Is your customer going broke?

How can you avoid losing money when a customer goes broke? Here are some warning signs that should not be ignored.

- Customers outside trading terms
- Payment by post dated cheques
- Dishonoured payments
- Payment by special arrangements
- Payment on account in rounded amounts

If you see any of these signs, you should pause before supplying any more goods and services and make further enquiry of the customer. If the answers to your questions are not forthcoming, incomplete or vague then consider ceasing supply.

You place credit limits and terms on a customer to manage risk and your cash flow. Don't ignore them. Should a customer go broke and a liquidator seeks to claw back payments you received, claiming they were preferential, then showing that you consistently applied the terms of trade might assist in avoiding repaying the liquidator.

When was the last time you reviewed your terms of trade and guarantees? Are you relying on reservation of title clauses to recover goods supplied? Since the commencement of the Personal Property Security Act in 2012, it is now necessary to register a reservation of title for it to be enforceable.

These are some simple steps that you can do to protect yourself from losing money when a customer goes broke.

Gideon Rathner is the Partner in charge of the Corporate Reconstruction & Insolvency practice. Gideon has over 30 years experience in insolvencies, identifying the business drivers and reviewing businesses in financial distress. He leads a young, dynamic and energetic team that is solution focussed. Should you have any questions concerning either your business or delinquent customers, please contact us at Lowe Lippmann.

Level 7 616 St Kilda Road Melbourne
Victoria Australia 3004
(PO Box 130 St Kilda Vic 3182)
T 61 (03) 9525 3777
F 61 (03) 9537 1104
E office@lowelippmann.com.au
W www.lowelippmann.com.au