

Credit control policy

Example Supplies Ltd (a fictional UK trade supplier) · Version 1.0 · Approved by the board

This is a filled-in example of the free credit control policy template from [accounting.events](#). The company is fictional. The numbers show one reasonable set of choices for a UK business on 30-day terms; change them to fit your own terms and risk appetite. Statutory figures follow the Late Payment of Commercial Debts (Interest) Act 1998 and [gov.uk](#) guidance.

1. Purpose and scope

This policy sets out how Example Supplies Ltd gives credit to trade customers, invoices them, collects what is owed and writes off debt that cannot be collected.

It applies to every customer account on credit terms and to every member of staff who sells, invoices or collects. Owner: Finance Director. Reviewed each October.

2. Roles and delegated authority

The Finance Director owns this policy and reports collections performance to the board each month.

Credit limits: up to £5,000 approved by the credit controller; £5,001 to £25,000 by the finance manager; above £25,000 by the finance director.

Write-offs: up to £500 approved by the finance manager; £501 to £5,000 by the finance director; above £5,000 by the board.

3. New customer credit checks and application

Every new credit customer completes a credit application giving its legal name, registered number, trading address, accounts payable contact and two trade references.

Before credit is opened, the credit controller runs a Creditsafe check and records the score, the recommended limit and the date on the customer record.

Accounts are reviewed again when a limit increase is requested, when the customer pays late twice in six months, or every 12 months.

4. Credit limits and approval tiers

The opening limit is the lower of the Creditsafe recommended limit and one month's expected purchases.

A customer whose balance, including unposted orders, would exceed its limit is referred to the approver in section 2 before the order is released.

Limits are recorded in Xero and must match the approved amount.

5. Payment terms

Standard terms are 30 days from invoice date. Terms of 14 or 60 days need approval from the finance manager and must be written into the contract.

Terms are stated on the credit application, the contract and every invoice, together with the right to charge statutory interest and recovery costs under the Late Payment of Commercial Debts (Interest) Act 1998.

Accepted payment methods: BACS, card and direct debit. Cheques are not accepted.

6. Invoicing standards

Invoices are raised on the day of delivery and sent by email to the customer's accounts payable contact.

Every invoice shows: invoice date, invoice number, purchase order number, description of goods, total with VAT, payment due date, payment terms and bank details.

Credit notes are approved by the finance manager and issued within five working days of an agreed error.

7. Chasing schedule

Every overdue invoice follows the schedule below. The day count runs from the due date. Reminders stop when the invoice is paid.

Day	Action	Owner	Credit hold
3 days before due	Courtesy reminder by email with a copy of the invoice	Credit controller	No
Day 1 overdue	First overdue reminder by email	Credit controller	No
Day 7	Phone call to the accounts payable contact; log the promise to pay	Credit controller	No
Day 14	Formal reminder stating statutory interest and the fixed sum	Credit controller	No
Day 30	Final demand by email and post, seven-day deadline	Finance manager	No
Day 31	Credit hold on the account; new orders need finance approval	Finance manager	Yes
Day 60	Letter before action, then debt collection agency or county court claim	Finance director	Yes

8. Late payment interest and recovery costs

Example Supplies Ltd charges statutory interest on overdue invoices at 8% a year over the Bank of England base rate, as set under the Late Payment of Commercial Debts (Interest) Act 1998 and its rate order.

The base rate used is the rate in force on 30 June or 31 December before the invoice became overdue, and applies for that six-month period.

A fixed sum is charged once per overdue invoice: £40 for a debt under £1,000, £70 for £1,000 to £9,999.99, and £100 for £10,000 or more. Reasonable recovery costs above the fixed sum may also be claimed.

Interest and the fixed sum are invoiced separately from day 14, referencing the original invoice. The finance manager may waive them for a customer that pays on receipt of the reminder.

9. Credit hold

An account goes on credit hold when any invoice is 31 days overdue or the balance exceeds the credit limit.

On hold, no new orders are released without written approval from the finance manager. Sales staff are told the same day through the shared customer record.

A single disputed invoice does not put the account on hold while the dispute is logged and within the timescale in section 10. The hold is lifted when the overdue balance is paid or a payment plan is signed.

10. Disputes and queries

A customer query is logged within two working days of receipt, with the invoice number, the reason and the owner.

Disputes are resolved within 10 working days. The undisputed part of an invoice stays payable on the original due date.

Interest and the fixed sum are not charged on an invoice that is paid late because of a dispute.

11. Payment plans

A payment plan may be offered when a customer cannot clear an overdue balance in one payment. Plans run for no more than six months and are approved by the finance manager.

The plan is confirmed in writing with the instalment dates and amounts. A missed instalment makes the whole balance due and restarts the chasing schedule from day 1.

12. Bad debt write-off and provisions

A debt is considered for write-off when the customer is insolvent, cannot be traced, or the cost of recovery exceeds the amount owed.

Write-offs follow the approval tiers in section 2 and are recorded with the reason and the date. VAT bad debt relief is claimed six months after the later of the due date and the supply date, once the debt is written off.

A bad debt provision of 50% is held against balances over 90 days and 100% against balances over 180 days, reviewed quarterly.

13. Reporting and policy review

The credit controller produces an aged debt report each month showing balances at 0 to 30, 31 to 60, 61 to 90 and over 90 days, debtor days (DSO), the percentage of debt over 60 days, and accounts on credit hold.

Targets: DSO under 40 days and less than 5% of debt over 60 days.

This policy is reviewed every 12 months and after any change in payment legislation.

Sign-off

Approved by: the board of Example Supplies Ltd. Policy owner: Finance Director. Next review: October next year.