

Unrepresentative credit scores can seriously affect your business

Credit scores are used by many stakeholders to make an assessment about a business and its ability to meet financial commitments. Company and LLP credit scores can therefore be critical for securing finance, trade credit, winning contracts and securing new work.

A weak score can result in working capital issues, lost contracts, fewer invitations to tender and a lack of instructions. Despite their importance many organisations do not understand the factors that drive their score or how it could be improved.

Could your credit score be unfairly influenced by inaccurate or missing data?

Could your legal structure be keeping your score artificially low?

Strengthening your position

Highlighting where information is outdated, incorrect, or misleading is key. For LLP's in particular, if there are discretionary elements paid to members, disclosing this information can transform the score. Our relationships with leading credit rating agencies provide vital assistance in improving credit scores.

The key to unlocking the black box

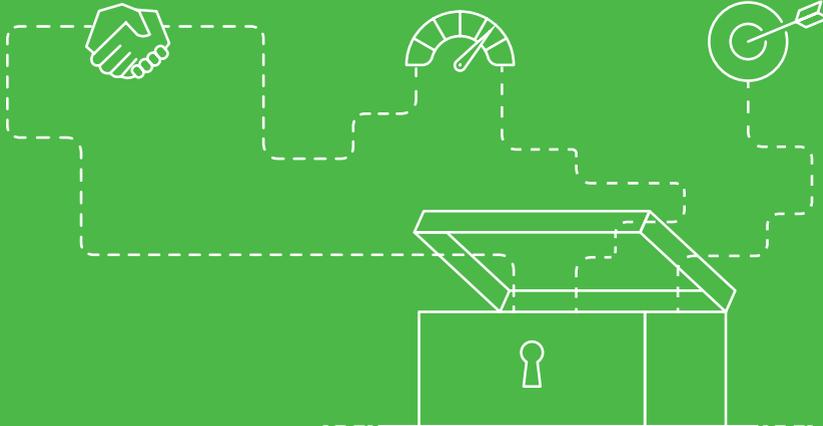
Partnering with key credit reference agencies.



Understanding the key factors which affect credit scores.



Delivering tangible benefits in a cost effective manner.



Case Study

Context

- A circa £15m turnover professional services LLP with a credit score of 18 and a recommended credit limit of £40,000.
- The LLP did not believe it was being provided with sufficient trade credit and was potentially missing out on new work/contracts as a result of its credit score.
- It did not believe the score was reflective of the underlying business.

Immediate action

- Our team reviewed the current credit score and the underlying financial information, determining that there were material discretionary amounts payable to members. This information was provided to the key credit agencies, together with up to date financials.

Deliverables

- The credit score was increased to 93, with a recommended credit limit of £225,000, and the risk rating was reduced to 1 (the lowest possible).
- The LLP has seen a material increase in trade credit available.

RSM's insight and understanding of the credit scoring process, their relationships with the credit scoring agencies and the provision of relevant targeted information has provided us with a very significant improvement in our credit score. This was achieved in a short timescale, with minimal input from my team and was very cost effective.

Finance Director, £15m turnover Professional Services LLP

For further information please contact your RSM adviser or Gareth Harris in our restructuring team

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