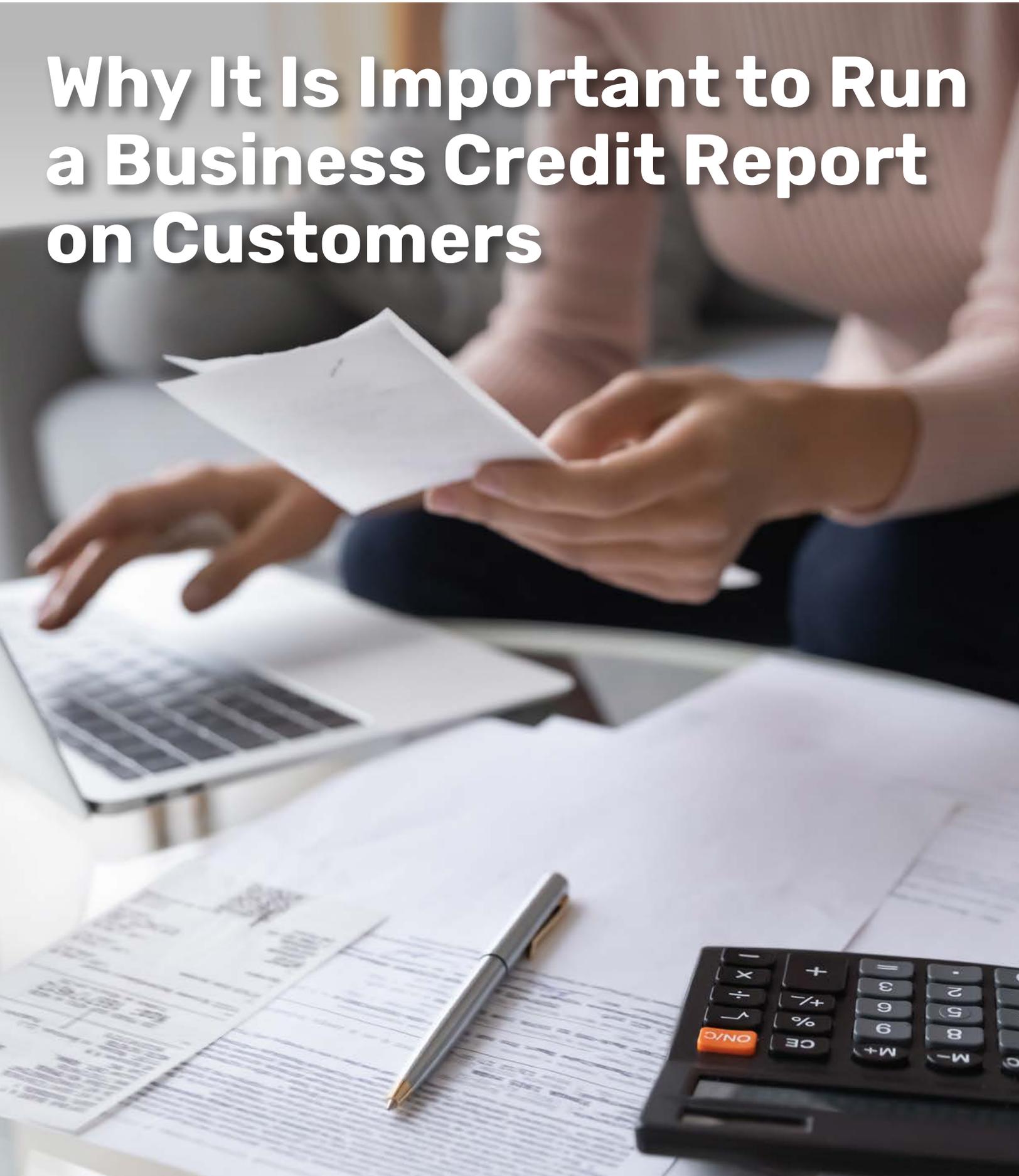


Why It Is Important to Run a Business Credit Report on Customers



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Around 70% of small businesses have outstanding debt. More than a third of them have credit scores so low that they are unable to get business loans or credit. Of those that can secure loans from the Small Business Administration, one out of every six goes into default.

