

# How to get paid faster

#getpaidfaster



Advice for accelerating your finances

## Contents

Getting paid faster .....	3
Payments and business .....	4
Top 10 excuses for late payments ....	5
Ways to get paid faster .....	7
Switching to newer payment methods .....	9
How Sage can help .....	11

## Getting paid faster

There's a common saying in business: cash flow is king. However, many businesses struggle to manage this and late payments have a significant effect. There's £55 billion owed in unpaid invoices in the UK - that's more than Google's turnover in 2014. Despite government legislation which aims to address the situation, the issue of late payments remains.

---

For many businesses, improving cash flow by getting paid faster is a key focus. It's easy to see why. When your customers pay on time, your business benefits from:

- More predictable cash flow
- More capital to invest and grow
- More time to focus on your business, as you don't need to spend time chasing payments
- Less stress

## The impact of late payments

Late payments can cost businesses time, money and even the future of your business. In fact, 80% of UK business failures are caused by cash flow issues.

Our research shows that the average small business is owed £12,000 in outstanding invoices and 45% of invoices are not paid within 30 days. If businesses had access to this cash, they could invest in growth. For example, small businesses spend an average of £3,000 a year on advertising and marketing, so getting invoices paid faster would allow for additional investment in reaching new customers or even to take on a part-time employee.

Research by BACS shows that as the level of outstanding invoices rise, so too does the risk for the business. One in four small businesses said that if the amount owed to them reached £50,000, they may have to close the business.

But it doesn't have to be like this. With some simple steps your business could get paid faster and reap the benefits of better cash flow.

# Payments and business

The types of payment methods you use in your business can have a significant effect on how long it takes to get paid. By switching to alternative methods you could get paid up to 50% faster.

## The different types of payments

### Cash and cheque

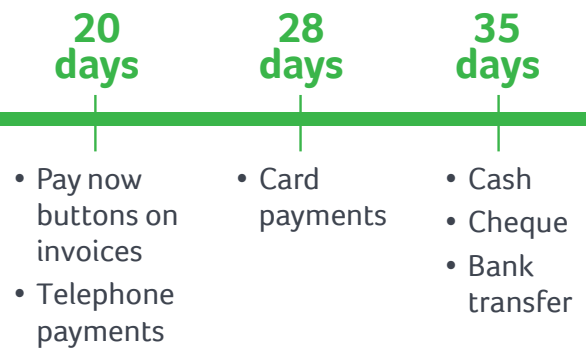


**67%** of small businesses use cash & cheque as their main method to accept payments



Only **42%** of business who use cash & cheque get paid on time

### Average time to get paid



### Time spent managing payments



**336** hours a year: the time an average small business spends chasing late payments



Over **90%** of businesses manually enter payments into their accounts software



**19%** of businesses visit the bank every day to pay in cheques & cash



**33%** spend more than an hour going to the bank

### Card and telephone payments



Small businesses who accept card payments get paid 50% faster than those who don't



**63%** of business who take card payments get paid on time



**73%** of business who take payments by phone get paid on time

---

## Top 10 excuses for late payments - and how to deal with them

Unfortunately, almost every business will have encountered a range of excuses when chasing up late payments. These are some of the most common ones and some suggestions to help you address them.

---

The cheque's  
in the post

This one is still doing the rounds. Of course, the simplest way to counter this is to move away from accepting cheques as payment. With card payments or bank transfers, you'll be able to check your bank and see if the payment has been made. And by taking card payments by phone, you can process it immediately while you're chasing up.

---

No one is  
available to sign  
the cheque

Some businesses only have one or two people who are approved signatories - or so they say, anyway. If that person is away from the business, then the cheque can't be signed and you won't be paid. Make sure you offer alternative payment methods so they can still pay you, even if the signatory is unavailable.

---

I haven't been  
paid by my  
customer yet

Another common excuse, this one essentially moves the cash flow impact from their business to yours. Make it clear that this isn't an acceptable excuse and if they don't pay immediately you'll begin to apply late payment interest charges. These additional costs should be enough of an incentive to get them to pay.

---

I haven't received  
the invoice

Resend the invoice straightaway and ask for immediate payment. If you use accounting software, you should have a record of when the invoice was sent and if it was delivered successfully, so you'll be able to prove that it was sent.

---

I need to set  
you up in my  
online banking

One of the advantages of online banking is how fast you can add in new payments and new accounts. At best, this takes a couple of minutes so there is no reason for your customer to be paying late. One way to counter this excuse would be to add a pay now button to your invoice, which allows your customers to pay immediately without the need to go into their online banking at all.

