Financial training
For non financial staff

ATTAINMENT TRAINING

The financial training specialists

Terms and Conditions (cashflow)

I've been working with a firm of solicitors over the last couple of months, looking at how they can improve profitability and cashflow within their business.

One area we specifically looked at was how they can get clients to pay their bills more promptly.

The equity partners told me on the first workshop that the standard credit terms for the business was 30 days. This was confirmed by other partners on the second workshop.

On that second workshop the partners did an exercise in small groups brainstorming the excuses clients give for late payment. During this discussion, one of the partners popped out of the room for a few minutes, and returned with a few bits of paper.

In the summing up, this group said "We all thought our client payment terms were 30 days. In our T&Cs, and on our invoices, it says invoices are payable immediately. But we tell our clients they have 30 days, and our engagement letter with new clients says 30 days. Which is contrary to the T&Cs they sign!"

So how can an entire business believe their standard terms are 30 days, when they're not?

On the third workshop, with a new set pf participants, when I asked what their credit terms with clients were, I got a different answer. "We always told our clients that payment terms were 30 days. Now we're telling them that invoices are payable immediately. And we're starting to chase for payment <u>much</u> earlier than we used to."

Bingo!