

10 Step Checklist for Effective Debt Collection

- **Develop a process to monitor and collect debts – stick to that process!**

This process should include implementation of an appropriate information system which can generate reports on outstanding debtors such as days overdue etc. Maybe have an assigned member of staff who makes weekly telephone calls to outstanding debtors.

- **Ensure that you have written and signed terms of trade with your customers.**

Do reference checks on those customers and set strict credit limits on accounts. Consider requesting a personal guarantee from the customer's director/s.

- **Send out statement of accounts on a monthly basis.**

When a debtor is outside your terms of trade, insist that these are met.

- **Contact all debtors outside normal trading terms.**

This may be in writing, by calling and speaking directly with them over the telephone or in person. Personal is preferable as they are more likely to commit.

- **Consider placing debtors trading outside normal terms of trade on stop credit until their account is paid.**

Providing credit to bad debtors will only worsen your problem.

- **Obtain a firm commitment from the debtor as to when payment will be received.**

Diarise this commitment and acknowledge this to the client immediately. If it is not met immediately, contact the debtor to follow up payment.

- **If a debtor requires additional time to pay an account, ensure that you have a written acknowledgment of the outstanding debt.**

This way, should legal action be necessary at some late time, the debtor will not be able to dispute the debt. Consider also obtaining a personal guarantee from the debtor's director/s if you haven't done so already.

- **If a debtor has made a commitment to pay, have them deposit the funds directly into your bank account and send you confirmation of payments.**

Follow up your bank to ensure the funds have cleared. This will ensure commitments are met.

- **Send demand letters or threaten legal action where the debtor continuously fails to pay the outstanding debt.**

This will ensure you have taken all necessary action before legal proceedings.

- **Take legal action to recover the debt.**

This can also mean repossessing stock under a valid retention of title clause contained in your terms and conditions of sale printed on invoice.



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