For this reason, it is important to carefully assess risk when you extend credit to clients or customers.

When a business defaults on a loan, lenders take action against the business. If it is a secured business loan, a default usually leads to the seizure of revenue, inventory and/or equipment. If it is an unsecured business loan, lenders file a lien against the company's assets. Either way, if this happens to one of your customers, the chance of recovering what you are owed decreases.

If your customer declares bankruptcy, and you are an unsecured creditor you will be in a long line behind secured creditors to be paid. Secured creditors may need to repossess the assets in order to be paid. You as an unsecured creditor will only have an opportunity to collect what is owed to your business if all these debts are satisfied, and there is no guarantee you will receive any payment.



How a Business Credit Report Helps Protect Your Business

A **business credit report** tracks liens, judgments, and bankruptcies. However, it may be too late for you to recover what you are owed by the time they show up on the report.



- A business credit report provides you with an overall credit score and information to help you analyze the financial health of a business so you can spot warning signs of financial problems.
- A business credit report can also show you if a business is having financial problems, is delinquent on its bills to other companies, or is paying bills beyond term.

These warning signs allow you to take appropriate action to protect yourself. For example, if a company is not paying its creditors on time, you might refuse to offer them credit, limit the amount of credit you grant, ask for payment upfront, or attach penalties for failure to pay on time.

What is Included in a Business Credit Report?

A business credit report allows you to get an independent assessment of a company's ability to pay. This is important information to have before you accept purchase orders or spend money to fulfill a customer's order. Depending on which of the different types of business credit reports you choose, you will be able to see a summary of:

- Credit scores
- Repayment risk
- Stability and ongoing business viability
- Payments that are past due (days beyond terms, or DBT)
- Credit limit recommendations
- Creditor balances
- Business tradelines and outstanding debt
- Credit utilization

You can also see any legal filings, bankruptcies, liens, judgments, and **UCC filings**. Depending on the type of business credit report you choose, you will also be able to get credit limit recommendations. Some business credit reports also show you a company's tradelines. This can tell who else they owe money to, how much outstanding debt they have, and how quickly they are paying their bills.

How to Handle Late Payments, Defaults, and Business Closings

The global events of 2020 changed the business landscape. While some businesses prospered, others struggled at unprecedented levels. Last year, businesses in the United States, Canada, and Mexico saw a **25% increase in the amount of debt that went unpaid** by its due date. Overall, 43% of the invoices across North America were delinquent, and U.S. businesses reported a **72% increase in payment defaults** in 2020 compared to 2019.

Nearly 100,000 businesses closed and more than **12,200 U.S. stores closed permanently** during 2020. Others continue to struggle in 2021. Even if things appear to be going well on the surface, you need to get below the surface to protect the financial health of your business.

Pulling a credit report for a business can give you the insight you need to anticipate late payments, defaults, and business closings. From there you can decide, with your management team and financial advisors how to handle payment terms and contracts.

Even Your Long-Term Customers May Be at Risk

Many businesses are seeing deterioration of their long-term and loyal customers ability to pay. Payments have slowed and, in many cases, stopped altogether.

When this happens, **your customer's financial problems can quickly become your problems**, putting your cash flow position in jeopardy. This makes it difficult to forecast revenue and ensure you can pay your employees, lenders, and suppliers. If the strain on cashflow causes you to be unable to pay your bills or forces you to pay them late, it can hurt your ability to get credit from your suppliers.

Pulling a credit report on your customers is the best way to re-assess their credit worthiness and protect your company from your customers financial difficulties.



How to Pull a Business Credit Report

When you pull a business credit report, you can make better financial decisions about dealing with your customers. accredit makes it easy to check credit for your customers at myaccredit.com. Compare different types of business credit reports from major repositories and view sample reports to determine which report is best for your situation. When you decide which type of report is best for you, you will be able to purchase the business credit report immediately on the site.

Breathe easier being able to anticipate the financial situation of your customers and suppliers.

Quickly and easily search and select business credit reports from Dun & Bradstreet, Equifax, and Experian at

myaccredit.com

