Credit check procedure

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<th>Procedure</th>
<th>Scope (applies to)</th>
<th>All staff</th>
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<td>Purpose</td>
<td>To outline the procedure by which the University eliminates the provision of excessive credit to potential customers.</td>
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<tr>
<td>19.02</td>
<td>Inclusion of credit policy for ACE &amp; Formatting of policy layout</td>
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1. Introduction

1.1 In response to an internal audit recommendation, the University of St Andrews is implementing a credit check procedure for new customers. The credit check procedure will reduce financial risk of the university by enabling the university to eliminate excessive credit to potential customers. The credit check covers research customers as well as normal business customers of the University.

2. What is a credit check report?

2.1 A credit check report is a financial assessment on a company or organisation to assess their financial stability and ability to pay debt. It looks at their credit rating, payment history, court judgements and 5 year financials and combines them into a single score and recommendation, it also provides a maximum credit limit that should be offered to the customer. It is this credit limit that the credit check procedure uses as a maximum value of credit for university customers.

3. Identifying the level of anticipated invoicing

3.1 Non research customers:

i. Each time a new customer is requested to be set up on APTOS, the requestor will complete a new customer request form.

ii. The new customer request form asks the following question: *How much are we expecting to invoice this customer for this year?*

iii. It is this figure that identifies what the customer turnover is.

iv. If the customer turnover limit is greater than £50,000, Tax & Treasury will automatically perform a credit check before setting the customer up on Aptos.

v. It is compulsory that annual customer turnover is completed in the new customer request form. Where a form is submitted with annual turnover missing, the customer should not be set up until the data has been provided.

3.2 Research customers:

3.2.1 This annual turnover limit will be identified by each research contract value. If the research contract value is greater than £50,000, it is compulsory that a credit check is requested by RBDC before the contract signing stage.
3.3 Accommodation, Conference & Events (ACE)

3.3.1 ACE provide credit to customers according to the specific terms and conditions encompassing each event. ACE will perform a credit check prior to agreeing the amount of credit offered to a customer. The credit provided to a customer must not exceed the maximum value shown on the credit report. Any instances where credit requested exceeds the maximum amount of credit shown in the report should have the terms and conditions of that event adjusted to ensure it is in line with this policy. Any exceptions to this will be at the discretion of the Senior Event Manager.
4. Credit check procedure

4.1 Credit check to be initiated by RBDC (Research, Business, Development and Contracts) at point just before issuing contract or when sending out a quotation.

1. Credit check to be initiated by sales invoicing when new customer request is submitted to salesinvoicing@st-andrews.ac.uk

2. A credit check is compulsory if the contract value/annual customer turnover is over £50,000. Voluntary checks can be requested if the contract value or annual customer turnover is below £50,000 at the requester’s discretion.

3. RBDC to email fintreasury@st-andrews.ac.uk with request for credit check, company name and contract value.

4. T&T perform credit check and reply with a copy of the credit report and advise on next steps below:

5. For worldwide companies Tax & Treasury should login to Creditsafe UK to obtain the credit check report. The following action should be taken comparing annual turnover/contract value against authorised credit limit on the credit report.

   i. Where the credit limit on the credit report is higher than the anticipated amount of invoicing in the year or contract value, tax & treasury should email RBDC with a copy of credit report and advise to continue with the contract as normal. Sales invoicing should also continue to set up the customer as normal in APTOS.

   ii. Where the contract value or annual invoicing value is higher than the allowed credit limit by £0-£50,000, then:

   RBDC should seek to build in an upfront payment in the research contract payment terms equivalent to the value of the credit required over and above the suggested value of credit shown on the credit report. For all other customers in this bracket, the finance department should approach the requestor of the new customer to negotiate an advance payment terms that brings the exposure of the University to within the relevant credit limit.

   Example 1: If the research contract or annual invoicing value was £60,000, and the credit check came back with a credit limit of £45,000. The Credit limit has been exceeded by £15,000 and we should therefore seek an upfront payment of £15,000 from the customer.

   iii. Where the contract value or annual invoicing value is higher than the allowed credit limit by £50,000 or more, then:
Approval will be required by Derek Woollins (Vice Principal of research) and Andy Goor (Finance Director) in respect of research customers, and Beki Thomson (Deputy Director of Finance) in respect of all other customers to proceed with the contract and sale. RBDC should still seek to build in upfront payment terms in the research contract equivalent to the value of the credit required over and above the suggested value of credit shown on the credit report. If the customer agrees to the agreed upfront payment, proceed as normal, there is no need for approval by Vice Principal of Research, Finance Director or Deputy Finance Director.

**Example 2:** If the research contract or annual invoicing value was £110,000, and the credit check came back with a credit limit of £45,000, the credit limit has been exceeded by £65,000 and we should therefore seek an upfront payment of £65,000 from the customer. If the customer does not agree to this then approval from Vice Principal of Research and the finance Director will be required for research contracts and approval from the Deputy Director of Finance in respect of all other customers.

iv. Should the research funder not be willing to accept ii & iii above, then the university is exposed to greater credit risk. Personal approval can be sought from Derek Woollins (Vice Principal of research) and Andy Goor (Finance Director) to proceed with individual research contracts and Beki Thomson (Deputy Director of Finance) with regards to general sales. Their individual approval will authorise that the university is willing to accept the higher credit risks associated with that contract or sale and the contract or sale can proceed as normal with the accepted risk. Documentation of these approvals should be kept by Tax & Treasury or RBDC for future audit purposes.

**5.0 Conclusion**

5.1 By undertaking the above credit check procedure and assessing new customer’s credit limit it will reduce the universities exposure to financial risk by eliminating any excessive extended credit to customers.

5.2 Should you have any concerns regarding the above, please contact the Tax & Treasury team on vatenquiries@st-andrews.ac.uk
Appendices

1. Example credit check report

The relevant data to note is the credit limit box next to the large score on the left hand side – in this instance it is suggesting a credit limit of £25,000.

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