

# BERNSTEIN-BURKLEY, P.C.

Attorneys at Law

A BUSINESS APPROACH  
TO LEGAL SERVICE<sup>SM</sup>

## “Ask the Legal Professional”

Pittsburgh Business Times - July 18, 2014



### BANKRUPTCY

**Q** What steps should I take in creating a credit limit for new clients?

**A** Begin by repeating this mantra: “Certain kinds of customers are entitled to certain defined credit limits.” For new businesses with no credit history, limits should be conservative. After six months of on-time payments, consider a policy

that raises the limits by an agreed upon percentage, say 25 percent. For customers that have been in business for five years or more with no delinquencies, their limits may be even more generous. At the other extreme, for large accounts, credit limits may be part of the negotiation process.

For example, credit limits for a customer buying a large inventory may change depending on the amount of down payment and change again as the delivery progresses. Once credit limit policies are determined, they should be enforced – a prospect some find more distasteful than creating the policy. If you cringe at the thought of enforcement, keep this truth in mind: good customers like clear, fair reasonable rules better than no rules at all.

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