



A STEP-BY-STEP GUIDE TO GETTING PAID

APRIL 2022



A STEP-BY-STEP GUIDE TO GETTING PAID

It is common in recruitment to celebrate as soon as a customer agrees to hire a candidate, but a transaction is not completed until the invoice is paid. Between the time a candidate is hired and your invoice is paid, a lot may go wrong.

Here are some pointers to help you be paid on time.



EVALUATE YOUR CLIENT

You should understand which legal entity you will be doing business with to know who is responsible for your charge. For example, you will almost always be negotiating with a limited corporation.

[Companies House](#) provides free access to company information such as ownership and accounting documents.

While Companies House will show you whether a company has been declared bankrupt or has a winding-up petition against it, it will not show you if the company has any court judgements against it. For a modest cost, you may check this online at [Registry Trust](#). Alternatively, you may subscribe to a credit checking service for a few hundred pounds each year. This will provide you with more information and allow you to monitor your clients for negative developments automatically.



TERMS OF BUSINESS

TOBs are frequently 'inherited' by recruiters from prior companies or colleagues. These may be out of date or have been incorrectly updated over time. In addition, weak contracts may have loopholes that the debtor might use to avoid payment.

Even the most often used phrases from the associations are not entirely watertight, putting the client in a stronger position than they should be. Ideally, you should have a professional to review your TOBs to ensure they protect you as legally as feasible against non-payment.

Also, always check if your clients have TOB. If so, then get these checked over by a professional. Your client may have a clause in their TOB's that overrides your contract.



MAKE CERTAIN THAT YOUR TOBS ARE INCLUDED

Check that your terms of business are appropriately incorporated (in place). Recruiters frequently believe that a contract is legally in existence by emailing their agreement together with the CV. However, when dealing with a new customer, or even a new position, you should always email the client your terms of business separately with a cover letter or message before sharing any applicant information. This clearly distinguishes between contract creation (incorporation of provisions) and contract fulfilment (an introduction). Suppose the customer does not reply by declaring that they do not agree with your terms or presenting alternative conditions. In that case, your terms of business should apply, and you can proceed to performance (introductions). As a backup plan, it's good practice to include an email footer linked to your TOB's in all outgoing emails.



REGULATION OBSERVANCE

The Employment Agencies Act 1973 (the Act) and the Conduct of Employment Agencies and Employment Businesses Regulations 2003 apply to all agencies as amended in 2010. The regulations contain several onerous obligations, such as obtaining consent from applicants and working with vulnerable people. Therefore, you should grasp the rules, how to comply with them, and the dangers of your customer using non-compliance to avoid payment.



MAKE YOUR PAYMENT TERMS OBVIOUS

Make your payment conditions very clear on your invoice and related communication, so that your customer understands when payment is due and how you expect to be paid.

Your invoice should include details about your credit conditions, the real payment date, and the available payment methods. For example, if you accept payment by bank transfer, you should provide your account number and sort code and the name of your bank, your company name used for the bank account (if different from your trade name), and IBAN/SWIFT data if working with international clients. The simpler and easier it is for customers to pay you, the more likely you are to be paid on time.



INVOICE AS SOON AS POSSIBLE & DOUBLE-CHECK THAT IT HAS BEEN RECEIVED

The sooner you invoice, the sooner you will be paid, but only if the correct person receives the invoice. It's a good idea to call your contacts quickly after delivering your invoice, to check that it was received and that everything is in order. For example, do you need to send it to the accounts payable department or someone to authorise it, or does it need a PO number?



EARLY & CONSISTENT PURSUIT

You should have a uniform chasing procedure in place that is consistently followed.

Phone conversations are the most effective technique for ensuring payment, but they should be supplemented with emails to confirm activities agreed upon during the calls, as well as reminder emails at certain intervals.



For clients on 14-day terms, here's an example:

- Day 1: Invoice issued through email (with a follow-up call to new clients to check receipt).
- Day 7: A courtesy call is made to answer any questions and confirm a payment date.
- Day 14: Due day for payment. Calling as a courtesy to check on the progress of payment.
- Day 21: Send Email Reminder 1 and phone the customer to notify them that their payment is past due.
- Day 28: Send a medium-strength message. Email Reminder 2 indicates that payment is past due and that you have the right to charge interest on the debt if payment is not received by the due date; follow up with a phone call.
- Day 35: Send a Final Demand outlining that if the bill is not paid within seven days, it will be forwarded to a debt collection agency, followed by a phone call.
- Day 42: Call and email the debtor, giving them three days to pay.
- Day 45 (30 days past due): Refer the account to a debt collecting company.



