# How can I improve my credit control?

The rule that prevention is better than cure certainly also applies to debt collection and credit control. Effective credit control starts the moment that your client walks into your shop, office or practice.

You should ensure that you obtain the following information from the debtor:

1. Full names;
2. Identity number;
3. Marrital status;
4. Home address and telephone number;
5. Work address and telephone number;
6. Work- or pay number.

All these details should be obtained in respect of the spouse of the debtor as well where he is married for the following reasons:

1. If they are married in community of property both spouses are liable.
2. Even if they are married out of community of property there are various cases where both spouses can be held liable, for example where the debt is in respect of school fees (section 40 of the South Africans Schools Act) or for household necessities (section 23 of the Matrimonial Affairs Act).
3. Even if the parties are married out of community of property and both cannot be held liable the information can help your attorney to trace the debtor.

You could also do a credit bureau search in respect of any client who applies for credit. This step is, for example, followed by all banks. The reasoning is that if a debtor defaulted in the past, the chances of him defaulting in the future are much better than with other debtors. Most businesses use ITC and Experian. Both these credit bureau's data are available via the Internet at a nominal fee per search.

Insist on at least one surety if credit is given to a trust, a close corporation or a company. Especially in the case of close corporations it is important to understand that these entities are often empty shells and do not own any assets. Should you therefore later want to proceed with execution steps against the close corporations after their failure to pay these will therefore also be unsuccessful.

The general rule also is that the sooner a debt is handed over to your attorney the greater are his chances of succeeding with the collection. Debtors fail to pay mainly as a result of two reasons:

1. Where the debtor is about to move he often takes the chance not to pay hoping that his creditor will not go to the trouble of looking for him at his new address.
2. Secondly debtors do not pay if they have financial problems. If this is the case there would obviously be other creditors as well who would at some or other stage start handing over the debts to their attorneys. If you therefore wait to long you will obviously be last in line and your chances of being successful with execution steps against the debtor are much smaller.

You could also enter into a contingency fee agreement with your attorney. Such an agreement stipulates that the attorney will not be entitled to debit any fees on unsuccessful collections, whilst he will be entitled to a commission in respect of successful ones, thereby ensuring that you can not loose by handing over a debt to your attorney, with other words you ensure that good money is not thrown after bad money.

There are several variations, for example :

1. No success – no fee with a 25% commission on the basis that the attorney carries all expenses until recovered from the debtor;

2. No success – no fee with a 20% commission on the basis that the client carries all expenses until recovered from the debtor;

Another tip would be to write off all your outstanding amounts handed over to your attorney as bad debts in your books and show the successful collections as “bad debts recovered”. By doing this you can at least in the meantime claim back the VAT on the amounts written off.