

How do you fight late and ever later payments in a recession? Nick Richardson, an expert in commercial law at Surrey solicitors, howell jones, explains some simple tactics.

Many SMEs are suffering badly from late payments in the current economic crisis. This can cripple cash flow and bring a company down.

In fact receiverships, administrations and company voluntary arrangements have rocketed by almost two-thirds year-on-year, according to The Sunday Times.

Compulsory liquidations and creditors' voluntary liquidations are up more than a quarter.

So how can SMEs protect themselves from the potential disaster of accumulated bad debts?

Very simply. You need to lay down your Terms and Conditions *on your terms* at the same time as drawing up a contract. You will be at a disadvantage if you find the other side imposing their T&Cs on you.

Under general law, even before you put things in writing, you can flag up certain points, including the powerful threat of charging interest on late payments.

But you need to bear in mind a number of points when drawing up your Terms and Conditions, namely:

1. You need to get in their first and ensure that your T&Cs are the ones in the contract you agree with your client or supplier.
2. You will be on the back foot if you feel you have to accept theirs.
3. Prioritise the most important items to you in the T&Cs.
4. Terms should not be in excessively small print i.e. they should be easily read and ideally no smaller than 7 or 8 point font.
5. You should avoid needlessly long Terms of Business. When printed they should be no longer than one side of A4.

Remember, you make a will for peace of mind and precision. It is exactly the same with Terms of Business, but with a couple of added benefits:

- Reduction of bad debts
- Maximise chance of survival in difficult times

It is a no brainer. Yes, it is possible that a standard vanilla flavoured set of Terms of Business will "do the trick" but equally possible that they will not. If in doubt, seek professional, legal advice as this is one area that you can put right very quickly and cheaply, leaving your business in much better shape to ride out the recession.