

A Guide to Getting Paid

It's normal in recruitment to celebrate as soon as a client agrees to take on a candidate, in reality a deal is not done until the money is in the bank. A lot can go wrong between a candidate being engaged and payment of your invoice. Here are some tips to help you get paid promptly.

Check your client

You should know which legal entity you will be doing business with so it is clear who is liable for your fee. In most cases you will be contracting with a limited company.

You can check company details free of charge including ownership and accounts at [Companies House](#).

Whilst Companies House will show you if a business has been made insolvent or has a winding up petition against it, it does not show whether a company has court judgments against them. You can check this online for a small fee at [Registry Trust](#). Alternatively, you can subscribe to a [credit checking agency](#) from a few hundred pounds per year. This will give you access to more information and will allow you to automatically monitor your clients for adverse changes.

Terms of business

Use professionally drafted terms of business. Recruiters often 'inherit' TOB's from previous employers or colleagues. These may be out of date or have been adjusted over time, sometimes poorly. Weak contracts may contain loopholes that can be used by the debtor to avoid payment.

Even the most regularly used terms from the associations are not completely watertight, putting the client in a stronger position than they should. [Sterling's website lists the main weaknesses with advice on tightening TOB's up](#). Ideally you should have a professional check your TOB's such as Sterling's solicitor, to ensure they protect you as far as legally possible from non-payment.

Ensuring your TOB's are incorporated

Make sure your terms of business are incorporated (put in place) correctly. It's a common misconception with recruiters that by emailing their agreement along with the CV it means that a contract is legally in place. When dealing with a new client and even a new vacancy, you should always e-mail the client your terms of business separately with a cover letter or cover message **before** sending details of any candidates. This provides a clear separation between formation of the contract (incorporation of terms) and performance of the contract (an introduction). Provided the client does not respond stating they do not agree with your terms, or offering alternative terms, then your terms of business should then apply and you can proceed to performance (introductions). As a belt and braces approach, we

also recommend an e-mail footer with a hyperlink to your terms on all out-going e-mail.

Complying with regulations

All agencies must comply with the Employment Agencies Act 1973 (the Act) and the Conduct of Employment Agencies and Employment Businesses Regulations 2003 as amended in 2010. The regs include requirements that are quite onerous, for example regarding consent from candidates, and where the role involves working with the vulnerable. You should understand the requirements, how to comply with them, and the risks of any non-compliance being used by your client to avoid payment.

Be clear about your payment terms

Make sure that your payment terms are very clear on your invoice and accompanying correspondence so that your customer is fully aware when payment is due and how you expect to be paid.

Your invoice should show your credit terms, the actual payment date, and the acceptable payment methods with all details. Usually, you will accept payment by bank transfer, in which case you should include your account number and sort code, but also the name of your bank, your company name used for the bank account (if different from your trading name), and IBAN/SWIFT details if dealing with overseas clients. The simpler it is and the easier you make it for customers to pay you, the more likely it is that you will be paid within terms.

Invoice promptly, and check it's been received

The sooner you invoice, the sooner you get paid, but only if it's been received by the correct person. It's good practice to follow up your invoice with a call shortly after sending it to ensure it's been received by the correct contacts, and to confirm that all is in order (for example do you need to send it to the accounts payable department or someone to authorise it, does it need a PO number).

Chase early and regularly

You should have a standard chase process in place to be followed consistently. Phone calls are the best method for securing payment, but should be backed up by emails to confirm actions agreed on the calls, and reminder emails at set points.

An example for customers on 14 days terms:

Day 1: Invoice sent by email (with a call immediately after to new clients to ensure it's been received).

Day 7: Courtesy call to check there are no queries and confirm a payment date.

Day 14: Payment due date. Courtesy call to check status of payment.

Day 21: Send Email Reminder 1 and call to remind the customer that payment is overdue.

Day 28: Send a medium strength Email Reminder 2 explaining that payment is now overdue and that you have the right to charge interest on the debt should payment remain outstanding, follow up with a call.

Day 35: Send a Final Demand explaining the debt will be passed to a debt collection agency in seven days if the debt is still unpaid, follow with a call.

Day 42: Call and email giving the debtor 3 days to pay.

Day 45 (30 days overdue): Refer the debt to a debt collection agency such as Sterling.

Sterling's website includes [letter templates](#) which can be used in your chase process, including reminders, final demands, and templates to handle common disputes such as temp to perms, back door hires and rebates.

Invoice Financing

Most recruitment agencies use some form of invoice financing, with the majority using factoring where the finance company chases payment for you. Invoice financing is an extremely competitive market where the provider with the lowest rates generally gets the business. This often means that there is little 'fat' available to the provider to fund an adequately resourced credit control team. Their collection process generally relies on a stream of emails that can escalate very quickly to red letters threatening legal action. This can damage your client relations and is not the best way of achieving payment, especially if the client has an unresolved query.

If your finance company is not getting you paid promptly then you may need to chase the invoices in house, or use an [outsourced credit control service](#) such as Sterling's. You may also wish to consider moving to an invoice discounting facility instead of factoring, whereby the finance company funds your invoices but does not take on responsibility for chasing payment. These facilities give you more control and are usually more cost effective.

When offering a discount give clear conditions

When offering a discounted rate it should be made clear in writing that the discount will only apply if the client makes payment by the agreed payment date. If the client breaches the terms then the higher rate should apply.

As another example, if the candidate leaves within the rebate period, but the client has not paid the invoice by the due date, then technically no rebate or replacement is due as the client has breached the terms of business through non-payment. If you do wish to offer a rebate or offer to replace the candidate then you should make it clear that this is dependent on payment. For example, 'we agree to find a replacement candidate provided our invoice number XXX is paid

within the next 7 days' ensures that if your client does not pay, you can pursue the full amount due under the terms.

Handle disputes calmly and professionally

When a client delays or refuses to pay your fee, it's tempting to assume that they are deliberately cheating you out of payment. Sometimes however the client can genuinely misunderstand their responsibilities under the terms of business. You should explain the situation in relation to your TOB's clearly and calmly so the client understands their obligations.

Even if it's obvious the client is deliberately avoiding payment you should remain courteous and calm. These situations can easily get personal and emotional, turning into a feud. An emotional debtor will often continue to refuse to pay through principle even if they do come to understand that they are legally liable under the terms.

Add late fees

Under the Late Payment Act you are entitled to add late fees and interest to invoices past their due date. See the Late Payment Fee [calculator in the tools section of Sterling's website](#).

In addition to fees and interest the Late Payment Act also allows for addition of 'reasonable costs' of collection. These can only be added if you opt to engage a 3rd party debt collection agency such as Sterling to collect the debt.

If your terms include contractual interest rather than referring to the Act then you should check to ensure that the rates/fees are not lower than could be added under the Late Payment Act, and you should consider the 'reasonable costs' that can be added using the Act. Our website also includes a [contractual interest rate calculator](#).

Escalate promptly

The longer an invoice goes unpaid, the less chance of it ever being paid. Escalating the debt to a 3rd party debt collection agency removes the stress and allows you to focus fully on core business. Specialist agencies understand your TOB's inside out, know how to persuade your debtor to pay, and get quick results. In most cases we are able to use the Late Payment Act to add late fees, interest and reasonable costs of recovery so that the debtor effectively pays for our service.

Sterling Debt Recovery specialises in the recruitment sector, providing commission only debt collection, back door hire searching, legal services and outsourced credit control.

See www.sterlingdebtrecovery.com, call us on 0207 1005978 or email info@sterlingdebtrecovery.com