

“Time to keep a cool head”

This is a particularly crucial time for small businesses to keep a cool head as banks and investors become ever more wary of lending funds thereby driving up the price of debt products for borrowers.

“Some lenders may well still be open for business but their attitude to risk and pricing has changed radically,” said Phil Wood, managing director of chartered accountants and licensed insolvency practitioners, Barringtons.

Obviously the days are long past when businesses were able to borrow their way out of trouble and the major remedy now is to take decisive action at the first signs of stress

Phil believes it is imperative that businesses do not max-out on monthly overdrafts because if a business is forever dependant upon overdraft finance it should take a good hard look at its borrowing requirements.

“Late payment of bills is exceptionally bad management, perhaps a deliberate policy or a sure sign of financial problems. It sends out a clear signal to suppliers who will eventually grow weary of bad practice and refuse to supply. The message for businesses is simple, do not borrow or spend reserves unless the business can afford it and, above all, keep on good terms with the bank manager” added Phil.