



A Guide to Recovering Construction Debt

Everything you need to know in one handy guide.



A Look Inside

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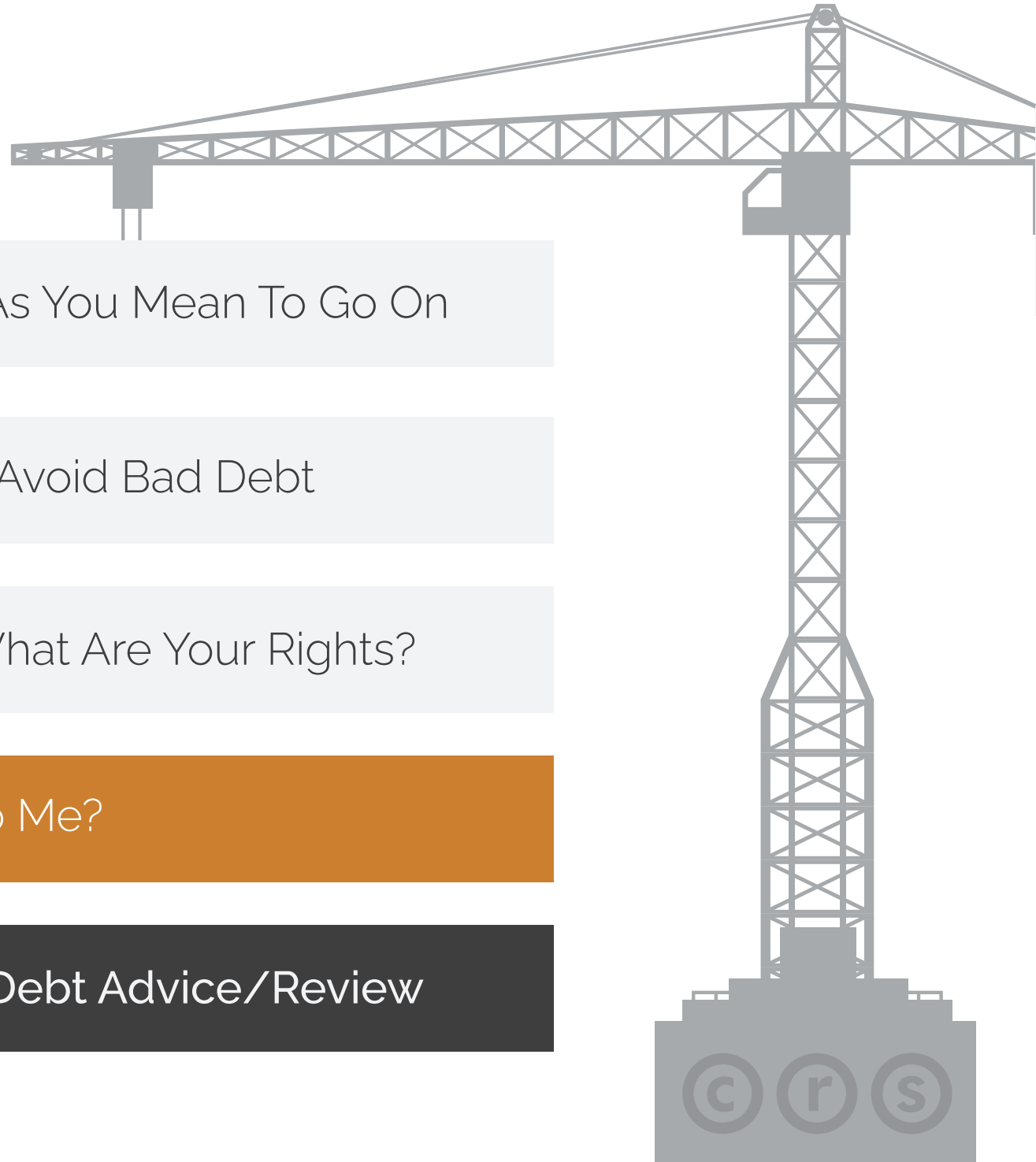
Change Your Mindset – Start As You Mean To Go On

Adopt Good Practice To Help Avoid Bad Debt

When Is “Enough”, enough? What Are Your Rights?

What Options Are Available To Me?

Don't Want The Hassle: Free Debt Advice/Review



A Guide To Recovering Construction Debt - Overview

What's It All About...

We know that, at times, getting your well-earned cash paid to you becomes an issue. Liquidity is tight and people are less reluctant to pay. We know this from 10 years' experience of recovering trade and construction debts for our clients in business, finance and insolvency.

The purpose of this guide is to assist you further on the options available to you regarding collecting what is rightfully yours. We hope that this guide offers you some practical solutions to your construction debt problems.

If you feel that you are comfortable with the process, but just a little unsure on the timelines, you might find that our handy **Recovery Timeline** will help, continued on **Page 7**. *Here is a sneak preview...* ➡

<i>Days to Due Date</i>	Month End	Mid-Month
Measurement agreed for payment on due date	Ensure there is a paper trail agreeing works completed	
Continue Working		Normal Working Continues
In Order		
Due Date		
Overdue		
Seriously Overdue		
Recovery		

Change Your Mindset

Start As You Mean To Go On

Setting out your stall from the very beginning is often helpful when managing expectations. Being clear and concise with your processes can help ensure both you, and the customer know exactly where they stand.

