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The 90-Day Cliff

What Late B2B Debt Really Costs a South African Business

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Kredcor

Boardroom Brief

A late invoice is rarely just an invoice. In a low-growth, cost-sensitive operating environment, overdue B2B debt changes the economics of a transaction long before it becomes legally hopeless. Cash that should be funding operations, tax, payroll, inventory, and growth gets trapped in a debtor ledger instead.

This paper makes a disciplined argument: age matters, but age alone is not the whole story. What really damages the creditor is the interaction between time, uncertainty, management drag, financing cost, and margin replacement pressure. That is why a 90-day debt often feels worse than its face value suggests.

Kredcor's role is not simply to intervene at the end. It is to help financial managers see the cost stack earlier, tighten internal decision points, and move from vague patience to measured operating discipline.

Executive Takeaways

Takeaway	Why it matters now
A debt can remain technically collectible while already becoming economically destructive.	Finance leaders should discuss ageing debt in terms of cash quality, not only legal collectability.
Low margins amplify the pain of bad debt.	The lower the gross margin, the more fresh sales are required to replace one failed receivable.
Delay has both direct and indirect cost.	Admin time, funding pressure, dispute churn, and management distraction all make late debt more expensive.
The 90-day point is a management cliff.	It is the stage where uncertainty, pressure, and weakened leverage often start compounding together.
A disciplined 65-day escalation model protects value.	Earlier verification and escalation usually preserve more value than last-minute aggression.

1. Why time changes the value of debt

Paper 1 argued that receivables usually fail in stages. Paper 2 goes deeper into the economics of delay. The South African operating environment still matters here. Public data continues to show persistent payment pressure rather than a clean, low-risk backdrop. The South African Reserve Bank kept the policy rate at 6.75% in January 2026, and its April 2026 Monetary Policy Review projected growth of only 1.4% for the year. In that kind of environment, working capital discipline matters more because businesses have less room to absorb avoidable delay.

The payment culture in the broader system also matters. National Treasury reported 90,856 invoices older than 30 days still unpaid at the end of the third quarter of the 2025/26 financial year, with a value of R15.5 billion. That number does not prove that every private debtor is weak. It does prove that payment delay remains a meaningful operating reality in South Africa, and that delay can spread through supply chains.

A 90-day debt therefore matters for three reasons at once: the creditor is waiting longer for cash, the internal cost of resolution is rising, and the probability of a simple, low-friction outcome is usually declining.

The Cost Stack of Waiting

Late B2B debt is not one problem. It is a stack of costs that compounds over time.

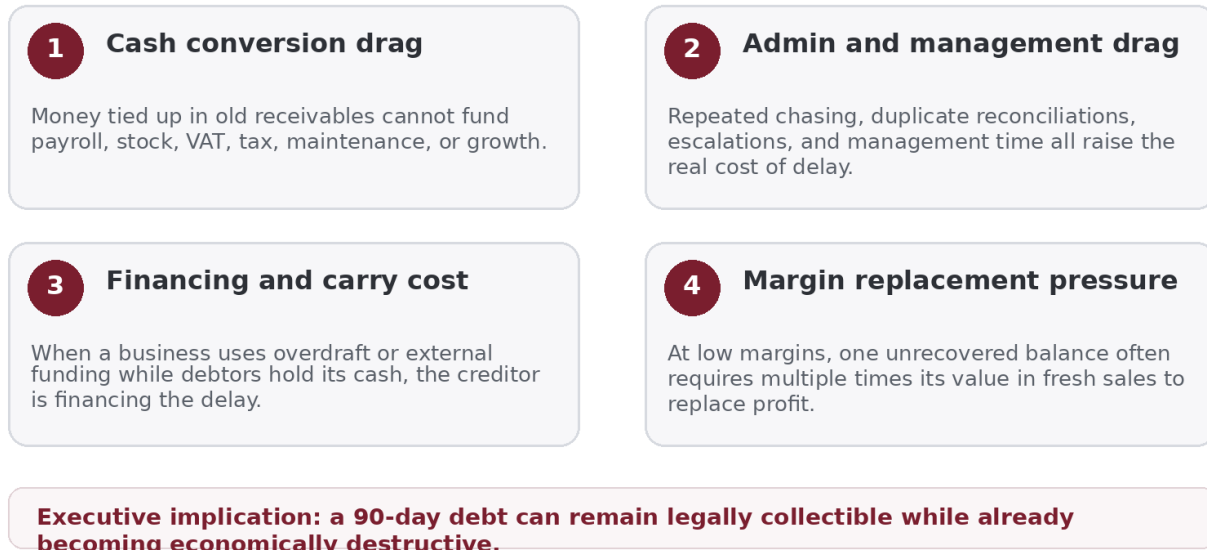


Figure 1. Late debt creates a stack of costs, not one isolated collection problem

2. The cost stack CFOs should force into overdue discussions

The first cost is obvious: slower cash conversion. A sale may look profitable on paper while the cash remains unavailable in practice. The second cost is operational: staff time, duplicate admin, reconciliation effort, repeated reminders, and management attention. The third cost is financial: if the business uses overdraft, external working-capital funding, or simply loses the use of its own cash, delay carries a real opportunity cost. The fourth cost is strategic: one ageing account can begin distorting the discipline of the whole debtor book if it is treated as an exception for too long.