We're changing bank accounts

Even if this is true, almost every business makes alternative arrangements while their account is being moved, so they should still be able to pay you.

If they insist they can't, ask how long before their new account is live. The Current Account Switching Scheme, which was introduced in 2013, changed the time to switch accounts from 30 days to just 7 days. At the time 36 banks had signed up, so it's unlikely that your customer will be without an account for more than a week. They should be able to pay as soon as the transfer is complete.

---

We don't have a pay run until next month

This is something that it's worth checking when you first start working with a client. Some companies only do one or two pay runs a month, so if you miss one you can be waiting a long time before you get paid. Check what the cut off dates are and invoice as soon as possible to try to catch these. If that isn't possible, ask if they can make a one-off payment to clear the invoice.

---

The computer is down

This is a surprisingly common excuse but it shouldn't have much impact on payment times. With so many businesses relying on computer systems to do the most basic tasks, it's unlikely to be down for long. Insist that payments are made as soon as possible or offer alternative methods, like taking the payment by phone.

---

We always pay within 60 days, not 30 as it says on your invoice

The terms of your contract should be agreed up front. If you did that, then those terms apply, despite what they say. Reissue a copy of the invoice or quotation which shows the terms and explain that you'll apply interest on any overdue amounts.

---

We're not happy with the goods / service

This needs addressing straight away. Ask for details about what was unacceptable and how this can be put right. You'll then need to make a decision about whether they have genuine grounds for complaint and whether it's feasible for you to rectify it. If you can, do so quickly and then reissue the invoice. If not, you could invoice for part of the work or, if you believe they don't have a case, continue to pursue the whole outstanding amount.



---

## Six ways to get paid faster

While addressing the excuses for late payments can help, it's worth taking steps to stop the issue before it occurs. There are several things you can do to help you get paid faster.

---

### 1. Check prospect's credit ratings

Knowing a company's credit rating up front can help to anticipate any issues. Of course, a high credit rating doesn't guarantee that you'll be paid on time but a low one could show cash flow issues which might affect their ability to settle their bill. There are several free websites, like [Check Business](#), which let you see publicly available information.

If you do find someone with a low credit rating, you could ask for payment up front, limit the amount of credit you provide or choose not to do business with them.

### 2. Establish terms up front

Getting an agreement on the payment terms can help resolve issues before they happen. If disputes arise once the invoice has been issued, it's likely that it will still be paid late even if you can get it resolved, so it pays to be clear about terms. Get them agreed by your customer and their finance department before you start work.



### 3. Know your rights

If you do have customers who pay late, you can charge interest on the invoice, plus an administration charge for the additional costs in chasing up the payment. [More details about how to do this and the current rates are available on the Government website.](#)

In order to address the issue of late payments, the Government has issued new legislation. From 26 February 2015, [the public sector will have to pay both contractors and sub-contractors within 30 days.](#)

There is also a voluntary Prompt Payment Code. Companies who sign up agree to pay on time and provide clear information about payments. You can [find out if your customers are part of the scheme here.](#) If you have issues with any members who aren't following the code, you can [make a complaint.](#)

### 4. Think about discounts for early payment

Offering discounts when clients pay you quickly can encourage people to settle ahead of the due date. You should be aware that, from 1 April 2015, the government has changed the way VAT is calculated and recorded on these types of invoices. [You can find out more in our Community article.](#)

### 5. Check how your customers normally make payments

If you can provide a payment method that customers usually use, you're more likely to get paid faster. Ask your customers which payment methods work well for them. Our research shows that 84% of small businesses say that making payments easier for their customers helps them get paid faster.

### 6. Switch to other payment methods

By accepting card payments, you make it easier for your customers to pay and remove many of the excuses for late payment. There are a number of different ways to accept cards, from phone payments to e-invoices where people can pay directly by clicking a button on the invoice. All these options could improve the speed at which you get paid - you just need to choose the right one for your business.

Some businesses are concerned about the costs of introducing new payment types but it can actually save you money. Despite what some business owners think, all payment methods have costs. Even cash and cheques have a business cost, whether that's the time cost for employees to go to the bank or the cost of any additional security that you need when handling cash.

Switching to other payment methods can save you money by improving efficiency and reducing the time you spend chasing debt. You could also save money on your banking. Some banks now offer accounts that have reduced fees if you only take payments electronically, so if you move away from cheques your bank charges could be lower.



---

## Switching to newer payment methods

If you're thinking about switching over, there are many different options, so you should be able to find the right one for your business.

