

# 10 TIPS *for* **EFFECTIVE DEBT COLLECTION**

*Whether your business has regular cash flow issues or simply a one-off debt you're tired of waiting for, you have come to the right place. With over 20 years experience in the area of Debt Recovery, Lovetts Solicitors have written this guide to help you drastically improve your credit control procedures.*

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## **ENSURE YOUR CUSTOMERS KNOW YOU WANT TO BE PAID ON TIME**

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Too many companies give the wrong signals; if you are lax on following up with customers to check that your invoices have arrived safely and are on their ledgers, they may assume you are similarly relaxed when it comes to payment due dates.

02

## **TELL CUSTOMERS EARLY ON THAT LEGAL ACTION WILL BE TAKEN AGAINST LATE PAYERS**

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At this stage the warning will not be personal but gives all of your clients a fair notice of any potential consequences you will enforce. With already established clients you could simply release an email or letter informing them all of the addition your business's terms and conditions.

03

## **CALCULATE THE COSTS OF GOING LEGAL EARLY ON**

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That is late payment interest, compensation and indemnity costs under contract (ensure your terms and conditions allow for this). Then inform your late-paying customer of this figure, whilst expressing your reluctance to escalate the costs unnecessarily. £1,200 debts can easily grow by 50% so by being upfront about the amount and extending your customer the courtesy of a reasonable warning, you are doing everything in your power to resolve the problem quickly and fairly.

04

## **MAKE A FINAL PHONE CALL BEFORE TAKING STEPS TO FORMALLY PURSUE THE DEBT**

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Remind your debtor of the costs you calculated in the third tip and let them know that if they don't pay their outstanding balance straight away, you will be taking the case up with a solicitor.

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## **INFORM A SOLICITOR YOU PLAN TO RECOVER THE EXTRA COSTS**

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When instructing a solicitor, make sure you let them know you will be pursuing all of the extra calculated costs as well as the debt amount. As the first step would be to send a letter before action (LBA) to your debtor, you need to know the amount you are trying to recover. At Lovetts we have made this simple for you with our online claim calculator.

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## **THINK ABOUT A LATE PAYMENT DEMAND**

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Alternatively, think about using a Late Payment Demand (LPD) for a business to business debt. This allows you to include interest, compensation and your costs of recovery under the Late Payment Act.

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## **ENSURE YOUR DEBTOR KNOWS THE CONSEQUENCES OF IGNORING A CLAIM**

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After the claim has been issued, the debtor will have to pay to avoid a county court judgement (CCJ) which affects their credit rating and puts the debt on the public record. At this stage over 50% of debtors will pay; ensure your debtor is aware of the consequences so they are likely to be among the half that do.

08

## **GIVE YOUR DEBTOR ONE LAST CHANCE TO AVOID A PERMANENT CCJ**

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Even once judgement has been entered it isn't too late for the debtor to pay and avoid a six-year public record and credit file black mark. Remind them that they have a month to pay in full, and have the judgement removed from the public register, however if they miss this deadline then even if they subsequently pay the record will still remain.

09

## **DON'T HOLD BACK IF YOU ARE WORRIED ABOUT THE FINANCIAL STABILITY OF YOUR DEBTOR**

If you feel you need to move fast to recover your money, a Draft Winding-Up Petition for debts over £750 can be much more effective than a LBA. Carrying with it a maximum impact and the risk of public advertisement, it is well worth the investment. At Lovetts a solicitor will be able to advise you of the merits of this approach for your individual circumstances.

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## **REMEMBER:**

Being tough this time sets a good precedent for your staff and customers, and will pay off in the long term!

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