

How to Pay an Overseas Supplier Safely and What Each Payment Method Really Protects

SourcingFrom

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What each way of paying an overseas supplier actually protects, from advance wires and deposits against a bill of lading copy to documentary collections, letters of credit, open account and platform payments. India is the worked example, with a first-order payment plan and the Indian export rules that apply from 1 October 2026.

The Short Version

- Attach every payment to an event you can verify, such as an approved sample, a passed inspection or a bill of lading.
- A bank checks documents, never goods, so put your own inspection report in the document set for the balance.
- D/P is the floor most small Indian exporters accept from a buyer who will not open a letter of credit.
- Advances are negotiable: trade-finance voices put them at 10 to 30%, and they should go only to a verified corporate account.
- IndiaMART's protection plan excludes foreign buyers, and Alibaba Trade Assurance covers only Indian sellers who opt in.

In March 2026 an Indian exporter posted a question most buyers never get to hear. A US customer, a regular for more than three years, hadn't paid for over a year. "Now the buyer is saying to accept 80% loss he can pay only 20%" ([r/exportersindia, 2026](#)). The replies from other exporters were blunt. "Unless it's a Fortune 500 company, never export without payment" ([r/exportersindia, 2026](#)).



That thread is why your Indian supplier asks for half the money up front, and it's also why you're right to hesitate. Both of you are being sensible. This guide explains what each payment method actually protects, whose risk it moves, and what a bank does and doesn't check, with India as the worked example. The caveat – a payment method can move risk around, but it can't make a bad supplier good or a slow buyer fast, so pair it with the checks on [verifying Indian suppliers](#).

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1. Three Things Can Go Wrong

You pay and nothing ships. The goods ship and they're wrong. Or you don't pay, and the exporter is left with a container sitting at your port. Every payment method is really a decision about which of those three you carry

and which the exporter carries. No method removes all three, whatever the brochure says.

An Indian export adviser summed it up in September 2026 – "Don't confuse a payment term with payment security" ([r/exportersindia, 2026](#)). A term says when money moves. Security is what happens when one side doesn't perform. Keep the two apart and the rest of this guide falls into place.

Here's the rule that runs under everything below – money should move only when something you can verify has happened. A signed PO, an approved pre-production sample, a passed inspection, a bill of lading. If a payment has no event attached to it then it's a gift with a hope attached.

2. Advance by Wire Transfer

An advance protects the exporter completely and protects you not at all. A wire can't be pulled back once it lands, and buyers who paid through Wise have found the same – "Wise afaik doesn't allow you to reverse a transaction if the seller [doesn't] hold up their end" ([r/smallbusinessuk, UK buyer, 2026](#)). The only protection in an advance is its size and the account it goes to.

So why do Indian makers ask for so much? Partly the thread we opened with. And partly because their own money is tied up before yours arrives. A merchant exporter buys from farmers or small factories who sell for cash, so "I also have to pay farmers or manufacturers in advance, because they don't work on credit" ([r/exportersindia, Indian agri exporter, 2025](#)). Your advance becomes the working capital that buys your goods. That's cash-flow logic, and it's not a warning sign on its own.

It is negotiable, though, and by more than most guides admit. A trade-finance banker puts the usual range at "10–20% advance" ([r/exportersindia, 2026](#)), and another voice in the same thread says 20 to 30% depending on trust. One first-time castings maker shipped three containers to a Dubai

buyer on payment against delivery, because "no one was ready to pay advance" ([r/IndiaBusiness, 2025](#)). A buyer with options pays less than the 50% everyone quotes.

Two rules make an advance safer without making it smaller. Pay only a corporate account in the exporter's registered legal name, matched to its GST record and its proforma invoice, never a director's personal account or a "sister firm". And size the advance to what it buys – materials and set-up, yes, the whole order, no. An advance that funds the purchase of finished stock tells you you're dealing with a trader financing the deal with your money. That's a normal model, and one you should know you're in.

3. Deposit, Then Balance Against the Bill of Lading Copy

This is the most common middle ground with Indian suppliers, and the least understood. You pay a deposit, the goods ship, the exporter emails a copy of the bill of lading, and you wire the balance.

