

# Appendix A: Credit Control considerations for types of customer

## Students

- Students are in general judged to pose a considerable credit risk due to their financial situation, frequent change of address and the short duration of time in which they are at the institution.
- Departments should obtain both home and term-time contact details (including e-mail addresses) for customers who are students at the University, to ensure alternative means of contact can be used to pursue payment should students leave the University before settling outstanding debts.
- The Finance Offices of Colleges are often willing to co-operate with the recovery of students' debts.

## Employees

- Departments should obtain both home and work contact details for customers who are employees of the University, to ensure alternative means of contact can be used to pursue payment should employees leave the University before settling outstanding debts.

## Individuals

- Due to the difficulties associated with conducting credit checks on individuals, Departments should carefully assess the risks associated with issuing customer accounts to such parties.
- Departments may wish to ask for formal written verification of address.

## 'Informal' Organisations

- Informal, transient organisations (e.g. sports clubs, music and drama groups, societies) can prove a significant credit risk as they can be difficult to chase for payment should membership change or the organisation disbands.
- Contact names and details must always be obtained and updated regularly.
- Departments may wish to ask for deposits as security.

## Non-limited UK Businesses

- This type of company can be set up with relatively few legal formalities and can present an increased credit risk as they can disband and re-form relatively easily. Credit checks on non-limited businesses can be conducted but the information is very basic as there is no legal requirement for non-limited businesses to make any of their financial information public.
- Non-limited businesses can be either sole traders or partnerships and the owner(s) will be personally liable for all debts if the business fails. As a result, Departments must obtain the owner's contact details in addition to those of the business in advance of committing to any sale.

## **Limited UK Companies**

- Limited companies can be privately owned, referred to as Limited (often abbreviated to Ltd) or publicly owned (Plc). Some Plc's can sell shares to members of the public on the stock exchange, Ltd's cannot.
- The liability for both Ltd's and Plc is limited. This means that if the company fails, the liability of the company's shareholders is limited to the value of the shares and not their personal funds. Or, in the case of companies limited by guarantee (with no share capital) the liability of its members is limited to the amount their members wish to contribute to the assets of a company in the event of it being wound up.
- All Limited companies are legally required to submit Company Accounts and Annual Returns every year. These documents are filed at an executive agency of the Department of Trade and Industry (DTI) called Companies House. All legitimate Ltds and Plcs will have a number which can be found on the Companies House website. The information submitted to Companies House is available to the public and forms the basis of the information used to generate the company credit reports and ratings that the Finance Division will undertake when requested to by an Institution.
- A limited company has similar rights to a person; for example it can buy assets, own property and it can sue or be sued independently of its directors. It can have detrimental information (for example CCJs) registered against it too.
- Limited companies should pose less of a credit risk to Departments as more accurate checks can be undertaken before issuing credit.
- Departments should ensure that they get confirmation of the correct address (where a company has multiple locations) and a contact name before committing to any sale to ensure that the subsequent invoice reaches an individual who can authorise payment and be chased should settlement not be made.

## **Foreign organisations**

- There are particular risks associated with extending credit to customers based outside the UK as legal jurisdiction can be weak. If at all possible, advance payment should be sought or sufficient payment at least to cover any expenditure incurred by the University on the customer's behalf.
- Chasing debtors based abroad is made difficult due to the cost of calls, potential language barriers and differing time zones, should the debtor not settle on time. Addresses can often be unclear and incomplete.
- It is recommended that fax numbers and relevant e-mail addresses are obtained in addition to telephone numbers and postal addresses. It is imperative that you also obtain a contact name to ensure that a number of alternative means of communication are available.