

# Managing Cashflow Guides

## Payment Terms

[WWW.CICM.COM](http://WWW.CICM.COM)

The Managing Cashflow Guide series is produced by the Chartered Institute of Credit Management (CICM) in association with the Department for Business, Energy and Industrial Strategy (BEIS).



Department for  
Business, Energy  
& Industrial Strategy



Chartered  
Institute  
of Credit  
Management

# #2

If payment fails to arrive for goods or services you have provided, your cashflow can be under real pressure. Cashflow keeps business in business and – if you think you are being paid on one date and your customer has a different date in mind – you could be in trouble! Making assumptions is dangerous and formally agreeing payment terms in advance is vital.

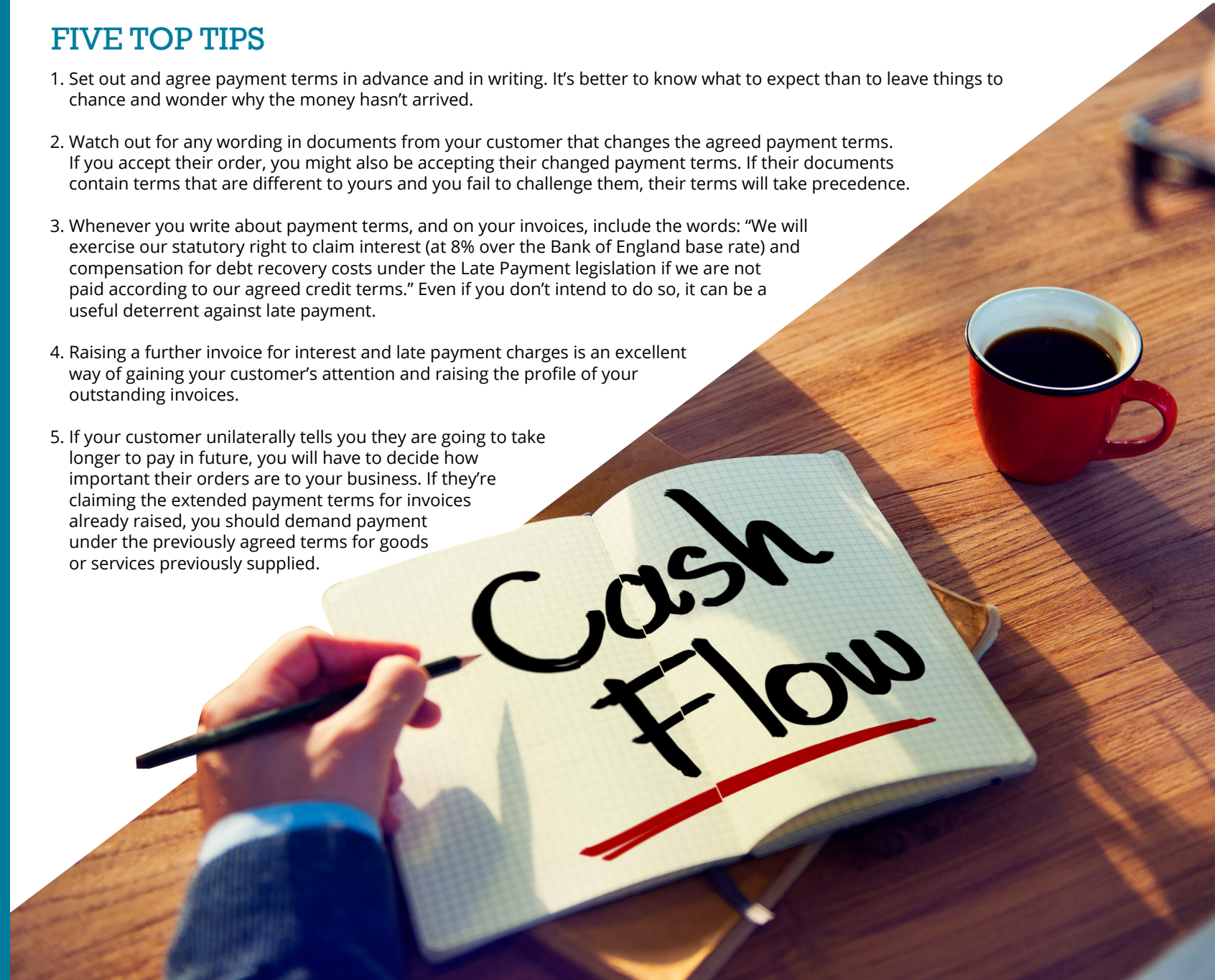
## CAN YOU ANSWER YES TO ALL THESE QUESTIONS?

- › Do you discuss and agree payment terms with your customers (and with your suppliers) before you accept (or place) an order?
- › Do you confirm the agreed payment terms in writing before you accept (or place) an order?
- › Do you negotiate payment terms with your suppliers that allow you longer to pay than the terms on which you are paid by your customers?
- › If the answer to the question above is no, do you have finance or a finance facility in place to bridge the gap between the time you pay and the time you get paid?
- › Do you produce, and then regularly review, a cashflow forecast to ensure that everything is under control and there is nothing waiting to surprise you?
- › Do you have standard payment terms in place and a policy within your organisation saying that they cannot be changed unless properly authorised?
- › Is the payment due date clearly shown on all invoices?
- › Do you have a strategy in place for dealing with requests from customers who suddenly and unilaterally demand a longer time in which to pay?
- › Do you include your right to make late payment and interest charges on your contracts and invoices?