Good finance teams therefore stop asking only, “Will we eventually collect?” They also ask, “What is this debt costing us while we wait?” That shift is crucial, because a debt can remain legally valid while becoming materially worse for the creditor every week it drifts.

3. The 90-day cliff is a management problem before it is a legal problem

This paper uses the phrase “90-day cliff” as a management concept, not as a magic legal number. It describes the stage at which ageing debt often becomes harder to explain, costlier to manage, and less certain to recover smoothly. By that stage, the creditor has usually already absorbed weeks of admin, management drag, and delayed liquidity.

The point is not that all debts become unrecoverable at day 91. The point is that by the time an account reaches that zone, the business should no longer treat it as ordinary friction. It should treat it as a strategic risk item.

Age band	Typical practical meaning	Recommended management posture
0-30 days	Mostly administrative friction or normal operating delay.	Verify fast, remove excuses, and keep documentation clean.
31-60 days	Behavioural drift begins to matter. Promises and explanations should be tested, not assumed.	Move from courtesy to accountability and track every commitment.
61-90 days	The account is now consuming management time and weakening liquidity quality.	Escalate, reassess exposure, and decide whether specialist help is needed.
90+ days	Uncertainty, cost, and weakened leverage often start compounding together.	Treat as distressed debt requiring structured action, not passive waiting.

The 90-Day Cliff

Illustrative management view of how receivable quality deteriorates as time and uncertainty accumulate.

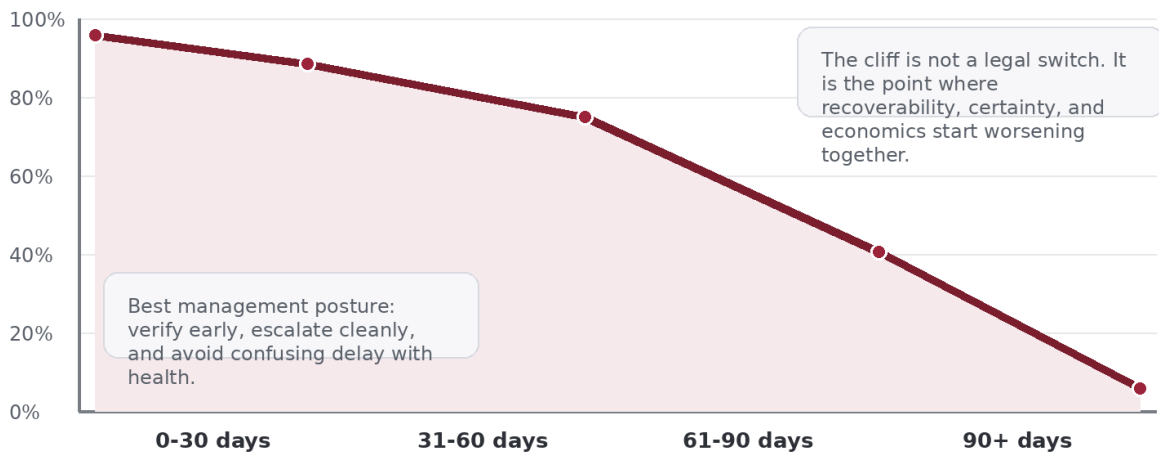


Figure 2. The “cliff” is a management illustration of deteriorating debt quality over time

4. Margin replacement: the arithmetic directors should never ignore

One of the most under-appreciated truths in credit management is that a bad debt is not replaced rand for rand. It is replaced through margin. If a business operates at a 10% gross margin, it needs R10 of new sales to replace R1 of lost gross profit. Even where some recovery still occurs, delay and leakage can produce a painful replacement burden.

This is why weak receivables discipline quietly damages growth. Management then has to sell more merely to stand still. The problem becomes worse in narrow-margin sectors, where replacement sales requirements rise sharply.

Gross margin	Sales needed to replace a R100,000 loss
5%	R2,000,000
10%	R1,000,000
15%	R666,667
20%	R500,000
25%	R400,000

30%	R333,333
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The exact economics will differ by sector and cost structure, but the principle is stable: the lower the margin, the less room a business has to tolerate lazy ageing debt.

5. South African statutory and operating context

Financial managers also need a legally disciplined view of delay. Where interest is contractually and legally claimable, the prescribed rate of interest in South Africa was published at 10.5% per annum from 1 September 2025. That matters because delay is not cost-free. It has a measurable carrying cost.

