

Getting Paid Guide

All payment mechanisms are about balancing the risk between the seller and the buyer...

Checking and Controlling Credit

Check the credit status of your customer using Dun and Bradstreet. If in doubt, ask your bank about the status of the buyer's bank. The UK embassy may be able to provide additional information if the business is known to them. Don't trade until you are happy. Pay special attention to credit control on overseas payments. Flag these up in your system for immediate action if any delay or even put in place a system to call a week in advance to check there are no problems.

Invoicing

Get it right first time to avoid confusion and delay. If in doubt ask your local Chamber or your freight forwarder for advice in the case where invoices may be used for customs purposes. Make sure terms are clear regarding Carriage, Insurance and Freight. Always include agreed credit terms. These will vary according to local custom – in some instances 60 or 90 days may be requested. Fast secure payment can be made using the SWIFT system. Ask your bank for details

Invoice in the foreign language to minimise potential delays.

Open Account puts the risk on to you.

It is most likely how you deal with your customers in the UK, offering them an agreed term of credit without security. As in the UK, an open account arrangement should only be considered if you are fully confident of your customer's ability to pay and have checked their credit rating. MONITOR RECEIPT OF FUNDS CAREFULLY. Take immediate action on non-payment.

Bill for Collection is the next step up in security for the seller.

Documentation is sent from a UK bank to the buyer's bank containing instructions which must be followed. If the buyer fails to comply, the title to the goods remains with the seller. The Bills for Collection process is governed by the 'Uniform Rules for Collections URC522' published by the International Chambers

The following module offers a deeper insight into this topic:

Financial Considerations

You can find it either in the SavvyAcademy or in the 'Trading Issues' area of 'Create Your Plan'.

Information you complete as part of the Module will be automatically entered into your Plan. The more modules you complete, the more your Plan will build.

of Commerce. These rules are widely accepted but ask your own bank to confirm that the receiving bank does comply. *Further information should be available from your bank.*

Letters of Credit provide a more secure trading mechanism and tend to be the norm for larger transactions.

Like Bills for Collection they use the international banking network to provide a mechanism for security. As an exporter you will get an undertaking from a bank to pay you providing certain conditions are met. Be aware that Letters of Credit suffer a very high rejection rate as a result of paperwork errors. Check the cost to you of the L/C and also any impact an L/C may have on your existing funding from the bank e.g. overdraft. Further information should be available from your bank or Google 'HSBC Export Documentary Credit'.

Payment in Advance is your most secure method of trading.

Don't automatically assume this is a non-starter. With new customers especially, you may be able to negotiate payment or part-payment in advance. *If you are a manufacturer be aware that you can expose yourself to risk by stipulating payment in advance if the buyer delays payment e.g. for cashflow reasons and you are unable to ship. It may be to your advantage to negotiate a payment to start manufacturing, a further payment on shipment and a final (smaller) payment on receipt. Similar principles apply to contracts for the supply of services.*