

Debt Collection Checklist

By John F. Smith

- Prevention
 - Think about the possible steps which may be taken to minimise the possibility of bad debts.
 - Decide who will operate your policy: a lawyer, agency or your own staff.
 - Ensure to have systems which detect arrears and potential bad debts early
 - Make sure there is a good communication and understanding between different departments.
 - Make sure to have staff with procedural knowledge and good interpersonal skills
 - Make sure to regular review the policies, procedures and criteria for granting or extending credit
 - Have regular training or refreshers in interpersonal skills, procedural and attitudinal practices.
- Debts
 - Pursue the big debts first.
 - For a large debt a phone call before it falls due may be appropriate.
 - For a small debt the process may start with a letter one month after payment is due.
- Letters
 - Make sure your letters are courteous, clear, specific and addressed to a named executive
 - Be firm, concise and unwavering.
 - Do not include an apology.
 - Do not suggest compromise or refer to the possibility of part-payment.
 - Ensure that your letters appear to have been individually prepared.
 - Give the debtor a better reason for paying than for not paying.
 - Point out the advantages of continuing to trade together.
 - Express the hope that legal action can be avoided.
- Follow Up
 - Use the telephone if appropriate and necessary.
 - Before calling have available all files, copies of invoices.

- Contact the right person and give your name.
- Try to personalise the discussion.
- Find out reasons for the delay.
- If you are told "a cheque is in the post", press for details.
- Consider the fax as a variant to a letter.
- Consider visiting the debtor.
- Consider appointing a debt collection agency.