



Guildways

10 Tips for Effective Debt Collection

A Guildways Guide



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INTRODUCTION

If you have customers that often pay you late and you're tired of waiting for, you have come to the right place. With over 25 years experience in Debt Collection, Guildways has written this guide to help you your cash flow and credit control procedures.

Here are our 10 tips for effective debt collection.....

1. ENSURE YOUR CUSTOMERS KNOW YOU WANT TO BE PAID ON TIME

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.

2. TELL CUSTOMERS EARLY ON THAT LEGAL ACTION WILL BE TAKEN AGAINST LATE PAYERS

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3. CALCULATE ANY LATE PAYMENT INTEREST

Check to see if your terms of business allow you to claim interest. If your terms of business are silent on interest, you may be able to apply the Late Payment of Commercial Debts (Interest) Act 1998 if your customer is a business or sole trader. If the Act is applicable, you can also claim compensation and reasonable costs all of which can be added to the debt amount. For further information on the Late Payment of Commercial Debts (Interest) Act 1998 go to <https://lovetts.co.uk/debt-recovery-information/late-payment-law/>

4. MAKE A FINAL PHONE CALL BEFORE TAKING STEPS TO FORMALLY PURSUE THE DEBT

Remind your customer 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.

5. INFORM YOUR DEBT COLLECTION SUPPLIER THAT YOU PLAN TO RECOVER THE EXTRA COSTS

When instructing a debt collection supplier, 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 to your customer, you need to know the amount you are trying to recover.

6. THINK ABOUT CHANGING YOUR TERMS AND CONDITIONS FOR FUTURE DEBTS

If you do not have a costs under contract clause allowing you to recover your costs of instructing a debt collection provider, think about changing your terms. Including a costs under contract clause means that it may not cost you a penny to instruct a debt collection supplier.

7. ENSURE YOUR CUSTOMER KNOWS THE CONSEQUENCES OF IGNORING A CLAIM

If you issue legal proceedings, your customer will have to pay to avoid a County Court Judgment (CCJ) which affects their credit rating and puts the debt on the public record. At this stage over 50% of debts will be paid; ensure your customer is aware of the consequences so they are likely to be among the half that do.

8. GIVE YOUR CUSTOMER ONE LAST CHANCE TO AVOID A PERMANENT CCJ

Even once Judgment has been entered it isn't too late for your customer 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 Judgment removed from the public register, however if they miss this deadline then even if they subsequently pay the record will still remain.

9. DON'T HOLD BACK IF YOU ARE WORRIED ABOUT THE FINANCIAL STABILITY OF YOUR CUSTOMER

If you feel you need to move fast to recover your money, a Draft Winding-Up Petition for debts over £750 can be effective. Carrying with it a maximum impact and the risk of public advertisement, it is well worth the investment. At Guildways, we work with Lovetts Solicitors, our sister Company, in the issuing of these petitions.

10. REMEMBER:

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

CONCLUSION

We hope that these tips have been useful. If you need assistance with collecting your debts, Guildways operates on a no collection, no fee basis and would be happy to assist. Feel free to contact us via our website www.guildways.com or by email info@guildways.com

In the meantime, we wish you the best of luck in pursuing your debts.

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Head Office:

Bramley House, The Guildway, Old Portsmouth Road, Guildford, Surrey, GU3 1LR

Telephone: +44 3333 409000

Email: info@guildways.com

Web: www.guildways.com



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