A solid foundation is key. Here are a six things to consider when evaluating your collection process...



Asking your customers to pay on time should be your default position.



Refocus your thinking to this standard



**Paying late is unacceptable.
What would happen if you paid your workers a few days late?
You would be in breach of your contract and in big trouble!**



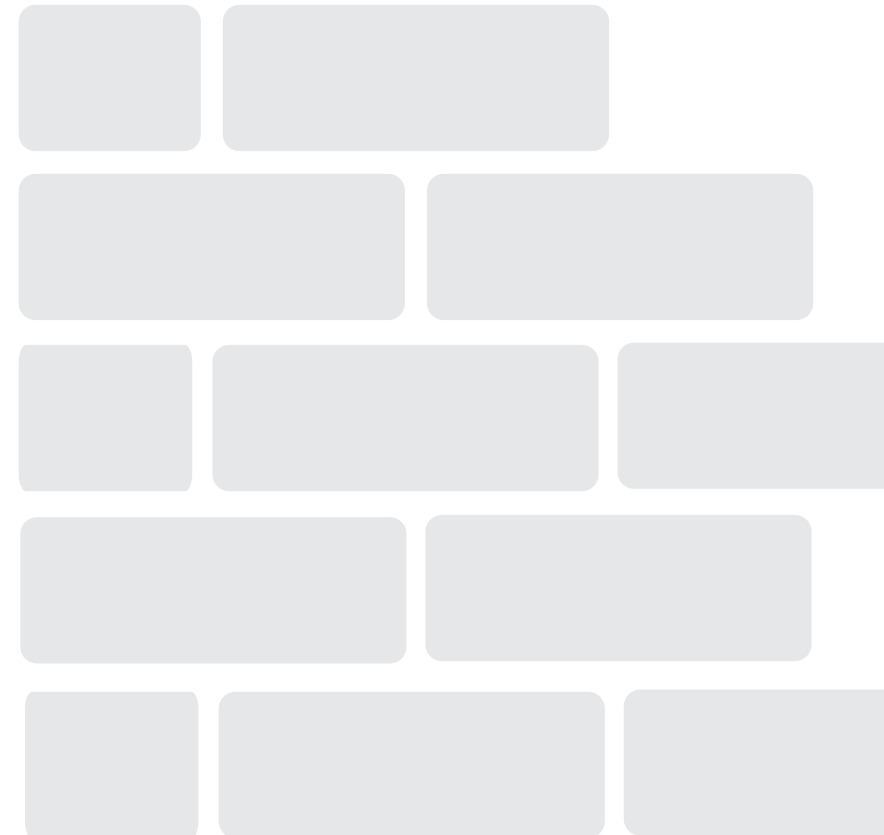
If they pay on time, they aren't doing you a favour; they are only doing what is expected of them.



If they pay early, then they are supporting you for which it is not unreasonable to express some gratitude. and possibly a modest discount, but...



How much sense does it make to give your customers a discount for early payment and then allow them to take liberties?



Adopt Good Practice to help avoid Bad Debt.

Practical Tips to Cover Your Back

Check Your Customers Out

Before entering into a relationship with a contractor we suggest that you take some preliminary precautions to ensure you have the best perspective on the potential financial outcome.

Use our 'Bad Debt Checklist' to help you create a better picture of the type of contractor you will be carrying out work for. It may be a task that will fall to the bottom of the pile, but it is certainly a task that can pay dividends if things start to go pear shaped!

Bad Debt Checklist.

- ☒ Do your checks. Get a credit report.
- ☒ Take references from their existing suppliers and ask around your contacts – “do they pay on time?”
- ☒ Aim to avoid customers who have a reputation for “subbie bashing!” We know, from our experience who have a bit of a reputation for this although sometimes it is down to the individual QS and how they are performing against their cost budget!
- ☒ Keep your ear to the ground; if a job is running late and there are cost overruns, you can expect to receive a harsher treatment on payment.

Make Sure Your House Is In Order

Make sure your process is water-tight! The better it is the harder it is for the contractor to dispute your payments.

While we appreciate that running a business is tough and you have to balance a lot of plates, its important to try and make sure your admin is as structured as possible.

We have put together seven bitesize chunks of advice to help you ensure that you have the best chance of avoiding bad debt.

Check through them all to see if you have considered things from every angle.

01

Make sure you have a perfect audit trail – from purchase order to invoice.

02

Get your work signed off and agreed - especially any variations you are asked to make.

03

Get any changes instructed in writing, a price agreed and confirmed, in writing also.

04

Keep all your e-mails in a folder. You can use e-mail to record and confirm conversations you have had.

05

When you raise an invoice, check to make sure it has been received and that it is as agreed.

06

Prior to payment date, check that your invoice has been approved for payment on the due date. If not, you can start to find out immediately what the problem is.

