Credit Application and Check Procedure

1.0 Objective & Intent

The objective of this policy is to establish a standardized, risk-based framework for evaluating and approving customer credit applications. By systematically verifying creditworthiness, we protect the company's cash flow, reduce days sales outstanding (DSO), and minimize exposure to bad debt. This procedure directly impacts working capital management and ensures that sales growth does not come at the expense of financial stability. Strict adherence to this policy mitigates the risk of non-payment and supports accurate financial forecasting.

2.0 Operational Scope

This policy applies to all new customer accounts requesting credit terms, as well as existing customers requesting an increase in their credit limit. It covers the Sales, Accounting, and Credit departments. All transaction types involving deferred payment—including standard invoices, progress billings, and bulk material orders—are subject to this procedure. Any exception must be approved in writing by the Corporate Controller.

3.0 Compliance & Data Security

All credit application data must be handled in compliance with the Personal Information Protection and Electronic Documents Act (PIPEDA). Customer financial information, including credit reports and bank references, must be stored in a secure, access-controlled folder within the ERP system. Only authorized personnel in Accounting and Credit may view or process this data. Internal controls require dual approval for any credit limit above $25,000. All credit decisions must be documented and retained for a minimum of seven years. Regular audits will be conducted to ensure adherence to segregation of duties and data privacy requirements.

4.0 Required Software & Administrative Tools

- ERP System (e.g., Microsoft Dynamics 365 Business Central or Sage 100)
- Credit Reporting Service (e.g., Equifax Canada or Dun & Bradstreet)
- Customer Relationship Management (CRM) module within ERP
- Document Management System (e.g., SharePoint or internal drive with access controls)
- Email system for correspondence with trade references
- Accounting software for accounts receivable aging reports

5.0 Step-by-Step Administrative Workflow

1. Sales representative collects a completed Credit Application form from the customer, including trade references and bank information.
2. Sales rep submits the application to the Credit department via the ERP system's credit request module.
3. Credit analyst runs a credit report through Equifax Canada within 1 business day of receipt.

4. Credit analyst contacts at least two trade references to verify payment history and average credit limit.

5. Credit analyst reviews the customer's financial statements (if available) and calculates a credit score based on the company's internal scoring model.

6. For requested credit limits up to $25,000, the Credit Manager has sole approval authority. For limits between $25,001 and $100,000, approval requires both the Credit Manager and Corporate Controller. Limits above $100,000 require additional sign-off from the CFO.

7. Credit analyst documents the decision and credit limit in the ERP system, attaching all supporting documents.

8. Accounting sends a formal credit approval letter to the customer within 2 business days of final approval.

9. If credit is denied, the Sales manager is notified, and a standard denial letter is sent to the customer explaining the reason and offering cash-on-delivery terms.

10. All approved credit accounts are reviewed annually, or sooner if a payment default occurs, to reassess the credit limit.