

## Getting Paid...

It is often said that the hardest part of a job is getting paid, and that is quite often the case.

If you are dealing with private clients they can make unreasonable criticisms about workmanship, and hold payment back as a result.

If you are dealing with a commercial client they always have the excuse of saying that they haven't received a payment from the 'main' client, and as a result cannot pay you. The fact that they have not received a payment should in fact be irrelevant, as your contract has been entered into directly with them, and if they cannot afford to bankroll a job, they formally should not enter into that contract.

These scenarios should be avoided at all costs, however many contractors or small electrical firms only learn their own methods with experience. The following methods may be of some help if you have ever experienced such problems...

## Interim Payments

Interim payments are the most common and straightforward form of ensuring you cover your costs as you progress through a job. Obviously if a job is only going to cover a short period, interim payments are not usually employed (ie: 1 week), but for medium to large contracts they should be in use at all times.

Interims usually break a job into three sections, and most clients (private & commercial) are aware of this, although they can be broken into as many sections as are needed to ensure all costs are always covered throughout larger contracts.

A fundamental system would be:

- 1<sup>st</sup> Fix complete                      40% of total cost payable
- 2<sup>nd</sup> Fix complete                      55% of total cost payable\*
- production of Certification        5% of total cost payable\*

\* payments 2 & 3 often come at same time – although the test certificate can often be used as a leverage tool if you are in any doubt about the integrity of the clients intentions.

So to use an example, for a contract amounting to **£1,870**, at the foot of the initial tender, and taking up no more than 6 lines of the page, the following could be entered to ensure that a client is aware of the procedure from the outset.

This job will be billed by means of an Interim scheme as follows:

1 <sup>st</sup> Fix complete	40% of total cost payable	£748.00
2 <sup>nd</sup> Fix complete	55% of total cost payable	£1028.00
Production of Certification	5% of total cost payable	£ 94.00
<b>Total Payable</b>		<b>£1,870.00</b>

### Note:

**WHENEVER POSSIBLE - NEVER WAIT UNTIL THE END OF A CONTRACT THAT TAKES MORE THAN 1 WEEK TO BE PAID IN FULL, UNLESS YOU HAVE A WATER-TIGHT CONTRACT (IE: 30 DAY & BACS PAYMENT) – NO MATTER HOW LONG YOU HAVE KNOWN OR WORKED FOR THE CLIENT IN QUESTION.**

## **Your 'Tender Document' or 'Works Order'**

It doesn't really matter what you call it but it will pay to remember that this may be the nearest thing you have to a legal document covering you throughout a small installation. There are forms of approved legal documents, but for most work a client would feel on unfamiliar ground if signing one of these, so your tender is the best document you have to attempt to give yourself a safety-net.

As mentioned – the payment methods should be included at the foot of the page, so as to make the client clear on your policy. These Interims can be accompanied by approximate dates – to allow the client sufficient time to be aware that they need to release some finance in order to pay you.

A final sub clause (or small-print) is often a beneficial policy, stating something like the following:

**All materials remain the property of DJT Electrical Services until such a time that all outstanding bills have been paid. These materials can be removed at any time and returned to the wholesaler procured from to comprise any losses as a result of non-payment.**

It is not recommended that you make this BOLD or LARGE as it may set a bad feeling before the work actually begins. Instead it should be no more than font size 8, and possibly in a grey field rather than black at the foot of the page. This would look like this:

All materials remain the property of JLL Electrical until such a time that all outstanding bills have been paid. These materials can be removed at any time and returned to the wholesaler procured from to comprise any losses as a result of non-payment.

## **Insurance**

If you find your company growing you may require insurance to make certain you get paid, come what will with regard to your client (ie: if they go Bankrupt, close or simply will not pay). This usually requires the client to sign a form along with their signature on your 'Works Order' or 'Tender Document' prior to commencement. A good source of information on these policies is M G Protect, who has a concise Q&A website page at:

[http://www.mgprotect.com/credit\\_insurance\\_faq.php](http://www.mgprotect.com/credit_insurance_faq.php)

## **FINAL STRAW**

You may have heard the saying, 'Loose your temper, loose the argument,' and in business this is very true. You need not get personal when these situations arise, but to conclude this section here is a simple rule that far too many small contractors forget, or do not have the nerve to carry through....

### **IF IN DOUBT, GET OUT!**

For every day you are working on a site where the client has promised a payment, and then come up with a reason not to pay, you and your company are haemorrhaging money. Too many electricians stay on and on at a site or for a client while the seed of doubt regarding full payment increases in their mind. This is because the client has 'always come good in the past', or they believe his long winded account of his financial difficulty. Once you leave site and the work comes to a stop he will nearly always contact you and arrange a resolution pretty quickly, or if he doesn't, he never would have no matter how long you stayed. Be careful of the 'finish the work first, then I will pay you the interims I owe.' You must stand fast and follow your instinct, while remaining professional at all times.

And try to remember, for every contract or job that goes bad, twenty will run smoothly. Good Luck, self employment isn't easy, but can be very rewarding.

[www.djtelectraining.co.uk](http://www.djtelectraining.co.uk)