

Never release goods against a promise to pay.

Do not ask delivery drivers to collect payments.

Notify the Club immediately if you fail to collect C.O.D. or shipper's disbursements.

In case of difficulties, consult a senior manager or director, or your regular claims contact at your TT Club office. Further information can be obtained from the TT Club's Regional Centres.



C.O.D. & Shipper's Disbursements

In spite of the growing sophistication of the international banking system, cash on delivery is still a common means of collecting payment for goods. It is most often used for movements by air and for short-haul road services where more traditional means of payment, involving negotiation of documents through the banks, simply take too long.

In asking you to undertake a C.O.D. collection, your customer is implicitly saying that he does not trust his client, but that he is putting his trust in you not to deliver the goods without getting payment in the agreed form. Failing that trust could be very expensive: you could be liable for the full sales price of the goods.

While the normal TT Club cover for freight forwarders and non-vessel-operating carriers will indemnify Members for failures to collect C.O.D. payments, you are required to have in place an adequate system of control to try and ensure that such losses do not happen.

Despatch

- You should decide whether, as a matter of policy, your company wants to undertake C.O.D. business. Obviously, you need to weigh the potential business gained against the possible risks. You must recognise that clients would be treating you as a substitute for the banking system, but are probably not prepared to pay for the additional service.
- You and your correspondents (agents or partner companies) must have agreed systems in place to control release of C.O.D. shipments. It is your promise to your client that is on the line if your correspondent lets you down.
- Bank cheques come in many forms. Bank practices differ from country to country, as does the name by which documents are called. Agree with your correspondents exactly what documents you are talking about and insist on the use of these standard phrases in documents such as pre-advices, manifests, waybills, etc. A bank draft is issued and signed on behalf of a bank. Payment is normally guaranteed by the bank and cannot be stopped. A cheque is drawn

by the account holder and carries no guarantee that funds are available. Payment can be stopped. Do not use phrases such as "international bank cheque" which are meaningless.

- If your client wants you to collect a C.O.D., obtain precise instructions in writing as to the document to be collected, the amount (and currency) and the name of the payee.
- Do check that any foreign exchange regulations in the destination country permit the transfer of funds abroad.
- Point out to your client that delays may be incurred in collecting the money. Costs may arise for rent or demurrage. What is to happen to the cargo if payment is not made? (Do not accept C.O.D. instructions for perishable cargo!)
- Check that the amount of the C.O.D. is covered by the commercial invoices.
- Give your correspondent ample warning that a C.O.D. consignment is to be dispatched. This gives him time to contact the buyer and get the payment organised.
- Do not make out freight documents (consignment notes, "straight" bills of lading or air waybills) direct to the buyer. In many instances the actual carrier may have to release such consignments to the consignee on simple request. Always address C.O.D. shipments to your correspondent office which can control the release.

Receipt

- Appoint a senior manager who alone is responsible for authorising release of all C.O.D. shipments. Make sure there is a recognised deputy available to cover for absences
- All files relating to C.O.D. shipments should be clearly marked.
- Staff must be trained in handling such shipments and have easy access to the managers responsible for authorising release. They must understand the reasons for the company policy and the consequences of ignoring the rules.
- Do not let staff be threatened or browbeaten by consignees demanding "their" goods. Any such attempts should be dealt with firmly by the senior

managers. If you are sued for refusing to deliver without payment, the Club will stand by you.

- Do not ask delivery drivers to collect payments. You should have the payment in your hands before authorising the release of goods.
- If the seller does not trust the buyer, why should you? Ensure that you collect all freight charges and disbursements (duty, taxes, etc.) before releasing the goods. Do not let the worries about collecting C.O.D.s disguise the need to collect the freight (or vice-versa).
- Ensure that the document received from the buyer meets the requirements of the seller in every particular (date? amount? currency? drawn on? signed?)
- In case of doubt - check - and get agreement in writing.
- If things do go wrong, contact the Club swiftly. People who have obtained cargo wrongly may disappear quickly. Urgent action is necessary to try and obtain payment.

Probably the safest way of collecting C.O.D.s is to get the buyer to give you a cheque made out in your name. Bank it as quickly as possible - using special clearance if it is available and get confirmation that funds have been cleared before releasing the goods. The funds can then be remitted to the supplier either by your own cheque or through internal accounting with your correspondent.

Cash Against Documents is not the same as C.O.D. C.A.D. is a banking term: its forwarding equivalent is "release only against bankers proof of payment of". The amount and currency must be clearly specified. The bank's proof must be in writing and clearly come from them directly.

Further information, and additional copies, can be obtained from the TT Club's regional centres:

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