

Customer Warning Signals Before A Bankruptcy Filing

There are many reasons why firms file for bankruptcy. Below is a list of warning signs:

- **Changes in payment habits.** A customer who normally pays you on time or a few days late is now paying you progressively slower.
- **A request for longer terms of sale.** Especially, if never requested before or not for an excessively large year end or quarter end order.
- **Whole sale charges in top management.**
- **Reduction in staff and phone access** to the accounts payable area, making it generally more difficult to discuss past due items.
- **Returns** of large quantities of obsolete products.
- **Orders** of very large quantities of needed goods to last during the “dry times”
- **Bad publicity** in medium to large firms.
- **Deteriorating financial statements**
- **Excessive trade reference requests** on your customer
- **Reference refusal** by your customer’s bank when previously given.
- **Non-sufficient funds checks**
- **Selective payments.** Payments made only to critical vendors while refusing or delaying all others.
- **Unjustified deductions** taken to delay making payments
- **Uncooperative behavior** when attempting to resolve payment issues.
- **Announcement** to creditors that they have changed their payment policy to longer terms than what are standard for the industry. (Depends on the size of the company.)
- **Offers to “trade dollars”** as a way to get goods or services versus lowering of their total outstanding.
- **Getting an attorney** involved or attempting to put together unofficial creditors committee in the hopes of creating a “prepackaged bankruptcy” before the actual court filing.