Business rescue is another reason not to drift. Under Chapter 6 of the Companies Act 71 of 2008, once a business rescue practitioner is appointed, the first meeting of creditors must be convened within 10 business days. Creditors who only wake up at that stage may already have surrendered valuable time. Good credit management therefore requires earlier documentary discipline, not just later legal urgency.

The National Credit Act should also be handled carefully. Commercial papers often oversimplify juristic-person treatment. A premium whitepaper should not do that. The right approach is precision: scope, thresholds, contract wording, security, and enforceability must be analysed correctly, especially where material exposure is involved.

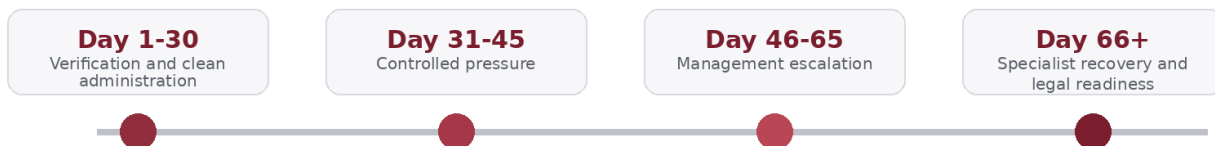
6. The Kredcor 65-day hard-stop model

A useful operating model is not theatrical. It is specific. Kredcor’s strongest differentiator here is disciplined timing: verification first, controlled pressure second, management escalation third, and specialist recovery before the matter drifts too far into the distressed zone.

That does not mean every account must be handed over mechanically. It means every ageing account should pass through known decision points, supported by evidence and calendar-based accountability rather than sentiment.

The Kredcor 65-Day Hard-Stop Model

A structured escalation path for financial managers and credit teams



The point is not aggression. It is speed, evidence, accountability, and earlier action before drift becomes expensive.

Figure 3. Earlier, cleaner escalation usually protects more value than vague patience

7. Management scorecard for overdue B2B debt

Executives should not review ageing debt using balances alone. A better dashboard combines age, behaviour, and exposure quality. The scorecard below is a practical starting point for monthly management review.

Metric	What it tells management	Typical warning sign
DSO	How long the business takes to convert credit sales into cash.	DSO drifting upward faster than sales quality improves.
ADD	How far beyond agreed terms customers are actually paying.	ADD rising even when invoice volumes remain stable.
Broken promise-to-pay count	Whether debtor communication is becoming less reliable.	Repeated slippage on promised payment dates.
Fragmented payment ratio	Whether debtors are starting to manage daily liquidity instead of settling cleanly.	More split payments on accounts that used to pay in full.
Dispute recurrence	Whether “queries” are genuine issues or a stalling pattern.	Same document requests repeated after full response.
Concentration risk	Whether one ageing account is distorting the whole debtor book.	A few debtors make up a disproportionate share of old balances.

8. Practical checklist for finance teams

- Discuss ageing debt as a liquidity-quality issue, not only as a collections issue.
- Measure the full cost stack: delay, admin drag, funding pressure, and margin replacement.
- Track every promise-to-pay date and record actual performance against the promise.
- Treat fragmented payments as risk signals rather than proof of health.
- Escalate by calendar date, not by relationship instinct or vague optimism.
- Keep documents complete so that specialist recovery can move fast when needed.
- Review security, interest, legal posture, and rescue-risk context before the file deteriorates further.
- Use monthly scorecards so that management sees the cost of drift early, not after write-off discussions begin.

9. Closing argument

The most damaging overdue debt is often not the oldest debt on the ledger. It is the debt that management still treats as ordinary when it has already become strategically expensive.

South Africa’s current environment does not reward passive patience. It rewards documentation, timing, and disciplined escalation. The finance leader who measures only legal recoverability is arriving too late. The better question is whether the debt is still a healthy use of the company’s capital, management time, and risk capacity.

That is the logic of the 90-day cliff. It is not a slogan. It is a warning that time changes economics before it changes paperwork. Kredcor’s value is to help clients recognise that shift earlier and act while value can still be preserved.

Source notes

1. South African Reserve Bank, January 2026 Monetary Policy Committee statement: policy rate held at 6.75%.
2. South African Reserve Bank, Monetary Policy Review, April 2026: projected 2026 growth of 1.4% and inflation outlook around 3.7%.
3. National Treasury, Third Quarter Report on non-compliance with payment of suppliers within 30 days, 2025/26: 90,856 invoices older than 30 days, valued at R15.5 billion.
4. Department of Justice and Constitutional Development notice: prescribed rate of interest published at 10.5% per annum from 1 September 2025.
5. Companies Act 71 of 2008, Chapter 6, especially section 147 timing for the first creditors' meeting in business rescue.
6. The "90-day cliff" graphics and cost illustrations in this paper are management tools designed to support executive decision-making; they are not presented as statutory recovery probabilities.

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