

Easy Debt Collection

[last updated May 2016]

Debt Collection Procedures

The longer a debt is outstanding the higher is the likelihood that it will not be recovered. The most fundamental principle of debt collection is constant follow-up, obtaining a commitment of some kind, which in the first instance does not have to be immediate payment but can be an undertaking to pay by instalments.

Regular follow-up is particularly important as, if the follow-up is not undertaken, all the previous work is wasted and the process is forced back to the start as the debtor is given a signal that we will be more likely to wait for their money. Insufficient follow-up will lead the debtor to think we will, in the long run, not pursue the debt paid.

A record should be kept of all activities set out below with copies of reminders sent and notes of time, date and discussion had via telephone. Email is not a substitute for a telephone conversation.

If no accounting or administrator has been allocated responsibility to chase unpaid accounts, each invoice on your files will be your responsibility to pursue payment.

Step 1

Every invoice should include a due date for payment and include a notice that interest will apply to overdue accounts, and the rate of interest to be applied.

Step 2

If payment is not received on the due date, then immediately send a written reminder.

FRIENDLY REMINDER

Your account is now overdue. We understand that you may simply have overlooked this account and appreciate your prompt attention to it now.

Step 3

10 days after the due date issue another polite written reminder with stronger wording.

REMINDER

Your account is now really overdue and we're a little worried you might have forgotten us! We'd appreciate your prompt attention to payment now. Please contact us if you need to make a payment arrangement.

Step 4

21 days after the due date CALL the person who owes money. Your aim is to get an agreement from them to pay even part of what is owed, if not all of it. Let them know you will follow up again and when, then send an email thanking them for their time and confirming whatever was agreed.

Possible conversation:

Hello,

I'd like to speak with [appropriate person in debtor company] please.

Hi, my name is [.....], and I'm calling from [your business] regarding your outstanding account. I'm just chasing up to find out when we will be receiving payment of that amount, or what arrangement you would like to make for payment.

Be friendly and approachable. Make it easy for the person you are talking with. Change the wording to suit the style of the way you speak.

Then send an email to confirm.

Hi

Following up from our earlier phone conversation to talk about our invoice number ## for \$\$\$.

Thank you for agreeing to make the following payments:

.....
.....
.....

It will be great to get that squared away.

Cheers

Step 5

30 days overdue or if there is another default on payment then send a firmly worded written reminder of the agreement reached and that it is now overdue.

If your original invoice gives notice that interest will apply, start applying interest to the amount due.

FINAL REMINDER

You have not paid our account within our payment terms and the amount owing is now more than 30 days overdue. Interest will now be applied to the amount overdue. Further delay will result in debt recovery action.



Step 6

45 days after the due date

If payment has been made, a phone call to thank for payment may be appropriate depending upon the circumstances. This can create better trusting relationships for the future. If not, then things are starting to get worrying and a discussion about payment needs to occur **between the most senior people in each business**.

Any payment arrangement needs to again be confirmed or made, recorded and a written confirmation sent. At this point the person who owes money should be informed that if payment is not made, or an arrangement entered into that the overdue amount will be sent to debt recovery.

Possible conversation:

Hello,

I'd like to speak with [appropriate person in debtor company] please.

Hi, my name is [.....] and I'm calling from [your business] regarding your outstanding account. You might recall that we spoke on ../../.. and you agreed to make payment.....

I'm just following up to thank you for payment and confirm that we have received that payment

OR

I'm just following up to seek at least some payment today and amend arrangement if required, or confirm balance of arrangement. Confirm will follow up on next due date.

I also need to let you know that if there is any further delay in payment I will need to refer this to a more formal debt recovery process.

Again, be friendly and approachable. Make it easy for the person you are talking with. Change the wording to suit the style of the way you speak.

Then send an email to confirm.

Hi

Following up from our earlier phone conversation to talk about our invoice number ## for \$\$\$.

We agreed

.....
.....
.....

Unfortunately, if those payments aren't kept up with we will have to refer it to a professional collection agency.

Cheers

Step 7

60 days after the due date

Send a written notice of recovery action and send it to a debt collection agency. Your energy should be focused on customers who do pay, not chasing those who don't. There are people who specialise in debt recovery and will be much better at it that you will. Be clear on the costs before you start.

Hi

Unfortunately, we still haven't received payment of your invoice number ## for \$\$\$ and you haven't offered / complied with a payment plan. It is our usual procedure as soon as a debt falls more than 60



days overdue to refer the debt to a debt collection firm for action. You will now be hearing from ... about payment of the outstanding amount.

This will also mean that any further purchasers/ services you required from us will need to be paid in full before delivery.

Cheers

Action time frame

Adjust the following time frames to suit your usual payment terms. Some businesses accept 30 day payment terms, some are longer and some are shorter. Work out what is best for your business and work with that.

Where an amount is known before the invoice is issued and the person paying the bill knows your payment terms, a shorter period should not be a problem.

DAY	ACTION
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1	Issue invoice
7	Friendly Reminder
14	Reminder
21	Phone Call follow up
30	Final Reminder + apply interest
45	Escalate to phone call between business owners
60	Written notice that debt has been sent for a legal debt recovery procedure