



Practical steps  
you and your  
business can  
take to avoid  
financial trouble

**It is probably impossible not to have experienced some sort of financial trouble running a business, especially today when getting working capital from banks is ever more difficult.**

**But there are practical steps you can take to help your business remain viable.**

**Here we provide an overview of some of those steps.**

# Don't let cash flow finish you, deal with the problem

If you are experiencing issues with cash flow, deal with them straight away. Don't ever try to ignore the situation, hoping it will solve itself. Our experience tells us it won't.



## Common cash flow problems

We regularly witness common reasons why individuals and companies experience cash flow difficulties.

Here are our top eight reasons, so you can plan ahead and make sure you **don't fall into these common pitfalls.**

- 1 Your business has insufficient working capital. This could be an historic problem, or one caused by growth or over trading.
- 2 Over stocking or obsolete stock.
- 3 Over financing or over investment.
- 4 Pressure on sales and margins due to market conditions or competition.
- 5 Income and expenditure balance is negative.
- 6 Banks reducing or withdrawing facilities, or demanding more security.
- 7 Credit insurance on your business has been withdrawn and your suppliers are insisting on pro-forma payments.
- 8 Aggressive creditors (suppliers, banks, and revenue) are demanding payment. Legal action has started – such as CCJs and Statutory Demands.

If you have a cash flow problem deal with it **straight away**

# Stay on top of money owed to you

If you cannot collect overdue debt, hire someone who can. Always deal with a company that collects debt, does not charge upfront fees and agrees a fee with you (which only becomes due when money has been collected).

When recovering money owed to you, **there are two things you should always do to make the recovery process easier and more manageable.**

## Install systems

Firstly, install systems to make sure you manage your ledgers professionally. These systems will also ensure each of your customers are credit checked in detail before you supply goods or services.

A few £'s spent checking out each new customer will determine the credit terms you should apply and save you time and money chasing 'bad' debts at a later stage.

## Rate your customers

A good exercise is to check how much of your current sales ledger is recoverable and to rate each customer with a % possibility of collection.

Certainly, if you ever intend raising finances, your lender will carry out his or her own checks and rate each customer.



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## Deal with HMRC problems as they occur

**Never let HMRC matters fester.** And do not pay other creditors, while ignoring HMRC.

Although HMRC may take longer to get going, once they get their teeth into you they will not stop. So you must manage any situation with HMRC very carefully and seek advice if necessary.



## Agree a payment plan with all of your creditors

This would entail agreeing payment terms with all of your suppliers, including HRMC.

Agree a payment plan – literally who you will pay, when and how much – and keep to it. **If you do, you will rise out of the problem.**

If you're not able to manage this by yourself, then you should hire someone who can do it for you.

## A final note about the risks and your responsibilities

Many people running limited companies are often unaware they could be **personally** responsible for any suppliers debts, bank loans/overdrafts, leases, hire purchase agreements etc.

When you close a Limited Company for instance, the directors continue to be responsible for all/any debts they have **personally guaranteed**. Obviously Sole Traders and non-Ltd Partners are always responsible.



# About 4Squared South West

Here at 4Squared we offer advice and assistance helping you deal with debt problems, including insolvency.

If you are facing difficulty – as an individual or sole trader running a partnership or a limited company – please feel free to contact us for a free and confidential discussion, without any obligation.

We operate exclusively across Cornwall, Devon, Somerset, Dorset and Wiltshire.

We are run by Paul Murphy, who is authorised and regulated by the Financial Conduct Authority, is also registered under the Data Protection Act (license no. Z1403282) and is an authorised agent for The Revenue (HMRC). Paul works closely with an experienced and successful Insolvency Practitioner, who is part of our extended team.

**Visit us at [www.4squaredsw.co.uk](http://www.4squaredsw.co.uk)**

and check out the section headed 'Keeping it informal'



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