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**A simplified client due diligence report  
can be one of the most powerful  
tools you have in hand. It's objective,  
unbiased and timely.**

## Background checks for small businesses

When dealing with business matters it is so important to know that you can trust the people and the companies that you are working with. So, background checks on businesses are a good idea to help you to avoid poor service and questionable characters.

## Who can benefit from a business due diligence checks?

A business due diligence check is a smart choice for any type of enterprise, from large business establishments to SMEs.

If you are a well-established business, you can lose the reputation that you have so carefully built up by making just one ill-advised business connection.

Meanwhile, startups and entrepreneurs who are new in a given field of business are in danger of trusting the wrong people. This can devastate a small or new business before you have even got off the ground.

## Use the below simplified client due diligence checklist

To help you get started, we have put together a checklist to help improve your SCDD processes.





## 1. Investigate online forums and communities.

Online forums are a great place to start when you're looking into a company.

Even the company website itself can give a lot of information about how they operate and what to expect.

Online groups and forums generate discussions between businesses and customers and can give you an idea of how the company operates and stands, and its reputation among the business community and customers.



## 2. Verify testimonials.

Testimonials speak a great deal about what a company is like, and what its culture and values represent.

Positive testimonials from clients or other companies they have collaborated with are a good sign and can be taken as a recommendation in favour of the company.

However, I would suggest you verify these testimonials rather than taking them at their face value. Track down who they've come from, if they're legitimate, and if they hold any substance before relying on them.



## 3. Leverage professional social networks

Professional social networking sites like [LinkedIn](#) combine a lot of your other sources of information into one. You can use such sites to gather information about a company and even the representatives with whom you are dealing.

They are also a great source for checking testimonials, and even helping in tracking where they come from.



## 4. Check invoice payment history

One of the major aspects of a simplified client due diligence is research into invoice payments. This is a big concern when you take on a new client, they might delay payment, not pay in full, or withhold payment altogether.

You can use various sources of information in this regard, such as reviews and testimonials that can shed light on the company's financial habits.

This process, however, is made much easier with the use of automated tools.

brodmin's [Due Diligence Report Wizard](#) is a one-click process that scours the internet looking for information on how a company treats and works with its suppliers.

The tool verifies business information, checks for late invoice payment reports against the company provides a summary of reviews on the company and



monitors it for changes. This automatically sets up an alert that shows whenever the company name is mentioned online.

As online research methods go, this tool cuts out your work for you. The basic version of the tool is completely free to use too, so you have no reason not to do your due diligence with new clients.

There are other, location-based tools you can use to help in the research process. Online methods are available for companies located in the [UK](#), [USA](#), [Australia](#), [UAE](#) and [New Zealand](#). You can look up local resources for your area or try the [Open Corporates global database](#).



## 5. Business credit check

The creditworthiness of a business includes their repayment history and is directly linked with their ability to pay you for your work.

Always check the credit score of the company you are about to enter into a partnership with. Low credit scores are a big red flag, and you might want to avoid companies with poor credit ratings.



## 6. Talk to ex-employees

If you want the inside scoop on what a company is like, there's no better source than its employees. If you can reach out to ex-employees of the company in question, you can find out just what kind of people you are dealing with directly. Sites like [Glassdoor](#) allow current and ex-employees to post anonymous reviews of their employers. You can use this site for your research. Of course, as it is an anonymous review site, verify the information you gather here with other sources.



## 7. Talk to current or former suppliers

Other or previous suppliers of the client are a good source of insight. Talk to them about your client, their payment practices and how they carry out their dealings. This is some of the most reliable information you can get, and if the suppliers have good things to say about the client, you can move ahead with your deal.



## 8. Look for customer reviews

The best way to know a company is to find out what its customers think about it. There are many sites where customer reviews can be found, such as Facebook, Google My Business and Yelp. Don't be discouraged by one or two negative reviews. Every company, no matter how good they are, will always have a few customers they simply cannot satisfy.

While too many bad reviews are an obvious red flag to look out for, also pay attention to too many positive reviews. There is a possibility that a company with 100% positive reviews may have paid for the reviews. Of course, it could also mean they're just that good.



## 9. Verify references

The references that a company may provide are a good way of checking up on them for simplified client due diligence. But I would recommend you also verify these references, and make sure they come from reliable resources instead of just taking them for their word. It's a simple, added precaution that may very well save you from a lot of trouble in the future. If you are unable to verify the reference, that is also a major red flag.



## 10. Trace any history of bankruptcy

Check if the company you're about to enter into a contract with has ever filed for bankruptcy. It might not mean much- but is still worth checking- if the bankruptcy happened well in the past. However, if the company recently filed for bankruptcy, there's a good chance they will be unable to pay you for the services they've contracted you.



## 11. Check involvement in litigation or legal proceedings

Check if the company you're about to enter into a contract with has ever filed for bankruptcy. It might not mean much- but is still worth checking- if the bankruptcy happened well in the past. However, if the company recently filed for bankruptcy, there's a good chance they will be unable to pay you for the services they've contracted you.



## 12. Check corporate status and tax filings

A company that is late on its tax filings may raise some alarm, especially if this is a regular occurrence. Always make sure to check their corporate status as well. A status of "forfeit" or "deferred" may be a major warning sign.



## 13. Look for suspicious activities

Past business activity can also give you a fairly good idea of who you're dealing with. The sort of activities a company has been involved in might stand out if they don't fit with the business. If they have been recently involved in successor corporations, complex stock dealings or any other activity that does not fit the company size or type, it warrants a closer look.



## 14. Check if who they are corresponds to what you find

As you do your research and gather information about the company, check to see if your findings correspond to what the company says about itself. This includes what they display on their websites or the information they have passed on to you. Of course, you should look out for major discrepancies, but I would suggest you also keep your eyes peeled for smaller inconsistencies. They may not mean much on their own, but together they can be a major red flag.



## 15. Stay vigilant with Google Alerts, Mention and Talkwalker Alerts

A final step you can take is to set up an alert that will automatically notify you anytime the company in question is mentioned online. You can do this using the Brodmin [Due Diligence Report Wizard](#). Other tools, such as [Google Alerts](#), [Mention](#) and [Talkwalker Alerts](#) also let you monitor the web for any mentions of the names you specify. This will help you access and review relevant information much faster than manually searching for it on the web.

**If you need help with any of this please contact us, we are happy to help.**

All the best,

The team at brodmin.com

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