



Payment Problems

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In international trade, it is easier to avoid problems involving bad debts than to rectify them after they have occurred. Normal business prudence is crucial to the exporter in limiting risks. Credit checks and services such as the U.S. Commercial Service's International Company Profile, which conducts background checks on potential foreign partners, can be of great help in mitigating any risks in advance.

Just as in a company's domestic business, exporters occasionally encounter problems with buyers who default on their payment. When these problems occur in international trade, obtaining payment can be both difficult and expensive. Even when the exporter has insurance to cover commercial credit risks, a default by a buyer still requires the expenditure of both time and money to collect payment. This is because the exporter must exhaust all reasonable means of obtaining payment before an insurance claim will be honored. Even after all the insurer's requirements have been met, there is often a significant delay before the exporter receives reimbursement.

Whenever possible, try to prevent payment-related issues before they happen. The simplest and least costly solution to a payment problem is to contact and negotiate with the customer. With patience, understanding, and flexibility, you may often resolve conflicts to the satisfaction of both sides. This is especially true when a simple misunderstanding or technical problem is to blame and there is no question of bad faith. Even though you may be required to compromise on certain points—perhaps even on the price of the committed goods—your company may save a valuable customer and profit in the long run.

Many issues can be solved with a phone call, either directly or through a hired consulting agency—especially if the heart of the dispute is a simple misunderstanding.

Tips for Addressing Payment Problems

When payment problems do occur, answer the following questions before seeking outside help or filing an insurance claim:

1. Have you contacted the buyer to determine the problem?
2. Have you attempted to negotiate a mutually agreed solution to the problem?
3. Have you supplied the goods/services as per the contract, invoice, or letter of credit?
4. Is there an issue of quality or price?
5. Are all your shipping and customs documents in order?
6. Was there damage or theft?
7. Have you tried to work out delayed payment terms with the buyer?
8. Have you discussed your problem with your bank or your lawyer?
9. Have you exhausted all efforts to obtain payment from the foreign buyer?
10. Do you have copies of all correspondence and records related to the dispute?

If negotiations fail and the sum involved is considered significant enough, your company should get the assistance and advice of your bank, legal counsel, and the U.S. Commercial Service. When all else fails, arbitration is often faster and cheaper than legal action. The International Chamber of Commerce (ICC) handles most international arbitration; ICC arbitration is usually acceptable to foreign companies because it is not affiliated with any single country. For more details, contact <http://iccwbo.org>.