

6. APPLICATION FOR CREDIT

HOW TO SPOT THE DIFFERENCE BETWEEN A SMOOTH TALKING DEBTOR AND A GOOD CUSTOMER

Your first direct contact with a potential customer, is normally the most important one. This is sometimes your only chance to have a "face to face" meeting.

It should be a general rule in all businesses to obtain a properly completed Credit Application Form from a potential customer. This will help the Credit Department or any other third party entrusted with the collection of the outstanding debt. Remember, one cannot collect outstanding debts if you do not have enough details.

A Credit Application Form must contain the following information:-

1. The full names of the potential customer. If the customer is a legal entity, the registration number of the legal entity should be obtained. It is of great importance to verify as to whether your enterprise will be dealing with a legal entity or an individual in his personal capacity. If you are dealing with a legal entity, it must be specifically established as to whether the potential customer is a Close Corporation or a company with limited liability;
2. The full names of the partners or directors or members of the potential customer together with the identity numbers;
3. The exact physical address (i.e street address), P.O. Box, fax number and telephone numbers;
4. Full banking details of the individual partners or directors or members;
5. Full details of trade references together with telephone numbers and names of contact persons;
6. Full details of any immovable property owned by the individual, or partner(s) or member(s) or director(s);
7. Full details of their next-of-kin or any other family members;
8. Full details of any related legal entities;

9. Full details of the registered address (in the case of a legal entity) and the potential customer's principal place of business. In the case of a Close Corporation, a copy of the CK1-form, and in the case of a company, a copy of the Certificate to commence business;
10. Details of any legal actions instituted, liquidation applications launched, sequestration launched and/or judgements granted against the individual, and/or the member(s) and/or the director(s) and/or their immediate family;
11. Full details of any sureties signed by the individual and/or the director(s) and/or the member(s), as well as any notarial bonds or bonds of any other nature held over the movable or immovable property of any of the individuals, and/or member(s) and/or director(s);
12. Full details of any cession of book debts.
13. The latest approved balance sheet of the company, or approved financial statements of the close corporation. You will learn a great deal about the potential customer's business by scrutinising an audited balance sheet of his business. See if you could also extract a copy of the applicant's cash flow.
14. The identity number of the members or directors, as the case may be. The surest way of tracing an individual at a later stage, or locating details regarding his creditworthiness and credit profile is by using such an individual's identity number as a starting point.

So, now you have received all the information, but your job does not end there. You cannot always believe everything that is given to you by potential customers. All the information given must be thoroughly checked before credit is granted.