The copy proves that a carrier received a sealed container and, if it's an on-board bill, that it's on the ship. It doesn't prove what's inside. If you pay the balance against the copy alone then you've paid for a box, not for goods.



The fix is cheap. Make the balance depend on two documents arriving together - the clean on-board bill of lading copy and a pre-shipment inspection report from an inspector you appointed. The inspection happens before the container is sealed, so the two documents describe the same goods, and now the copy proves shipment while the report proves contents. Quality control in India covers how to book that inspection.

From the exporter's side this method carries its own fear - goods on the water, a silent buyer, and a container running up demurrage at a foreign port. The thread at the top of this page is that fear come true. Answer it in writing by naming the release trigger, the bank and the day. And if the exporter keeps the original bills of lading until the balance clears, that's fair. Whoever holds the originals controls who collects the goods.

4. Documentary Collections, D/P and D/A

A collection puts a bank between you and the exporter as a courier for documents. The exporter ships, hands the shipping documents to its bank, and that bank sends them to yours. Your bank releases them against payment (documents against payment, D/P) or against your signed promise to pay on a date (documents against acceptance, D/A). Without the bill of lading you can't collect the container, so the goods stay under the exporter's control until you act.

The rules are the ICC's Uniform Rules for Collections, URC 522, and the bank's job under them is narrower than most buyers think. Banks "will not examine documents", have "no obligation to store and insure goods", and must act in "good faith and reasonable care" (ICC, URC 522). The bank checks that the listed documents are present. It doesn't check that they're right.

D/P tells you the goods have shipped before you pay, and tells the exporter you can't collect them until you have. It doesn't protect quality, because you pay before you open the box, but add your inspection report to the document list and it does. D/A leaves the exporter carrying your credit, which is why a small Indian exporter will rarely offer it to a new buyer.

D/P is the term Indian exporters actually settle for. One exporter's advice to his peers was "Push for Advance and settle not below DC (DP)" (r/exportersindia, 2026). If you won't open a letter of credit, D/P is the floor most small exporters will accept, and it's far lighter on paperwork.

5. Letters of Credit and What the Bank Checks

A letter of credit is your bank's promise to pay the exporter when it presents the documents the credit names, in the form the credit describes, by the date the credit sets. The rules are the ICC's UCP 600 (ICC, UCP 600).

Two of its articles explain nearly every LC dispute. Article 4, "Credits v. contracts", means a credit "has its own terms and conditions which do not rely upon the terms or performance of the sales contract" ([ICC Academy](#)). Article 5, "Documents v. goods", means the bank pays against paper. If the documents comply, the bank pays even if the goods are wrong. If they don't, it can refuse even if the goods are perfect.

So an LC protects the exporter's payment first, which is why a banker tells Indian exporters "If you are dealing with new buyers better to insist on an lc" ([r/exportersindia, 2026](#)). For you it protects document discipline, and that's worth more than it sounds. If the credit requires an inspection certificate from an agency you name, the exporter can't be paid without passing your inspection.

Exporters resist LCs on cost and speed - "Opening an LC means they have to pay around a percentage of the invoice to the bank" ([r/exportersindia, 2026](#)). Our view is simple. An LC earns its keep on a first large order and on anything made to your design. On a repeat order of stock goods it's usually an expensive way of saying you don't trust someone. And an LC without an inspection certificate in its document list is a promise to pay for paperwork.

6. Open Account

You get the goods, then you pay, on 30, 60 or 90 days. It protects you and exposes the exporter, which is why it only arrives with a track record or an insurer behind it. In India the state export credit insurer sets a limit per overseas buyer, so an exporter who says its insurer won't cover you means it doesn't hold a limit on your company yet. How that works is on [MOQ, pricing and payment in India](#).

The law sets the outer edge. Under India's new export regulations, in force from 1 October 2026, an exporter must realise the export value within 15 months of shipment, or 18 months if the invoice is in rupees (Regulation 5,

RBI FEMA 23(R)/2026-RB). It's a generous edge. Indian law isn't what keeps terms short, the thread at the top of this page is.

7. Platform Payment and Escrow

Buyers who learned sourcing in China expect a marketplace to hold the money. For a foreign buyer in India that layer is thin, and the platforms' own terms show where it stops.

