

Companies call in collectors as cashflow bites

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CASH-strapped companies are turning to debt collectors to keep their companies afloat, with debt collection agency Dun & Bradstreet reporting a 20 per cent rise in the number of debts referred to it in the first three months of the year.

According to D&B's data, the dollar value of debts referred has also jumped sharply, increasing from \$900 in the first quarter of 2008 to \$1100 in the first quarter of 2009.

While the 20 per cent jump in debt referrals is a concern, D&B chief executive [Christine Christian](#) says the most worrying spike was a 146 per cent jump in the number of debts referred between the last quarter of 2007 and the last quarter of 2008.

"These businesses have been backed into a corner," she says. "They realise if they don't move they won't be at the front of the queue. There is only a limited amount of cash out there."

Most debts are being referred with 90 days of their due date, down from around 120 days a year ago.

While companies in [New South Wales](#) and Victoria are most common referrers of debt, the biggest spikes in debt referrals occurred in the [Northern Territory](#) (up 53 per cent), Queensland (up 52 per cent) and [Western Australia](#) (up 42 per cent).

Companies in NSW are chasing the biggest debts by dollar value, with an average outstanding bill of \$1300.

The spike in debt referrals has put pressure on D&B's business, which Christian says is "coping OK".

"Debts are far more difficult to collect and that is certainly having an effect on our margins. Debtors are just running out of cash."

And despite hope that "green shoots" of recovery are starting to appear in the global economy, Christian says it is too early to be optimistic.

"Quite the contrary - this is all coming to a bit of a head. The next six months or the rest of the calendar year are going to be tough.