

**P**reparing for the worst case scenario doesn't necessarily mean you're being paranoid or that you don't trust your clients. You never know when a company or individual may not pay as agreed. Taking a proactive approach puts provisions in place to protect your company's right to recovery BEFORE you provide goods or services on credit.

***Consider the following:***

**Do you have a credit policy and if so, is it being used consistently?** Are you checking D-U-N-S ratings or other applicable credit scores prior to providing goods and/or services? Are you verifying references?

**Who is your customer?** In a world of fictitious names, DBA's and Whodats, it is highly recommended that you know your customers. Don't be afraid to do a little digging!

For example, if you are a maintenance company providing labor and material to Joe Blow Property Management Company for an apartment complex, it would be a good idea to know who actually owns the property. The property management company or the fictitious business name may be listed as the owner with the tax assessor. What happens if problems arise and Joe Blow Property Management Company disappears? Bottom line: you should know who is ultimately responsible for paying your invoices.

**Are you filing pre-lien notices and mechanics liens?** Failure to send lien notices and affidavits to the proper parties and within the appropriate time limits is just like throwing money to the pigs and hollering, "Soovie!" Even worse, you expose your company to a complaint or lawsuit for a wrongful or invalid lien.

**Who pays the recovery costs?** Does your contract or agreement include verbiage holding your client responsible for interest, late fees, and attorney fees in the event the account becomes delinquent. Some states will allow late fees and recovery costs to be added; however, others require contracts to be specific and have limits on these amounts.

It's important to have an agreement that protects your interests in the event of default or dispute. You may want to consider an agreement that includes not only a personal guarantee, but one that also allows for the recovery of legal fees.

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