---

There's a myth out there that processing cards is more expensive but this simply isn't the case. With card payments, you don't need to take time out to go to the bank, you'll get paid faster and spend less time chasing payments. All of this means that you save time and money by accepting a wider range of payment types. Here's a round-up of the key methods and some guidance on how to switch.

### The different types of payments

#### E-invoices

These allow your customers to pay directly from the invoice by clicking on an integrated "Pay now" button. It makes it quick and easy for customers to make the payment and our research shows that businesses who offer this get paid an average of 15 days faster than those who use cash, cheques or bank transfers.

#### Telephone payments

This allows you to take payments over the phone which is very useful if you regularly talk to your customers in this way. It also lets you take payments immediately when you're chasing up overdue invoices. Taking phone payments is simple with Sage. You just login to your My Sage Pay web page and input the details.

#### Face-to-face payments

Being able to take payments when you're with someone is invaluable, allowing you to take payment after completing a job or to settle overdue accounts. Many customers now expect to be able to pay by card and don't carry cash or cheque books. Using a card machine lets you do manage these payments.

#### New developments

Technology is always changing and so are payment methods. Here are some of the ones you may encounter:

- **Mobile payments:** commonly referred to as Paym, this allows you to send and receive payments through your mobile phone. Many banks now offer this service. Barclays has even extended it to allow people to do this using their Twitter handles.
- **Direct debit:** in the past, handling direct debits could be difficult for smaller businesses. Now, new providers like GoCardless make it simple to set up and manage online direct debits.
- **Portable card readers:** these can be used in conjunction with your mobile phone or tablet to take payments when you're out and about.

## How to make the change

Introducing new payment methods may seem daunting but it's actually pretty simple. Just follow these steps and you'll be taking payments in no time.

### Assess best types of payment methods for your business

This will depend on how you do business and who your customers are. Think about any issues you have with late payments and what might help. For example, if you always chase up by phone, being able to process telephone payments will allow you to take the money while you're on the call.

Many companies offer a range of packages that suit your business needs. At Sage, we have different options, all of which offer free integration into Sage accounts software and let you process different types of payments. For more information, visit [www.sagepay.co.uk/getpaidfaster](https://www.sagepay.co.uk/getpaidfaster).

### Keep it secure

Whichever type of payment methods you choose, you'll need a reliable supplier who has robust security in place. Look out for advanced fraud screening, real-time address and security code matching and 3D Secure authentication.

Choosing an established provider helps give you peace of mind that your customers' details are well-protected. Sage Pay is trusted by over 50,000 businesses across Europe and offers the highest level of card data security so your customers are protected against fraud.

### Get the right support

Choose a supplier who can guide you through the process and give you the right support on an ongoing basis. Sage has a team of payment experts to help you implement the new payment methods and, once you're up and running, there's free 24/7 customer support if you have any issues with any transactions.

### Tell your customers about the new payment methods

Of course, to get the most from your new payment methods, you'll need to let your customers know that they're available. Get in touch to tell them how they can pay you and how the system works. It's also worth explaining the benefits that they'll get from using the new methods: they're easier, quicker, and make it faster to reconcile data so they can see exactly what's been paid and when.

### Phase out old methods slowly

Once you've swapped over to your new payment methods and begun seeing the benefits, it can be tempting to ditch cash and cheques immediately. But you might need to wait for all your customers to make the change to the new methods before you can withdraw the old ones.

Keep encouraging them to change and you should be able to reduce the amount of cheques and cash you need to handle, as well as getting paid faster.

## How Sage can help

We understand that every business is different which is why we offer a range of payment options. If you already have Sage accounts software, you'll also benefit from free integration.

---

### How integration can save you time and help you get paid faster

How much time do you spend manually transferring data into your accounts software? If you choose Sage Pay to manage your payments, the software can automatically reconcile your incoming payments, saving you time. Because the solutions have been designed to work

seamlessly together, you can be sure the data is correct and you'll get a clearer view of your finances.

Using Sage Pay also makes it simple to add a Pay now button to your invoices, allowing your customers and suppliers to pay by debit or credit card in just a few clicks. There's also an option to take payments over the phone.

Find out more at [www.sagepay.co.uk/getpaidfaster](http://www.sagepay.co.uk/getpaidfaster).



For more information:  
[www.sagepay.co.uk/getpaidfaster](http://www.sagepay.co.uk/getpaidfaster)

Sage (UK) Limited,  
North Park, Newcastle, NE13 9AA

Tel: 0845 111 0797

