

BUSINESS CREDIT MANAGEMENT ASSOCIATION

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Garbage In, Garbage Out!

A friend of mine asked for my comments about a situation in which an applicant company stated that it was their company policy not to release bank information to any creditor. I responded that my concern was the applicant had something to hide. Examples include a loan default, low account balances, NSF checks, or loan covenant violations on their outstanding debt. Requesting bank information is normal – as normal as requesting trade references from the applicant.

The underlying question was more nuanced. How can I (or we) make a good credit decision in the absence of basic information? The answer is of course that we cannot do so. My recommendation in a similar situation is that you refuse to put yourself at risk by making the decision. I prefer to escalate. An escalation to a manager can be framed this way:

- I am trained to make sound credit decisions based on adequate but not necessarily perfect information
- I am not trained nor authorized to make guesses based on incomplete and inadequate information
- The information I have on file is incomplete and therefore it is inadequate to make an informed credit decision

For this reason, I am forwarding this application to you to request that you:

- Approved the requested credit limit and payment terms, or
- Reject it, or
- Provide additional guidance or instructions about how we should proceed in a way that minimizes or more accurately optimizes the relationship between risk and reward.

By Michael Dennis. Michael is a frequent Webinar presenter for WCA, and the author of the Encyclopedia of Credit, a fast, free, searchable online resource for credit professionals:

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