



YOUR FOREIGN CURRENCY INVOICES JUST GREW BY 15%

Here's how to take advantage



STA International

The EU Referendum result sent shockwaves through the UK's political establishment and business community, and resulted in some of the largest ever drops in share prices and currency value. This precipitous drop – the worst in three decades - meant that businesses which buy abroad in Sterling saw their costs increase by around 15% overnight, and many are now suffering with ballooning import costs.

Conversely for businesses that sell overseas and issue invoices in local currencies, the situation proved something of a windfall. When they transfer their revenue back to GBP, around 15% more cash will arrive.

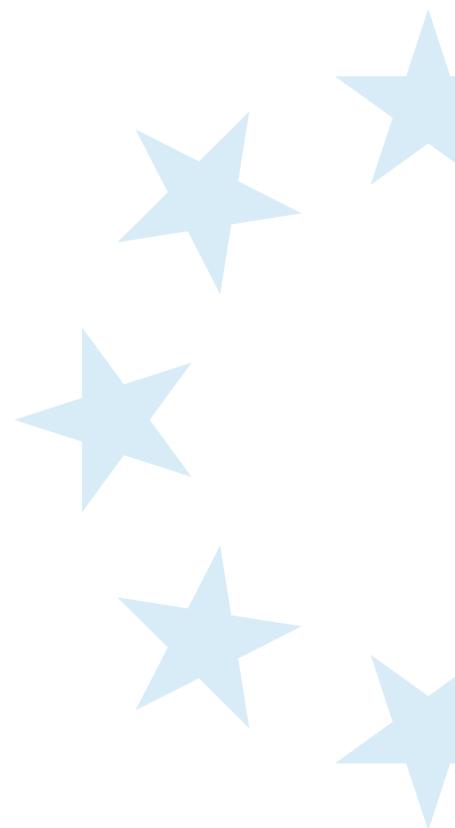
Businesses with outstanding invoices on the Continent or further afield can take advantage of the currency shift. An invoice issued for €10,000 on June 22nd – the day before the Referendum – would have been worth around £7,690. Just a week later that same invoice would have been worth £8,547, meaning additional revenue of over £850 just seven days later.

It's not just against the Euro where the Pound is historically weak. The UK's top 10 currency forecasters are predicting an average value of \$1.27 for the Pound by the end of the year – a further fall of 4%. Some are even more pessimistic; Goldman Sachs has forecast a year-end value of \$1.20, while Standard Chartered predict just \$1.18. If these estimates prove true, a US Dollar invoice issued prior to 23rd June could be worth up to 20% more in GBP before the end of the year.

It's worth noting that not all forecasters are predicting an ongoing slump - Nick Parsons, National Australia Bank's Head of Markets Strategy, Europe, correctly predicted the Pound's crash following the Referendum vote and believes a bounce-back could come equally quickly. However, the weight of opinion favours a weak Pound for the foreseeable future.

Businesses with outstanding non-GBP invoices find themselves in the curious position of making a healthy profit if they collect now, or gambling on an even greater return by allowing them to go uncollected while the Pound continues to suffer. If, of course, those invoices can be successfully collected.

Despite currency instabilities and a potentially frosty working relationship with companies on the Continent, there are some simple steps you can take to ensure you collect your invoice promptly, and take advantage of the sudden change in the foreign exchange landscape.



Pound movements since The Referendum

US Dollar	Euro	Australian Dollar	Indian Rupee	Chinese Yuan
-\$0.18 (-12%)	-€0.15 (-11%)	-\$0.24 (-12%)	-₹12 (-12%)	-¥1.1 (-11%)

STEP 1

SPEAK TO YOUR DEBTOR

The debt collection process always starts with a conversation. Pick up the phone or send an email to check in. The Referendum result has introduced an element of scepticism to how foreign businesses deal with UK partners, so now could be the ideal time to reassure your customers that their business is as important as it's ever been (in fact, with the weakened Pound, it's even more important!).

It's also often the case that if an invoice lapses without payment and the debtor is not contacted, they will give the payment a low priority – the company that makes the most noise is often the one which is paid fastest!

