

Let **US** take care of your credit – we have the solution!

Interview with Dr Cedric Mifsud – Partner, Credit Solutions Ltd

If you are the owner of a small to medium sized business and have had to face the headache of chasing money owed to you, it will come as a relief to know that there is help to be had thanks to a relatively new company called **Credit Solutions Ltd**.

Dr Cedric Mifsud, one of the company's partners, explains that the main concept behind this new company is to effectively manage credit, to help companies to improve their liquidity, and to collect money they have had trouble recovering. However this is definitely not all:

"We are much more than just a debt collection company. If someone wants to enter into business with another company or entity yet is not sure whether this would be viable, they can come to us and request a report, which in legal terms is known as an exercise in 'due diligence'. Basically, we do all the homework: we check whether potential transactions would be viable by obtaining information from various public sources such as the Malta Financial Services Authority, the Law Courts, the Public Registry and other similar entities."

What makes **Credit Solutions Ltd** different to other companies offering services in this field is that they offer to start working with a client before the business relationship actually takes off.

"If you want to check on a potential client or partner, we handle it and provide you with a report. Then we can monitor the invoicing and actually issue the invoices for you. Through our experience in the field we have found that many businesses have trouble managing their credit. We follow our clients closely through regular meetings and guide them towards solid negotiations. We handle the 'chasing' of their debtors, send reminders and even make phone calls. After all, what businessmen want at the end of the day, is liquidity," Dr Mifsud points out.

Credit Solutions believe that to best service their clients they have to be in a position to offer various related services in order to provide each client with an individual portfolio of required services. A client can therefore choose to use just one of the various services or else take up the full spectrum of services offered by **Credit Solutions**, depending on the individual needs. It is therefore up to the client to set the parameters and it is the client who gives Credit Solutions Ltd. instructions as to whether, for example, a thirty, sixty or ninety day credit period is to be granted, or whether to slow down chasing with regard to a particular debtor the client may be negotiating with."

After all one of the objectives of **Credit Solutions Ltd.** is the promotion of good business relations and business conduct. In cases where debtors become difficult and do not readily pay up, we can tackle the debtor differently through the sending of letters, by pushing to reach an agreement, or taking precautionary legal action, and ultimately in the worst case scenario filing court proceedings.”

Since **Credit Solutions** is made up of four partners, all of whom have considerable experience in all aspects of credit management. Dr Mifsud says that Credit Solutions Ltd., unlike other similar companies or even law firms, offers its clients the right approach from the start as one of the aims is to steer its clients clear of the law courts. Very often people with credit problems go straight to a lawyer which leads to litigation, when it is either premature to do so, or too late to do so.

“What we are saying is: hand over the work to us so we can handle it before it ends up in litigation, and give us the leeway to negotiate and run after your clients. Tell us what you need and want and we will chase your credit.”

Small businesses, especially, find it a waste of time to run after their debtors, most do not have the expertise to do so, and others lack know-how on how to start collecting before the business faces great difficulty. At times the reasoning that a debtor could potentially be a good client means that creditors would not wish to jeopardise their good business relations, and possibly lose the business by insisting on settlement of dues, but once you have a third person involved it makes negotiations easier.”

Taking advantage of the services offered by a company like **Credit Solutions Ltd** also works out cheaper than employing someone full time to take care of credit management. It is also a fact that not all businessmen have the skills to handle the financial aspect of their venture.

“They would be great at what they do, brilliant at sales and have a viable business idea, but they then have problems when it comes to billing,. Once they have someone to guide them from day one, they can avoid these pitfalls.”

Small businesses, in particular, might not have sufficiently thought through the financial aspect of their venture and the often unpleasant business of chasing their money.

“There are people who are inundated with work but do not bill; they simply do not have time to do the paperwork. Engaging our services would ensure their invoicing is regular and thus stand a better chance of receiving steady income flow.”

Credit Solutions Ltd. caters mostly for small to medium businesses, although they have also been approached by big businesses to handle specific cases

involving considerably large amounts. Each individual case requires substantial time and legwork dedicated to research on the debtor in order to find a way to provide an adequate financial solution as to how the creditor can collect the money owed to him. Dr Mifsud points out that it is indeed possible to recover one's debts without going to court, and many times they discover that the debtor **does** want to settle amicably and is willing to negotiate.

“A frequent example is that sometimes the creditor is willing to give a discount to encourage the debtor to pay up immediately, so there are many ways and means of how to apply pressure which lead to successful settlement without going to court. It is not a matter of grabbing the phone and shouting at people. It is a technique which requires persuasion and negotiation.”

Dr. Mifsud believes that creditors tend to focus too much on judicial action and he emphasises that what **Credit Solutions** offers usually turns out to be a less expensive solution based on available market tools which tend to be speedier than court proceedings.

Credit Solutions Ltd also has an international dimension since it is affiliated with Global Credit Solutions, an international network present in 77 different countries. This means the company receives requests from overseas partners for foreign creditors who wish to collect debts due to them from a debtor in Malta.

This obviously also works vice-versa as wherever Maltese companies do business, **Credit Solutions** has a partner. As Malta's economy has grown and trade has spread to countries all over the world, the Maltese are also owed money by foreign clients. In the past, this kind of scenario usually meant initiating a court case abroad and incurring heavy legal expenses. If a Maltese company is owed money from a client in the United Kingdom, for example, Credit Solutions Ltd would contact their partner in the United Kingdom who would then chase the debt. This is usually carried out on a '**No win - No fee**' basis - meaning that if the debt is not recovered, no fee is paid. This service is also available in far-flung places such as Asia and Africa.

Another service offered by Credit Solutions is business consultancy and Dr. Mifsud elaborates that

“Sometimes we find businessmen who have problems with the banks not because the business is not doing well, but because they have an irregular income. They collect the money due to them a year later, for example. So once they inform their bankers that they have a company like ours which is actually organising their credit and chasing their debtors, it helps reassure bank managers and consequently our clients benefit from a wider range of banking facilities”.

It is a growing service because companies are pressed for liquidity; they need more cash in hand for investment purposes and the banks require security. The reason there is such a problem in collecting debts is the lack of market knowledge and unfamiliarity with economic tools available to all traders and not because “there is no money out there”, Dr Mifsud explains. People are entering into more ambitious transactions and they require more cash flow.

With a laugh Dr. Mifsud adds “*Even debtors are also on our side as we are also able to provide our services the other way round!*” If a businessman has problems paying his creditors, we offer advice as to how he can perform better and make his payments, help in negotiating repayment terms with his creditors and help him get his house in order. There is a real need for this as well – it is not that people do not have the money or that the business is not doing well, very often it is that they do not have enough cash to meet their creditors’ financial expectations for a particular period due to a sudden drop in their cash flow which may be due to various reasons.”

Sometimes it is simply a matter of learning how to balance one’s revenue with one’s expenditure, and with a company like Credit Solutions Ltd. on board, this does not have to be an impossible juggling act any more.

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