# Payment Terms

## FIVE TOP TIPS

1. Set out and agree payment terms in advance and in writing. It's better to know what to expect than to leave things to chance and wonder why the money hasn't arrived.
2. Watch out for any wording in documents from your customer that changes the agreed payment terms. If you accept their order, you might also be accepting their changed payment terms. If their documents contain terms that are different to yours and you fail to challenge them, their terms will take precedence.
3. Whenever you write about payment terms, and on your invoices, include the words: "We will exercise our statutory right to claim interest (at 8% over the Bank of England base rate) and compensation for debt recovery costs under the Late Payment legislation if we are not paid according to our agreed credit terms." Even if you don't intend to do so, it can be a useful deterrent against late payment.
4. Raising a further invoice for interest and late payment charges is an excellent way of gaining your customer's attention and raising the profile of your outstanding invoices.
5. If your customer unilaterally tells you they are going to take longer to pay in future, you will have to decide how important their orders are to your business. If they're claiming the extended payment terms for invoices already raised, you should demand payment under the previously agreed terms for goods or services previously supplied.



# Contacts and suppliers

CICM

**SMARTSEARCH**<sup>TM</sup>  
THE ONLY AML RESOURCE YOU NEED

*KYC, AML and CDD all rely on a combination of deep data with broad coverage, highly automated flexible technology with an innovative and intuitive customer interface. Key features include automatic Worldwide Sanction & PEP checking, Daily Monitoring, Automated Enhanced Due Diligence and pro-active customer management. Choose SmartSearch as your benchmark.*

#### **SmartSearch**

Harman House, Station Road, Guiseley, Leeds, LS20 8BX

T: 01132387660 / F: 0113 238 7669

E: [info@smartsearchuk.com](mailto:info@smartsearchuk.com)

[www.smartsearchuk.com](http://www.smartsearchuk.com)

CICM

Chartered  
Institute  
of Credit  
Management

*The Chartered Institute of Credit Management (CICM) is the largest recognised professional body in the world for the credit management community. Formed over 75 years ago, the Institute was granted its Royal Charter in 2014. Representing all areas of the credit and collections lifecycle, it is the trusted leader and expert in its field providing its members with support, resources, advice, and career development as well as a networking and interactive community. In addition to its comprehensive suite of qualifications and learning opportunities, events and magazine 'Credit Management', the CICM administers the Prompt Payment Code for BEIS. Independently, and through collaboration with business organisations, it provides vital advice to businesses of all sizes on how best to manage cashflow and credit.*

#### **Chartered Institute of Credit Management**

The Water Mill, Station Road, South Luffenham,  
Oakham, LE15 8NB

T: 01780 722900 / E: [info@cicm.com](mailto:info@cicm.com)

[www.cicm.com](http://www.cicm.com)

*Note – inclusion of supplier details in the above list does not constitute endorsement or recommendation of that company, its products or services.*

Credit Services Providers – To be included in this page, please email [cashflowguides@cicm.com](mailto:cashflowguides@cicm.com) for further details.



The Chartered Institute of Credit Management (CICM) is the largest recognised professional body in the world for the credit management community. Formed over 75 years ago, the Institute was granted its Royal Charter in 2014. Representing all areas of the credit and collections lifecycle, it is the trusted leader and expert in its field providing its members with support, resources, advice, and career development as well as a networking and interactive community. In addition to its comprehensive suite of qualifications, learning opportunities, events and magazine 'Credit Management', the CICM administers the Prompt Payment Code for BEIS. Independently, and through collaboration with business organisations, it provides vital advice to businesses of all sizes on how best to manage cashflow and credit.

## Guides in this series:

1. Knowing your customer
- 2. Payment terms**
3. Invoicing
4. Treating suppliers fairly
5. Credit insurance
6. Invoice Finance and Asset Based lending Options
7. Chasing payment
8. When cash runs short
9. When all else fails
10. When your customer goes bust
11. Managing cash through Brexit
12. Investing in equipment

For tips on getting paid and advice on best practice in credit management, call the Chartered Institute of Credit Management on **01780 722912** email **helpline@cicm.com** or visit **http://www.cicm.com/member-helpline/** For information and advice on starting up, running and growing a business visit **www.gov.uk**

 [www.cicm.com](http://www.cicm.com)
 [CICM Credit Community](#)
 [@cicm\\_hq](#)
 [CreditManagement](#)

### WWW.CICM.COM

The Managing Cashflow Guide series is produced by the Chartered Institute of Credit Management (CICM) in association with the Department for Business, Energy and Industrial Strategy (BEIS).

## Prompt Payment Code

Administrated by the Chartered Institute of Credit Management on behalf of BEIS

© Chartered Institute of Credit Management 2017



Department for  
Business, Energy  
& Industrial Strategy



Chartered  
Institute  
of Credit  
Management