



BURTON
SWEET

CORPORATE RECOVERY



REPORT

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SUPPORT FOR CREDIT MANAGERS

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it's essential

Credit amounts to interest-free borrowing for most customers. Some debtors become skilled at stretching a creditor's tolerance as far as they can, taking extra credit wherever they are able. They will pay when payment is demanded, rather than when it is due.

Cash flow is the lifeblood of a business. Slow payment by customers puts many ventures in jeopardy; inadequate credit control loses hard-earned profits and can even cause a business to be ruined.

When insolvency hits, debts are rarely paid in full.

Dividends in liquidations and bankruptcies are notoriously low, with unsecured creditors at the back of a queue that may be very long.

Distinguishing debtors merely trying to get away with what they can, from those unable to pay and facing impending failure, is often more an art than a science.

No matter how strict a credit control system, a creditor can always be vulnerable. We aim to help credit managers and controllers become more effective if the worst happens.

spotting the warning signs

Experienced credit managers will know the common warning signs from a struggling debtor.

These might include:

- failure to answer correspondence
- not taking, or not returning, telephone calls
- slow or overdue payments
- payments on account, often round sums
- payment only when threatened with legal action
- post-dated cheques
- spurious queries or requests for copy invoices
- payment only when needing new supplies
- word on the grapevine.

If a creditor is able to act before formal insolvency proceedings are commenced, a debt may be recovered by:

- sending in the bailiff to levy execution after obtaining judgement
- taking back any goods supplied
- obtaining a third party debt order, attachment of earnings order or a charging order
- issuing a statutory demand under the Insolvency Act 1986.

Sometimes a debtor may be prepared to discuss alternative proposals. Occasionally he may agree to his trading being monitored independently and at his expense. This may help to rescue an apparently failing business but even if it does not, creditors can be assured that their interests have been protected in the meantime.

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meetings meetings meetings

Where a debtor becomes formally insolvent, a meeting of creditors will usually be held. These may be convened by:

- the Official Receiver following a Court order for winding up or bankruptcy
- a company entering voluntary liquidation
- a nominee to consider a proposal for voluntary arrangement
- an administrator to consider his proposals
- an administrative receiver to consider his report
- a liquidator of a company which, although initially thought to be solvent, now seems unable to pay its debts in full within the required period
- a company proposing a moratorium or some form of scheme of arrangement.

We believe that it is vital for creditors to be represented at these meetings:

- to ensure that an independent insolvency professional is appointed who will act in the interests of creditors, and properly investigate the reasons for failure
- to ensure that, if appropriate, a committee of creditors is appointed to work with the insolvency practitioner and oversee his actions
- to scrutinise, properly and in detail, proposals which are put forward. At certain meetings decisions can be taken which may actually harm dividend prospects.

after the event

Even when formal insolvency is under way, there are matters which a credit manager may need to consider.

We can guide the credit manager through the minefield of technicalities in such matters as:

- how to deal with disputes over the amount or validity of the creditor's claim
- obtaining VAT bad debt relief, if applicable
- how to go about pursuing any retention of title claim
- the steps being taking to investigate possible misdemeanours
- whether the insolvency practitioner's proposed fees are reasonable.

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how can we help?

We aim to help make your credit control function as effective as possible. We can:

- advise on debt recovery problems, including working with solicitors to establish the best choice of enforcement action in the circumstances
- investigate the viability of troublesome debtors, and monitor continued trading
- attend meetings between creditor and debtor to discuss settlement proposals
- examine proposals for voluntary arrangements or informal schemes, often suggesting ways in which dividend prospects may be enhanced
- advise on the completion of proxy forms and the submission of claims
- attend creditors' meetings and provide an informative report, including an assessment of dividend prospects, within a few days at most
- represent a creditor's interests on a committee of creditors
- assist the credit manager in dealing with an insolvency practitioner, including helping to resolve disputes
- act as trustee in bankruptcy of an individual, liquidator, receiver or administrator of a company or supervisor of a voluntary arrangement, with our fees met from the assets of the debtor.

Some of these services, such as attending creditors' meetings, are usually at no charge or for a nominal fee. Otherwise we charge on the basis of the time and seniority of the personnel involved. We are always happy to agree the amount of our fee in advance.

about us

Burton Sweet Corporate Recovery can trace its ancestry back to a firm founded in 1837.

Today we practise as a firm of insolvency and business recovery professionals from nine locations with experienced partners, and employing skilled managers and staff.

We have wide-ranging experience encompassing receiverships, liquidations, bankruptcies, administrations, voluntary arrangements, investigations and restructuring assignments.

We recognise that your sales ledger is one of your most important assets. Our aim is to help you manage that asset so as to minimise losses.

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contacting burton sweet

Burton Sweet Corporate Recovery is a leading firm of specialist insolvency practitioners with offices in nine locations:

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For further information, please contact a member of the team at your nearest office, or visit our website:

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