

STOP waiting for Payment

Here's a question for you... what is the most common period of time that elapses between a payment being due and the contractor sticking up a hand and asking for help?

8 months!!!

That's right. In the hundreds of payment matters I see a year, the most common thing I see is a contractor finally deciding to chase his money in April for work completed in the previous September. This is absurd and one of the reasons why lack of cash flow and rising insolvencies continues to be major features of the construction industry.

You MUST adopt controlled debt management policies and be onto your debtors within no more than 3 months. It is common to hold off your pursuit when your client says "the money's coming, just a few more weeks". Or "I'll make it up to you on the next job." This means that you are financing his operations.

Here are 6 reasons why you should get on to your clients quickly to recover your money.

The Money Disappears

The money available to pay you only exists so long as there is a contractual chain to generate it. Once the work is done and everyone goes home, the money goes home too. All contractors in the contractual chain are fed by cash from the same source, so you need to be chasing your money while that source is still there, and ideally while that source still needs your work. Eight months later when everyone has packed up and gone to the next job, it will be very hard to chase your money.

The Value of your work Diminishes

The more time that passes after you have delivered your work, the less it is worth. Do not think for a minute that your debtor is looking at your work and thinking how wonderful it is and how deserving you are of your money. This is a delusion that too many contractors suffer from.

Your client is actually thinking "Look at all this work I've got for free!"

And the more time that passes the less your work will be worth, until in a year's time you'll be happy to get half the value if you're lucky. So it is key to understand that the passage of time acts to reduce the value of your work and the amount you will be likely to recover if you chase it. So chase early!

Ambit Valuations

Following from the previous point, should you actually engage your client debtor and demand your money, you will most likely be pushed into a negotiation. This is important. The key problem here is that the payment your client proposes to make now will have nothing to do with the actual value of your work, but will be everything to do with what you'll take without a fight.

You see while the project is going, your work can be valued in line with the agreed contract prices for it. You can point to the work done and then argue its value.

But eight months later your contract and work is a distant memory. The payment then will be a negotiation based on what you'll take to "just get something and move on". And I guarantee you that figure will be a lot less than the value of your work.

He's not there anymore

If you are going to chase your money in adjudication or court proceedings then you'll need to know the ins and outs of the whole affair. You'll need to know where all the paperwork is. You'll need to know what evidence can be collected.

But after eight months your staff member that dealt with it has left. And / Or the project manager at the debtor's company has left.

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This makes things very hard. Now it will take you ages to try to stick together all the documents and try to work out what went on. This puts you at a huge disadvantage, especially if it is your staffer who has left. This leaves your debtor far more informed on the works that you are. In any proceedings you will be functioning from far less information.

So act early while everyone is still on deck!

Gone Bust

Yes how common it is. You've waited so long to chase your money that all the other contractors have got in there before you to get their money. Now your client has no money left and goes into administration and finally liquidation. If you had acted sooner you may well have got your money. Remember that if you aren't getting paid chances are no one else is either. Those guys may be chasing their money while you're twiddling your thumbs.

Months later you'll start to chase your payments only to get a letter from the newly appointed administrators. This is your own fault and is totally avoidable

I cannot emphasise enough just how damaging the passage of time is on your chances of getting paid. Time is a killer of value. It is also a killer of your business. Because Time and Strangled Cash Flow will send you under eventually. The pursuit of payments acts to inject cash-flow in a short amount of time. And you will be amazed at how successful you can be if you chase your money hard and fast. So stop hanging about and get going!