07

Adopt the standards above. Expect your customers to pay on time and if they don't, take action immediately.

Signs You Are Heading Down The Wrong Road

Practical Tips to Cover Your Back

Use our chart below to plot your way through to a successful recovery project.
Don't be afraid to ask for what is rightfully yours...



<i>Days to Due Date</i>	Month End	Mid-Month	Month End	Due Date	Overdue < 5 Days	Substantially Overdue > 5 Days	Debt Recovery
Measurement agreed for payment on due date	Ensure there is a paper trail agreeing works completed						
Continue Working		Normal working continues					
In Order			Ring to check if your debt is on the system and due for payment if not, WHY!				
Due Date				Your payment is now due! If it is not in your account, ask why?			
Overdue					Your payment is now overdue! Why? You need to find out why		
Seriously Overdue						Your payment is now WAY overdue! What can you do to protect yourself?	
Recovery							You need to commence recovery!

The warning signs are obvious - failure to take or return calls, or to respond to email messages. As too, are the list of excuses not to pay...

12 Most common excuses for debtors not paying (or only partially...)



1. "I've definitely sent the payment, haven't you received it?"

It would seem that, much like the Royal Mail, bank transfer payments can be rather unreliable in the modern day.

2. "We've not got it on our records, could you send me a copy of the invoice / proof of delivery?"

Although sometimes genuine, this is often used by debtors as a delaying tactic for up to a couple of weeks.

3. "The works weren't completed."

This will undoubtedly be a familiar one if you're accustomed to chasing up construction debt. It's not an excuse to refuse to pay up – but if the debtor can show the invoice, the costs incurred by another contractor to complete the works will be deducted. Consequential loss, however, is not covered in the majority of cases.

4. "The retention is not yet due / the defect liability period hasn't expired."

Generally, this will delay payment for around a year or two – but some contracts will extend delays for up to ten years or more! As a payee though, it's important to ensure you are shown contractual proof.

5. "You've just missed this week/month's payment."

This is another delaying tactic we hear a lot in our line of work. The amount of pressure we choose to put on the debtor to run another payment or allow some flexibility depends on various factors at play, namely how overdue the payment already is.

6. "There aren't any directors available to sign a cheque... My boss is on holiday... There's nobody in accounts to speak to you at the moment..."

The 'nobody's home' excuse. It's an effective one, insofar as payment will have to be delayed until the authorised sender is available. But in our experience, this will only serve to delay the inevitable.

7. "We're in the process of changing banks."

This could be genuine if the delay is a matter of days late – it will not hold however for anything longer than that.

8. "Other/bigger supplier were a higher priority"

A company that manages its cashflow efficiently and takes on projects sensibly should be able to pay all of its suppliers – no matter how big they are. If you are rightfully owed money, completion of that payment should be your debtor's top priority.

The warning signs are obvious - failure to take or return calls, or to respond to email messages. As too, are the list of excuses not to pay...

12 Most common excuses for debtors not paying (or only partially...)



9. "We're undergoing cashflow issues at the moment... My customer has gone bankrupt / into administration / receivership."

This is a very common one. Debtors may attempt to duck payments by citing cashflow issues, often related to a dispute with or late payment by a customer of their own. Unfortunately, this is simply not a valid reason not to pay what you owe.

10. "We've ceased trading / gone into liquidation / receivership."

A more difficult one. There are further complications in resolving this if the debtor is a limited company, for example – but in the case of sole traders, this is another unacceptable reason not to pay. For those awaiting payment from limited company debtors, you may be able to reclaim some of this as an unsecured creditor; though only after payment is first made to secured creditors and then insolvency practitioners.

11. "I haven't seen the VAT certificate."

Some debtors may attempt to short-change their payments by a sizeable 20% by simply refusing to pay VAT. In such cases it may be necessary to remind them that VAT is many things, but optional isn't one of them.

12. *Radio Silence**

You know what they say – ignore your problems and they will inevitably go away. Wait, what?

Our experience is that people are too willing to accept what turn out to be time-wasting tactics and immediate action should always be taken. Not being paid, on time, without a legitimate and acceptable reason is an act of default and action should be taken.

What Options Do I Have?

We Can Always Point You In The Right Direction

Take the first step towards recovering what is rightfully yours...

Using our trusted network of advisors we can offer you the following.



Free Debt Recovery Advice

We can offer you One Free Hour of No Obligation Debt Recovery Advice



Debt Recovery Services

We have a proven Construction Debt Recovery Team who can act today!



Other Options

Recovery not looking likely? Let us talk you through some alternative solutions

Claim Your Hour Free Debt Advice Today...

Working with one of our trusted advisors we can offer you One Hour of our time to focus on your debt, and how it can be recovered. This offer is no obligation and, at the end of this we will;

- 1 - GIVE YOU AN OPINION AS TO HOW WE THINK YOU STAND.
- 2 - SUGGEST THE WAYS IN WHICH TO PROGRESS
- 3 - EXPLAIN THE PROCESS AND HOW IT MIGHT WORK

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