

How to optimise your credit limit

The credit rating of businesses is determined by credit insurers on the basis of information that every company can obtain and affect. It is well known that avoiding late payments is a basic requirement for a good rating, but what else can be done to have sufficient financial flexibility in purchasing?

Credit insurers, for example, combine a company's existing credit limits granted and insured by different suppliers into one risk (credit default), which must be justified by the current credit score. **Credit limits should therefore always be in line with the current purchasing volume with the respective supplier.** In addition, credit insurers assess a company's potential reserves on the basis of information from credit information services, as well as available financial data (e.g. annual financial statements, quarterly reports, forecasts). Payment history is also taken into account. **Therefore, reports on negative payment behaviour should be avoided, which credit insurers oblige their customers (i.e. us suppliers) to do.**

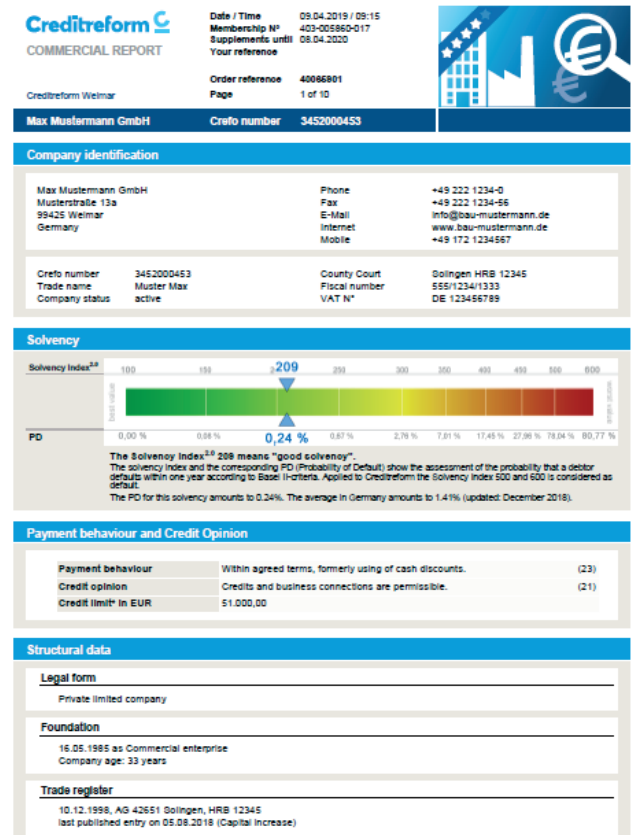
Credit information services such as Creditreform obtain their information from publications in the Federal Gazette (which are often available with a long delay), the companies' own data and information on payment behaviour. If there are no or negative financial data or reports of payment irregularities, the rating will be negative. Newly established companies (corporations) usually have a low score because there have been no financial statements yet.



Every company can check the available data and, if necessary, optimise its own credit score on this basis. For this purpose, businesses can request a free self-disclosure (or GDPR data copy) from an credit information service once a year, which is sent by mail.

Please note: In order to find out about with which credit insurer a credit line has been set up by a supplier and the amount of the credit line, companies need to ask their suppliers.

We at EWS usually work with Allianz Trade (formerly Euler Hermes). Check this website for the contact details of your local representation: Allianz Trade Customer Service Centre.



Use the following recommendations to put your company in the best possible position. These recommendations also apply if a credit limit has been cancelled or not approved or could not be extended:

- Request a self-assessment of your credit-worthiness index from one of the major credit information services.
- Ask your suppliers whether, where and in what amount credit lines have been granted for you
- Ask all suppliers to limit insured credit lines to an amount appropriate to the business volume
- Send the financial statements of the last business year to the relevant credit insurers as soon as they are available
- In addition, provide them with preliminary evaluations for the current business year, if available

If you have any questions on this topic or need our support, please do not hesitate to contact our customer service team.