

Main reasons why invoices are not paid

There are literally thousands of creative excuses for non-payment of invoices. Business owners regularly encounter them but often don't understand the customers' motives or how to encourage them to pay.

The best excuses for non-payment I've encountered over the past 18 years include:

- “My dog ate my cheque book” (apparently this did happen!);
- “Our Director is on an overseas cruise and won't be back for six weeks”;
- “Our bank was robbed and our account was cleaned out”; and
- “My grandmother died last week and I am flying to Perth for the funeral”.

While the final excuse sounded legitimate enough, the customer had used it eight times in two years. I'm not sure about you, but I only have two grandmothers.

The most common excuse business owners receive is “I have not received your invoice.” Thanks to technology, this excuse is easy to overcome. Simply emailing the invoice while your customer is on the phone gives you the opportunity to confirm they have received it. You should also feel confident asking when the customer expects to pay the invoice, and how it will be paid.

There are three main reasons for non-payment. The first is “can't pay” – an indicator of a cash flow problem or lack of funds. The second reason is “won't pay,” normally a sign that there is a relationship issue or that the client likes to use you as a bank. The third reason is “shouldn't pay” and most likely due to a legitimate query such as a genuine error in the transaction.

The best way to avoid being caught by feeble excuses is to identify which of the three categories of non-payment the excuse falls in to – and plan your response strategy accordingly.

Knowing how to respond to customer excuses for non-payment can positively impact your cash flow. In the case of an especially good excuse though, you might decide to extend payment terms after having a really good laugh.

Published in the Courier Mail 23rd November 2005

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