PROVIDE EARLY PAYMENT DISCOUNTS

Providing clients with an early payment discount is a great way of getting paid on time. When giving a discounted rate, make it explicit in writing that the reduction will only apply if the client pays by the agreed-upon payment date. If the client violates the agreement, a higher rate should be applied.

Another great example of this is rebate schemes. If you supply perm placements, rebate schemes are a great way of encouraging clients to pay on time. Suppose the candidate leaves during the rebate period but the customer does not pay the invoice by the due date. Theoretically, no rebate or replacement is owed because the client violated the business terms by failing to pay. If you want to provide a rebate or offer to replace the applicant, make it clear that this is conditional on payment.



HANDLE CONFLICTS GENTLY & PROFESSIONALLY

When a customer delays or refuses to pay your fee, it's easy to conclude that they attempt to defraud you. However, the client may occasionally truly misinterpret their duties under business conditions. Therefore, you should clearly and gently describe the issue concerning your TOB's so that the client knows their duties.

Even if it is evident that the client is delaying payment on purpose, you should remain courteous and calm. These circumstances may quickly become personal and emotional, resulting in a dispute. Even if they realise they are legally obligated under the rules, an emotional debtor may frequently refuse to pay.



INCLUDE LATE FINES

The Late Payment Act allows you to charge late fees and interest on invoices over their due date.

In addition to fines and interest, the Late Payment Act provides for the imposition of "reasonable collection charges." These can only be included if you want to use a third-party debt collection company.

Suppose your conditions contain contractual interest rather than referring to the Act. In that case, you should ensure that the rates/fees are not lower than those that may be applied under the Late Payment Act, and you should examine the 'reasonable charges' that can be added under the Act.



PROMPTLY ESCALATE

The longer an invoice stays unpaid, the less likely it is to be paid. Escalating the debt to a third-party debt collection agency alleviates stress and allows you to concentrate entirely on your primary company. Specialist agencies know your TOBs inside and out, how to persuade your debtor to pay, and how to obtain results quickly. In most circumstances, they can use the Late Payment Act to add late fees, interest, and reasonable recovery charges so that the debtor effectively pays for the service.



INVOICE FINANCE

Most recruitment agencies use some type of finance, with the majority relying on factoring, in which the financial provider funds your invoices and collects money on your behalf. However, you are still required to manage your payroll and the collection process is normally done via email, which can affect client relationships.

You may also choose to try invoice discounting instead of factoring, in which the provider finances your invoices but does not take responsibility for collecting payment. Therefore, if your client is not paying you on time, you may need to track down the invoices yourself or utilise an outsourced credit control service.



RECRUITMENT FINANCE

Recruitment finance is a great way to remove the burden caused by chasing payments, financial constraints and time-consuming admin. Instead of waiting for clients to pay and worrying about cash flow, you can focus your time on finding quality candidates and building stronger relationships with clients, to ultimately grow your recruitment business.

So, what exactly is the procedure?

Following the submission of timesheet data, your workers are paid directly by the funder and your clients are also invoiced. You are also released your profit margin that same week, bridging the payment gap between invoicing and improving your cash flow. The funder then collects and allcates payment direct from your client or pursues them in the case of late payment.



WHY CHOOSE SIMPLICITY?

Simplicity provides recruiters with 100% finance, full back-office support and innovative recruitment technology to help them run more efficient, compliant and profitable businesses.

We take care of paying your workers, invoicing your clients and collecting payments. Whilst providing you with instant access to your profit margins and giving you the time needed to focus on growing your recruitment business.



INTERESTED IN SIMPLICITY'S RECRUITMENT SOLUTION?

Contact us on 01594 888518 or sales@simplicityinbusiness.com to learn more about our recruitment solution.

simplicity™

For faster smarter growth



The Aspen Building
Vantage Point
Mitcheldean
Gloucestershire
G17 0DD

✉ sales@simplicityinbusiness.com

🌐 www.simplicityinbusiness.com

☎ 01594 888518



REC

Business
Partner

This eBook is meant as a guide only and is the opinion of the Simplicity team following many years of working with recruitment businesses. However, this does not constitute professional advice or direction and the final decisions made in relation to any new business are the responsibility of the business owner and/or director. Simplicity does not accept responsibility for any outcome based on the opinions given in this document.