

# Credit websites help you dodge bad debtors

By tracking SME credit histories, two recently launched websites are helping companies to recover money owed, writes **Will Arnott**.

**A**s the old adage goes, a dollar saved is better than a dollar earned, but this says nothing about a dollar returned.

Businesses are making it a point to discover new methods of recovering money they are owed, and becoming profitable from the effort.

One of those new ways is the website Creditwatch, established late last year, which tracks the credit histories of companies.

Small businesses enter details of defaulting clients to build up what amounts to a credit watch-list of bad payers.

Marcus Smith from Genii print management in Sydney says, "The tools available for accessing the books of new clients have traditionally been limited and one-sided, but the risks are greater for SME's as a single bad debt experience can cripple you."

But how can a small business analyse a client's books to establish if they will pay on time, or indeed at all?

"Bad debts," he explains, "are part of any industry, but there

exists unpredictability in the printing world as the values are so high. Traditionally, you would use [Dun & Bradstreet] reports," Smith says, "but these can be a sterile way of determining creditworthiness."

Smith acknowledges that trade references are invariably flawed, reflecting only the positive nature of a company, and have no objective comments on the credit worthiness of a company.

However, the reality is that "you don't get much time or information on your own, and gut feel seems to make the end decision".

Credit history, on the other hand — that is, whether the company has been a bad payer previously — provides a good indication of the client's credit risk.

One way out of this difficulty is CreditorWatch. The site launched in October 2010 with the aim of creating a transparent service for SMEs to register businesses defaulting on their debts.

"There had to be more accountability," founder Colin Porter says, "and businesses needed the ability to view possible

Creditwatch...  
Computer skills,  
night vision, an  
oversized  
slashing claw -  
you're hired!



## Defaulters' beware

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defaulters and register past offenders."

Porter says that the "experience of running small businesses showed a flow-on effect from bad debt and highlighted the fact that SMEs

needed better communication and assistance in debt servicing than companies at the big end of town".

The site is a simple concept. Registered members log on and request any information on the company they are interested in doing business with. Any references posted by other members in regards to payment history are compiled and available for viewing, "allowing informed decisions to be made".

By his own admission, Porter acknowledges that the site relies on its members uploading information. Yet he insists that businesses are inclined to register defaults or tardiness, as their method of punishment. Indeed the threat of being registered by a member on the site remains one of its biggest strengths for ensuring payment.

CreditorWatch is not merely a

blog, any default registered by a member is rigorously checked, before information is made public.

According to Kirk Cheesman from specialist trade credit insurer National Credit Insurance Brokers (NCI) the eagerness of SMEs to obtain sales "often prevents SMEs from undertaking proper due diligence of new and old customers".

Cheesman says that just because a company has paid on time previously does not mean that it will not default in the future. Creditor companies must insure they are aware of any changes within their client that might affect its credit worthiness, he says. NCI's special forensic unit assists in this task, "we are a third party watchdog and act as the eyes and ears".

"The success of CreditorWatch relies on dominating industries," Porter says, "through talking to different associations and attempting to get their members on board we cement those members in a community of protection."

This system is effective, according to Genii's Smith, as the chances of obtaining information from the site about relevant clients increases with every additional member in the printing industry.

In addition to individual debtor profiles, Creditorwatch wants to accumulate overall statistics for defaults in different industries.