A straightforward chat is often the best way to identify issues you may have collecting your debt. If it looks as though they may have trouble paying explore other options, including:

- **Partial payment**
- **A payment plan (a great way to take advantage of a weakening Pound whilst also reducing risk)**
- **Deferred payment with financial penalties**

If your debtor is within the European Union, you can also look to use EU-wide regulations such as a European Payment Order or the European Small Claims procedure (if the amount owed is less than €2,000) to ensure you are paid in full, though this does not always work as well as the legislation intended.

International non-EU debts are especially risky due to the lack of cross-border regulation, and will often require a local agent. If the outcome of your discussion is inconclusive – for example if you are offered vague assurances but no firm dates – you should think seriously about involving professional collection agents.

Did you know?

STA International is the only UK Debt Collection agency that is part of the European Collectors Association, giving us access to a worldwide network of debt collection expertise and affiliate offices in over 70 countries.

STEP 2

FIRM UP YOUR BALANCE SHEET

Although the worst economic shocks of the EU Referendum are most likely behind us, and the lengthy Brexit process will help to mitigate any further jolts, uncertainty is not in short supply around Europe. Businesses should be taking precautions, by considering firming up their Balance Sheets, and reducing financial risk across the board.

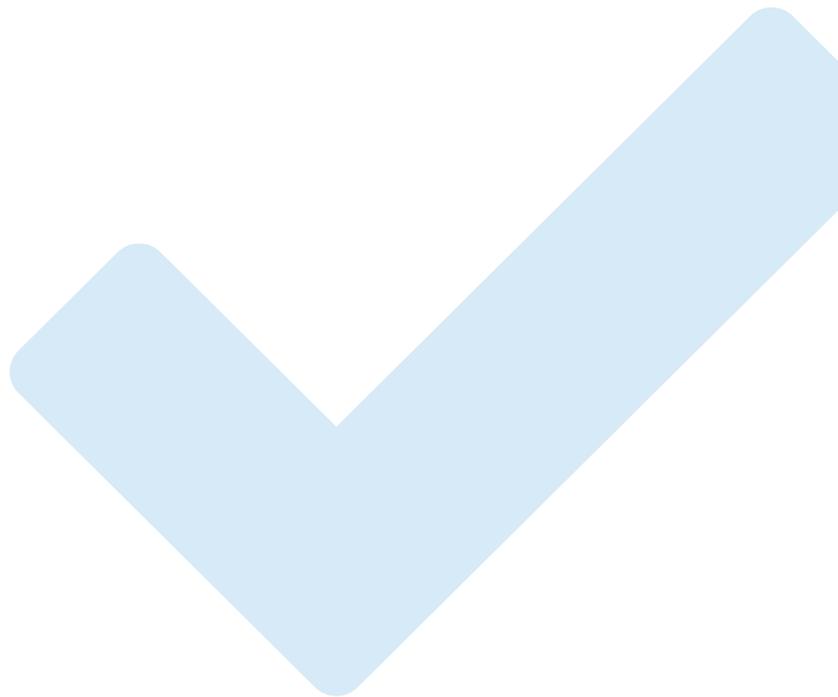
Getting collection plans in place for each and every outstanding debt is essential. Use partial or deferred payments to make repayments more affordable to your customers, and get firm commitments for payment dates.

Aside from collecting money owed to you, there's more you can do to reduce your risk. You can consider:

- **Taking out credit insurance to protect yourself against bad debt**
- **Selling invoices to an invoice finance company - giving you an advance to get cash through the door quickly**
- **Selling assets your business is not using**
- **Increase retained profit by reducing general spending or cancelling planned outlays**

The current ratio

You can find the liquidity of your business by using the balance sheet and dividing current assets by liabilities. Though some types of businesses can operate successfully with a ratio of less than 1, this may indicate problems in working capital management.



STEP 3

COLLECT NOW OR LATER?

Remember, in the current economic climate delayed payments could actually benefit your bottom line as the Pound continues to get weaker against the Euro and Dollar. Though this approach is a risky one, as debt invariably becomes more difficult to recover as it ages.