IndiaMART's Buyer Payment Protection Plan, in force since 12 February 2026, is domestic only, covers complete non-delivery only, and lists "Foreign buyer transactions" among its exclusions. It "does not constitute an insurance contract, escrow mechanism, financial guarantee" (IndiaMART). The older "Pay with IndiaMART" gateway was "discontinued permanently" on 31 March 2024 (IndiaMART FAQ). So any supplier offering it is describing something that no longer exists.

Alibaba.com is the exception, for some sellers. Since 30 June 2025 it offers Trade Assurance to Indian suppliers who opt in, with your money held until you confirm receipt (Alibaba.com, 30 June 2025, Supplier-stated). It covers only those sellers and only payments made on Alibaba. Before the launch, buyers on forums reported India-based sellers asking for PayPal or a wire because Alibaba payments did not work in India, and a seller who still asks you to pay off the platform leaves you uncovered. Most Indian suppliers list on IndiaMART instead, which excludes foreign buyers. More in is there a Trade Assurance for India? PayPal Goods and Services is the usual first-order method for small buyers, and one US buyer described using it "for the first few buys and then wire once we have a relationship" (r/ecommerce, 2020). But in disputes over goods from India, "PayPal denied my case and said I had to pay to return the item" (r/Etsy, 2023). Fine for samples. Not a guarantee for an order.

And a supplier-proposed "escrow"? An escrow you didn't choose, run by a company you can't check, is a payment to a stranger. A real one has a licensed operator, published terms and a release condition you wrote.

8. Who Carries Which Risk

Read the "bank checks" column before you choose anything.

Method	Your main risk	The exporter's main risk	What the bank checks
Advance by wire	Money gone before goods exist	None	Nothing
Deposit plus balance on B/L copy	Paying for a sealed box, not its contents	A silent buyer and demurrage	Nothing
D/P collection	Paying before you open the box	You refusing at the port	Documents are present, not correct
D/A collection	Little, once you hold the documents	Your credit	As above
Letter of credit	Paying for compliant paper, unless inspection is a required document	Discrepancies that delay payment	Documents against the credit, never the goods
Open account	Little	Everything	Nothing

A bank never checks goods. Only an inspector does, and only if you appoint one.

9. A First Order From India to Australia

Say you're a Melbourne importer buying 4,000 cotton T-shirts from a Tiruppur maker, FOB Chennai, first order. Here's a plan that puts each risk on the side best placed to carry it.

1. **Before any money moves**, check the exporter's GST record, IEC and legal name against the proforma, and confirm the receiving account by phone on a number from the original quote.
2. **Pay 20 to 30% by wire on PO signature**, to that corporate account, with the account name written into the PO. That buys yarn and dye lots.
3. **Start bulk only after you approve the pre-production sample**.
4. **Before the container is sealed**, an inspector you nominate checks the goods against that sample.
5. **Pay the balance by D/P through the banks**, against the clean on-board bill of lading, the inspection report, the packing list and the ECTA certificate of origin. If the exporter's bank is slow and you trust the paper, a wire against the B/L copy and the inspection report together does the same job faster.

The deposit funds the maker without funding the whole deal, the inspection makes the final payment mean something, and D/P keeps the exporter in control of the goods until you pay, which is what it wanted all along.



On a second order of the same style, shrink the advance. By the fourth, ask for open account and expect the insurer question. For a first order made to your own design, swap D/P for a letter of credit that lists the inspection certificate as a required document. Then run the whole order through the landed cost calculator, because a plan that protects you still has to add up.

Ready to act

Need hands-on help?

Staged payments only work if someone checks each milestone before the money moves. SourcingSync sets up the milestones and holds the supplier to them.

Talk to SourcingSync ↗

10. India's New Rules From 1 October 2026

India's new export regulations bind the exporter and its bank, not you, but they set the edges of what your supplier can agree ([RBI FEMA 23\(R\)/2026-RB](#), read 25 September 2026). Four clauses matter to a buyer.

