

When goods are sold on credit there is always the risk that the buyer will not fulfil their payment obligations.

There are 3 main tools to avoid the problem of bad payments:

- **Credit report on the buyer**

For a relatively small outlay a credit report can save you thousands of Euros which would otherwise be lost making the wrong business decision. You can control your risk with reliable and up-to-date credit reports supported by the credit information Agency.

The kind of information that is important and that should be available includes:

Who has the power to sign?

Is the company legally constituted?

Is it credit-active in its country?

Does it have a good reputation?

Is it really well established?

Is the inventory really there?

Does the company own the location or rent?

Does it really exist?

Local, trustworthy, well-established credit reporting companies may let you know about particular things to watch for in their own countries, and may also be flexible in providing other types of information or services that may be relevant to your operation.

Also, note that financial information may have different weight depending on the country. For example, in Russia, the financial information must be provided to a public office by law; in Ukraine only public companies have the obligation to do this.

In volatile economies, refresh information at least once a year, and follow the trends of the economy of the countries in which your customers reside. If you see risk because of a political change, changes in exchange laws, dramatic changes in the industry of your interest, or any other representative risk, take a closer look at the company again and ask your credit source to inform you of the possible risk factors it sees.

In addition, the content of a reliable credit report will be a very important item to have if you have to take your case to collection.

- **B2B Debt collection**

If your customer has given you endless excuses, broken promises, is ignoring your calls and emails, or said they can't pay until some special event such as raising money occurs, it is time to bring in a professional. By the time an invoice is 90 days past due, unless your customer has given you specific verifiable information as to what will trigger payment, a B2B collection agency has a better chance of getting your money than you do. While it is painful to not get paid in full after an agency's fee, getting 75-85%% is much better than getting nothing at all.

As example IGK is using a Unique Tool – Credit Limit Cancellation. We have the ability to influence on debtor's future business that none of other collection agencies have. Notice of actual debt presence and 'No credit term to be granted' & Credit limit '0' is to be assigned to the debtor and this information is provided to the 70% of the credit insurance companies & banking institutions market and big to small businesses in multiple countries worldwide, which makes it hard for the debtor to buy goods or obtain services on a deferred payment basis, or get any bank financing.

- **Credit insurance**

The risk is being secured by credit risk insurers.

In each company portfolio there are buyers that that **seem** to be safe and reliable and there are also buyers that seem to be unreliable. But you can never be 100% sure exactly which of them will not pay and cause you losses.

Survey results:

80% of non-paid invoices come from "old" and as many think automatically "trusted and reliable" buyers. Quite often old buyers are granted bigger amounts and on longer deferred payment terms than new ones, although perhaps do not deserve that any longer.

For any business to be successful it should be well-planned in advance and predictable. Planned expenses on credit risk insurance will save you from unexpected losses in case of your buyer's protracted default (long term non-payment – up to 4-6 months delay) or bankruptcy.