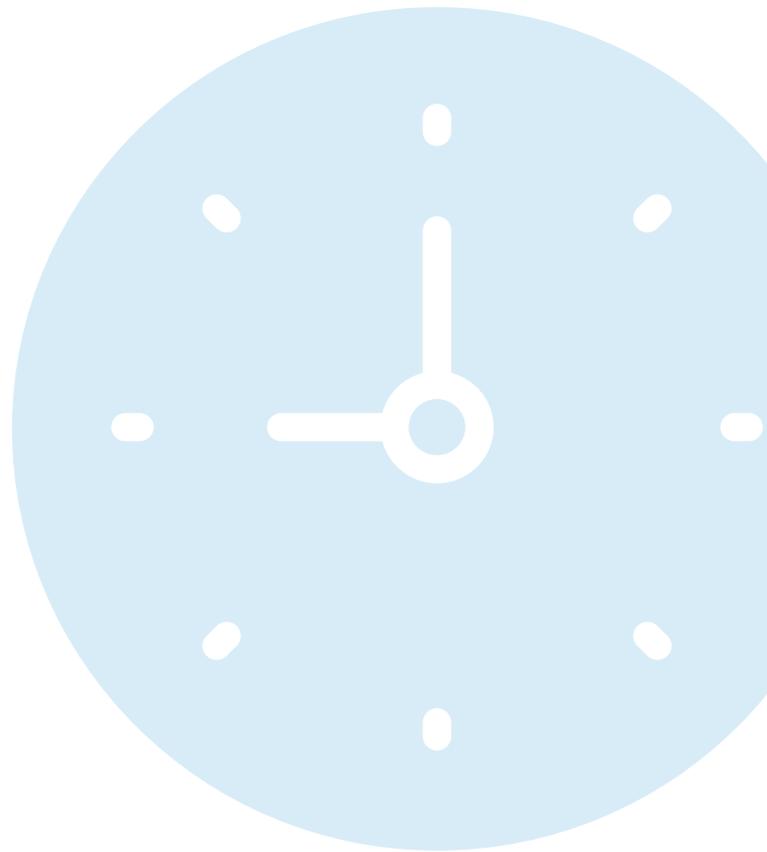
The EU Referendum result has impacted more than just the British economy – the Euro is very weak against the US Dollar and the International Monetary Fund predicts that Brexit will be a drag on the international economy for years to come so if your invoice is going unpaid, it could be that your clients are having monetary issues of their own.

An accredited credit controller can check company accounts for solvency and liquidity to ensure the debtor can pay the money they owe, and inform any payment plan you develop. If a debtor is able to commit to payment at a future date there is now a distinct possibility that the value of the invoice in Sterling will rise in the interim.

Such decisions should always be made with your cash flow in mind – if you need the money urgently, you should not delay in collecting it.

Don't forget

Paper trails are vital when collecting debt – record every interaction with your debtor, and store correspondence in a safe place.



KNOW WHEN TO USE PROFESSIONALS

Large unpaid invoices can be delinquent for years if the correct processes are not in place to collect them. If the UK invokes Article 50, or even leaves the European Union entirely, in that time UK businesses may not have access to the European Payment Order or the European Small Claims procedure, complicating the collection process and making payment problematic. In this case a collection agent with an international network will be your best bet, but is not always a necessity - in 2015 we collected debts from 146 countries, and 73% of all international collections resulted from our efforts within the UK, saving the extra time and cost involved with overseas agents.

Debt collection services, even if the debt is overseas, needn't be costly. The Late Payment of Commercial Debts (Interest) Act 1998 was updated – perhaps ironically to fall in line with EU regulations – to allow collection agents to collect their fee from the debtor.

This means that in many instances businesses can recover the full amount owed without paying a penny. Using a reputable agent like STA International is the simplest way to deal with overdue foreign currency debt – and with a historically weak Pound, you may see more money arriving than you expect.

Get in touch on 01622 528 663

Speak to our team today to take back control of your outstanding debts



