

## "DEBIT ORDERS"

It may sound like a fairly boring subject, but it could save you money at the end of the day.

When you start a new business or take over an existing one there are usually many agreements, contracts, arrangements and payments to be concluded. We often go into a state of repetitive form filling for supplier accounts, bank agreements and contracts without reading in detail what we are signing. Most of these contracts are for a few years and usually go hand in hand with a debit order.

After the account is opened or the equipment installed it becomes extremely easy just to forget about it completely. After all, debit orders are there for two reasons, to make it easy to pay and easy to forget.

With that in mind, when was the last time you reviewed your bank statement line by line and asked the following questions:

- What is this debit order for?
- What is the amount supposed to be? and
- When is it supposed to stop?

Whether it is bank charges, insurance, equipment rental, hygiene services, labour consultant retainer, subscription fees, licensing fees or something else – make sure it should be going off your bank account.

We recently asked three Fuel Retailers to go through this exercise and each one discovered a debit order on their bank account for either:

- A contract that has since been cancelled
- A fee that is double charged (having been replaced by a different service and not cancelled yet)
- An agreement end date that has since passed

Something else that came out of this exercise is that all three Fuel Retailers had a "shock" moment when they realised what they are paying for certain services. They had to re-evaluate the cost to benefit ratio and even made some changes to service providers.

One of the biggest areas of concern was insurance, which prompted policy reviews and resulted in one Retailer discovering that insurance cover was insufficient (especially public liability insurance in terms of the Consumer Protection Act). Another Retailer discovered that he was paying double commissions to brokers.

Remember that day, right at the beginning, when you said to yourself – "Just fill in the forms, I'll read the fine print later."

Well, "later" has arrived.

## BEST PRACTICES:

**DON'T** convince yourself that everything is being done by competent people and accurate computer systems. Mistakes and hidden costs creep in all the time.

**DO** remember to check the start and end dates of all agreements. You may be paying for something that has been paid off long ago.

**DO** seriously consider getting comparative quotes for services you are currently receiving. In most cases it's very easy and every Rand saved is multiplied over the course of the agreement.

**DON'T** forget to keep a separate file with copies of all the contracts and agreements you sign. Sometimes the service provider "loses" your contract and then it's up to you to prove the dates and costs.

**DO** remember to get a written acknowledgement of cancellation of any agreement.

**DO** consider paying off the remaining debt, as you would do with a vehicle, as long as you don't create a cash flow problem. You may save a bundle in interest.

## QUICK WINS:

On a quiet day (if there is such a thing) print a full two month bank statement. Highlight each debit order on the account. Determine what the payment is for and pull the contract/agreement from your files. Compare the amount and the end date of the agreement with what and when you are paying.

Query everything.

Wherever possible ask for the service provider to give you an up to date statement of your account, especially where capital and interest are paid.

Finally, ask for a discount/review (there's no harm in asking) or a comparative quote from another service provider, but bear in mind the cancellation clauses in your existing contract.

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