

Why early debt recovery matters in today's leisure and hospitality climate

The UK's leisure and hospitality sector is under real pressure. Expenditure continues to rise with increasing interest rates, energy bills, wages and NI costs, along with more cautious consumer spending means margins are being squeezed from both ends.

Whilst many leisure businesses such as bars and cafes will receive immediate payment for their services, others such as breweries and hotels with conference or wedding facilities will have customers who pay later.

Many operators are trading hard just to stand still, and even well-run businesses can find themselves facing serious cash flow strain. In this environment, unpaid invoices and overdue accounts can quickly move from being an irritation to a genuine threat to your business surviving. Taking early, structured debt recovery action is one of the most practical ways to protect cash flow and reduce risk, without necessarily damaging commercial relationships.

Why acting early makes a difference

1. Protecting cash flow

When interest, energy and staffing costs are all rising, reliable cash flow becomes critical. Chasing debts promptly helps ensure that money owed to you is not effectively providing an interest free credit facility to someone else's business.

2. Better prospects of actually getting paid

In a distressed market, many operators are juggling creditors. Those who shout first (and sensibly) are often more likely to be paid whilst funds are still available. If you wait too long, you may find that the debtor has taken on more borrowing, other creditors have jumped the queue or insolvency is looming, all of which reduce your chances of recovery.

3. Stronger position if things escalate

Early action usually means the paperwork and facts are fresh. Orders, booking details, emails and delivery records are easier to locate, and staff are more likely to remember the key points. If a matter does progress to formal debt recovery proceedings, having clear, contemporaneous records puts you in a much stronger position.

4. Interest, costs and leverage

In addition to any contractual interest you can claim under your contracts, once you start taking formal steps to recover a debt, you may be able to claim additional statutory interest and costs. Making this clear in early correspondence can encourage a debtor to engage and settle before the bill gets any bigger. It also underlines that you are taking the matter seriously and are prepared to escalate if needed and so they may prioritise paying you over others.

5. Preserving relationships where possible

Not every late payment is a deliberate refusal to pay. In the current climate, some businesses may simply be under their own cash flow pressure. A structured approach - reminders, a clear but firm letter before action (we suggest including an invitation to discuss sensible payment proposal) can often secure payment while keeping the door open for future business. Leaving issues to drift, only to resort to urgent action, is far more likely to damage relationships.

6. Staying onside with the rules

English civil court procedure encourages parties to try to resolve disputes before issuing court proceedings. Acting early gives you time to comply properly with any relevant pre-action protocols. We can assist you in this by sending a compliant letter of claim which allow a realistic response period. Doing this well can help avoid criticism from the court and minimise the risk of adverse cost consequences later on.

Practical steps

For those operating in or supplying the leisure and hospitality sector, some practical measures to keep on top of sums due to your business include:

- Making sure your terms and conditions plus any contracts are up to date and drafted as favourably as they can be to support any debt recovery requirements.
- Putting in place clear credit limits and monitoring compliance with contracted payment terms (and sticking to them).
- Monitoring aged debt closely so you can spot early signs of stress.
- Escalating overdue accounts quickly but proportionately, moving from reminders to a formal letter before claim where necessary and appropriate.
- Keeping complete records of bookings, orders, deliveries and communications.
- Taking advice early where a debtor is persistently late, disputing the bill without good reason or showing signs of financial distress.

None of this has to be heavy-handed. The aim is to be proactive and consistent, not aggressive for the sake of it. In a sector facing sustained headwinds, well-managed terms and conditions plus early debt recovery can be the difference between absorbing the shock of a tough trading period and facing serious financial difficulty yourself.

If you'd like to discuss your current terms and conditions or you approach to debt recovery, our team would be happy to talk through practical options tailored to your business.