Export proceeds must be realised within 15 months of shipment, or 18 if invoiced in rupees (Regulation 5). A third party can pay only where the exporter's bank "is satisfied with the bonafides" (Regulation 8), so paying from your group company or a financier is the bank's call, not your right, and you should agree it before the PO. An advance and the later proceeds must route through the same bank (Regulation 10). And an exporter with proceeds unrealised beyond a year past due "shall undertake further exports only against receipt of full advance or an irrevocable Letter of Credit" (Regulation 13). If a supplier will only take advance or an LC, that may be why, and it's worth asking about, kindly.

We re-check this on 1 October and quarterly after that. The full clause table is on [MOQ, pricing and payment in India](#).

SourcingFrom Intelligence

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01 D/P is the Indian exporter's real floor. Exporters rank advance first, then LC, then D/P, and advise each other to settle no lower than D/P, so a small buyer can offer D/P instead of an LC. ([r/exportersindia](#), [Indian exporters](#), [Jul 2026](#).)

02 Advances are smaller than the guides say. A trade-finance banker puts the usual advance at 10 to 20%, others at 20 to 30%, and a first-time exporter shipped on payment against delivery. The 50% ask is an opening position. ([r/exportersindia](#), [Sep 2026](#), [r/IndiaBusiness](#), [2025](#).)

03 IndiaMART protects no foreign buyer in India. Its protection plan excludes foreign buyer transactions in its own terms, and its payment gateway closed in 2024. (*IndiaMART terms, read 25 Sep 2026.*)

04 An advance-or-LC-only supplier may be under a legal restriction. From 1 October 2026 an Indian exporter with long-overdue proceeds can export only against full advance or an irrevocable LC. (*RBI FEMA 23(R)/2026-RB, Reg. 13.*)

05 PayPal protection can mean shipping it back to India. Buyers in disputes over Indian goods report PayPal requiring a return at their own cost before a refund. (*r/Etsy, 2023.*)

What we don't know yet

- How often bank-detail-change fraud hits buyers paying Indian suppliers. We found cases for China and none for India, which isn't the same as none happening.
- What first-order terms Indian exporters accept from small Australian and New Zealand buyers. No AU or NZ voice on the forums answers it.
- How many Indian Alibaba sellers have opted into Trade Assurance, and how its disputes play out on Indian orders.

10 / Decide here

- 1** Attach every payment to an event you can verify.
- 2** Pay only the exporter's corporate account, confirmed by phone, and size the advance to materials.
- 3** Put your inspection report in the document set for the balance, whatever the method.

11. What to Watch Out For

New bank details by email are the oldest fraud in trade and still the most effective. Confirm every change by voice on a number you already held,

before any money moves. The controls are on risks of buying from India.

Fee escalation after the deposit is the other classic. A "minimum order" top-up, then a "customs" fee, then an "export" fee, each small enough to feel cheaper than walking away - one buyer "paid over 500\$ and he shipped 10\$ of the product and is asking for large sums of money from me now" ([r/IndiaBusiness, 2026](#)). The all-in price was agreed before the deposit. A fee that isn't on that page ends the deal.

And many small parcels cost your supplier more than you'd think. Small Indian exporters pay their bank to close each shipping bill, and one handicraft exporter said "Trying to close 2000+ shipping bills which are B2C is a nightmare" ([r/StartUpIndia, 2025](#)). Expect them to price that in or to steer you towards one consolidated shipment.

Questions Buyers Ask

Is a letter of credit safe for the buyer? ^

It's safe for the exporter's payment and for your documents. It doesn't check the goods. Add an inspection certificate from your nominated agency as a required document and it protects both sides.

Is a 50% advance to an Indian supplier normal? v

Can I pay through IndiaMART or Alibaba and be protected? v

Can my group company pay the Indian exporter? v

12. Back to That Unpaid Exporter

The exporter in our opening thread had done everything on trust, with a buyer he'd known for three years, and it still went wrong. The adviser's line fits him exactly - a payment term isn't payment security. The same is true in reverse for you. A 50% advance to a maker you've never checked isn't security either, however friendly the emails are.

The middle ground is where good long relationships with Indian suppliers actually start. A modest deposit to a verified account, an inspection you control, and a balance released against documents both of you can see. Once each side has seen the other perform, the terms loosen on their own.

The payment clause itself, milestones and the named-bank rule are on MOQ, pricing and payment in India. Related guides: import duty, certificate of origin, sea freight routes, supplier payment disputes, why Indian suppliers ask for full advance.