

REFUSING CREDIT

Turning down a credit applicant is an unpleasant task. But if you can write a tactful letter or be prepared ahead of time—you won't make the applicant hostile. Being prepared by designing a response "specific" to your company will avoid antagonizing the person. Some suggestions:

General Rules: Thank the individual for his or her interest in your company. Try in some way to soften the refusal. Never tell the applicant they are a poor credit risk. Always leave the door open for a future reevaluation.

Alternate Phrase:

a) "We very much appreciate your interest in opening an account with our company. Thank you for your application for a credit account with our company."

b) "After careful consideration of the information you furnished, we are unable to open an account at this time. If you feel our decision is unjustified or if you have additional information you would like us to consider, please call."

"We regret that we are unable to accommodate your application for open account credit at this time. If you wish, we would be pleased to review your situation again in the future."

"Thank you for your interest in our company and our products."

c) "Until then, we look forward to serving you to our very best ability (on a cash in advance basis), as we have in the past. In the meantime, we hope that you will continue to enjoy our merchandise as you have in the past two years."

When someone objects: You are not required to divulge your source of information in "business to business" credit investigations. Under no circumstances may reports be revealed to the subject of the report.

Verbal suggestions: If you're going to refuse credit we suggest you say something such as:

a) "The information we have does not meet our requirements for opening an account with you at this time."

If the applicant asks whether you've checked with a credit reporting company, and you did. . .Reply:

b) "Yes we did, but still do not have sufficient information to warrant opening an account for you at this time."

What NOT to say: It is tempting for a member to "verbally" place the responsibility for a negative decision on the report or on information that might have been learned from other sources. As a Credit Professional, you are in the "hot seat" and it is very important to speak from a position of "responsibility" when you communicate your decision. Avoid "scapegoating."

DO NOT tell the applicant that a particular source of credit information says your record is not good.

DO NOT make any definite statement about the source of information.

DO NOT tell the applicant that you share information about your accounts in an industry credit group--so they had better pay you!

DO NOT TELL the applicant. . ."Your record can be improved if you will call the Association."

YOU CAN STATE. . ."We share all of our credit information with credit reporting agencies" . . .IF you do.

Adapted from an article in NACM's *Loss Prevention Update* newsletter.