



A QUESTION OF ETHICS

Making Timely Payments

Making timely payments is important to build and maintain a strong relationship between a business and its customers. When a business sends a customer an invoice for a purchase or a monthly bill, the expectation is that it will be paid no later than the due date. In most cases, consumers know they must pay their bills on time or they will be penalized with a late fee or an increased interest rate.

While most businesses and government agencies insist their customers pay accounts on time or suffer the consequences, not all of them are as conscientious about paying their own bills when they are due. When a large business knows that it is a major customer of a smaller business, it might be easy to hold a payment several weeks or months beyond the due date. The large business may delay the payment believing that because they are an important customer of the smaller business, that business will not choose to enforce

collection of the account or add additional fees for a late payment. A utility company, cable service provider, or government agency may insist that customers pay on time or risk having services terminated or a significant late fee added to the customer's account. Yet, if the company or agency is required to make a refund or repayment to a customer, that payment may be delayed for days, weeks, or even months. They may blame it on a long processing time or the need to confirm the amount to be paid is correct. They may not even be concerned if customers complain about the amount of time it takes to receive the money due.

Some businesspeople justify the delayed payments by stating "it's a normal business practice" or "we really can't do anything about it." They may look at the bottom line and justify the decision on the basis of how the practice adds to profits.

But the practice is unethical, if not illegal. An ethical company responds to its customers with the same policies and procedures it expects of them and will process payments and refunds quickly and efficiently.

Think Critically

1. Do you believe the practice of delaying payments to customers while penalizing them if their payments are late is unethical or just a normal business practice that customers should expect? Justify your answer.
2. Should it be illegal for companies to take a longer time to make payments than they require of their own customers? Why or why not?
3. If you worked in the accounting department and saw that your company regularly delayed making refunds and payments they owed, what would you do?