check the company accounts and ask them to provide referees from other businesses that will validate their creditworthiness. Make sure that you do contact the referees to validate the assurances they have provided.

Consider whether they hold stock or own valuable assets. Who are their customers or contractors who are likely to owe them large amounts of money? This information could assist in the event that you have to enforce a court judgment after non-payment.

Long-standing customers

Information should be gathered systematically during the course of your business relationship by monitoring payment patterns.

Categorising your customers according to their level of risk is a necessary and effective means of protecting your business and requires analysis of your debtor's past history, creditworthiness, references and other factors relevant to

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How well do you know your customer? 3/3

your particular business.

Higher-risk customers can be dealt with by requesting part payment in advance, and otherwise trustworthy customers experiencing difficulties could be asked to provide a promissory note.

If necessary, you can renegotiate with customers on an individual basis to reflect the risk that they pose at any one time. In order to do this effectively you should monitor payments and timescales, as well as the number of times outstanding payments need to be chased before settlement.

Taking copies of cheques received enables you to have a note of the customer's bank details, which may become relevant if you need to obtain a third party debt order.

If you have gleaned as much information as possible about your customer beforehand and these methods fail, you are nevertheless in a far stronger position to pursue payment and enforce judgment if required.

If you need advice on strengthening your terms of business, or if your cash flow is suffering because of difficult debts, please contact Jethro.

Ware & Kay

Contact us

For advice on contract disputes, contact a member of our litigation and dispute resolution team on York **01904 716000** or Wetherby **01937 583210**.