

# DEBTOR MANAGEMENT

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## Purpose

This will help with the collection of payments from clients. Many people find this task difficult to approach and put it off for a long time. It is important to remember that you don't work for free, and in most cases clients have simply forgotten to pay. Most of the time clients will be more than happy to pay. Maintaining a consistent debtor collection process will help you to recover debts while maintaining good customer relationships, and stay in business

## Process

### 1) Understand the Current Situation

The majority of businesses do not have a correctly structured debtor management procedure nor a proper system to monitor debtor level. Business's accounting system (MYOB, Xero and QBO Intuit etc.) will be the most commonly used system to run a debtor report (aged debtor report). Some may keep a spreadsheet to keep tracking of debtors for the month.

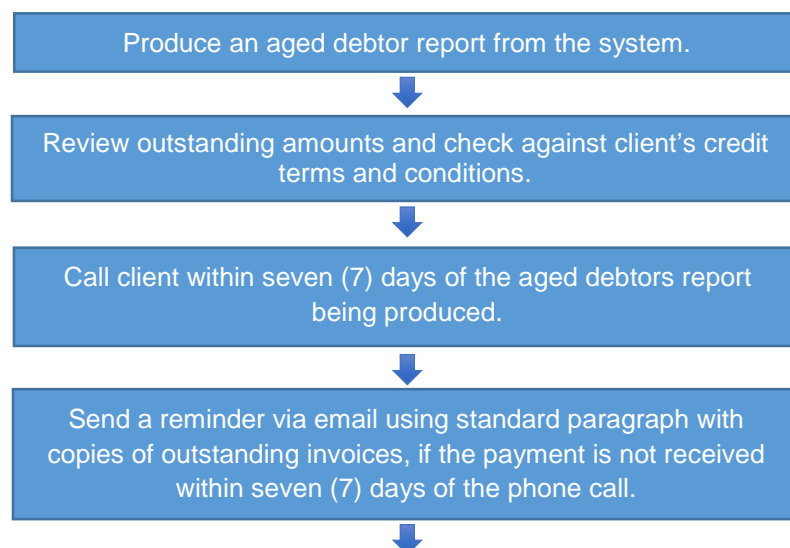
Select the most appropriate tracking method for you, and set it up.

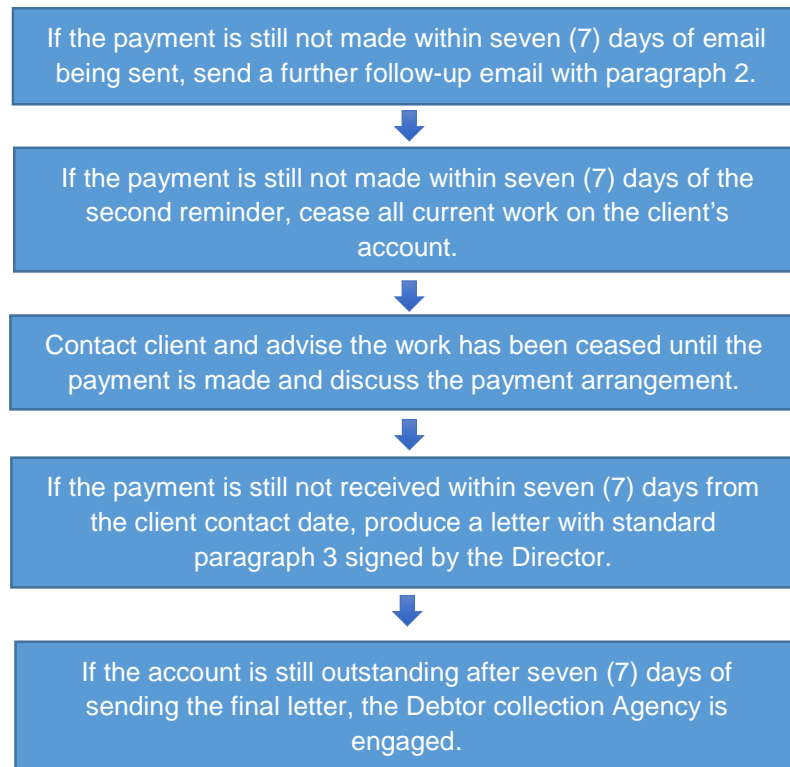
### 2) Educating Your Clients

Run an aging debtor report once a week. All unpaid client payments are to be noted and the following procedures undertaken until recovery of outstanding amounts.

1. Identify overdue invoices
2. Write a reminder email for outstanding invoices (use a template)
3. Collect phone numbers and use a phone script to follow up outstanding debtors
4. Track payment arrangements and communications until paid

### 3) Process





#### 4) Phone script & standard templates for reminders

##### Phone Script

All calls should be made with a firm but friendly tone as you are trying to help the client.

1. Produce aged debtor report from the system. Review exactly what your goals are for each call.
2. Do not ask for payment in the initial instance. Use the initial phone call to gauge the client's attitude and to understand whether non-payment is a simple case of overlooking the invoice.
3. Advise the client that you haven't received their payment and you are checking to see if it is on its way.

Use lines such as:

"Hello [client name], it is [staff name] from [business name]. This is just a friendly reminder regarding our invoice of \$[fee amount] which is due for payment [due date]. Do you think you are going to be able to pay by the due date, I can take your credit card details over the phone today if you would prefer?"

If they don't want to give credit card details, use lines such as below and try to make them give you a firm date.

"So I can let our debt collection section know, when you think you are going to be able to pay our fee?"

4. If the client starts to argue, do not become argumentative. Remain calm at all times. If the client is disputing the invoice, ask them for details. If they say they have paid, ask them to provide cheque number and date of payment.
5. Use lines such as:

“Thank you for telling me that. We really need to sort this out. Leave it with me. I’ll speak to my Manager and see what we can do”.

6. Set a time to call back – “Can I call you back this afternoon or is tomorrow morning better?”
7. Record the details of all calls.
8. If you fail to get through to a client, ensure that you leave a detailed message – this will inform the client that you have attempted to contact them. Record times and dates that you have called and who took the message.
9. When a promise of a payment is not met, a call to the person concerned using lines “When we were speaking the other day, you felt that you would be able to pay \$[X]. Can you advise if this payment has been sent and is on its way?”
10. If a promise of payment is made, thank the client and ask, “Today’s Thursday, do you think it’ll be here by Tuesday next week?”

### Standard templates for reminders

#### Standard Paragraph 1

RE: OUTSTANDING FEES - \$[INSERT AMOUNT]

A recent review of our accounts has revealed that the above balance remains outstanding. We have attached a copy of the invoice(s).

We would appreciate your prompt settlement of this account. Please pay the above amount to us within seven (7) days.

If you are experiencing difficulties paying this account, please do not hesitate to contact our office so we can discuss alternative arrangements.

### Standard Paragraph 2

RE: OUTSTANDING FEES - \$[INSERT AMOUNT]

Following our email on [INSERT DATE] we write to you again in relation to the above account. We note that this amount is still outstanding and is now [INSERT NO. OF DAYS] days overdue.

[BUSINESS NAME] has always had a policy to offer assistance to clients who are having difficulty meeting payments, but to do this we need your help. We must hear from you in order to discuss options, and find a payment solution suitable to both of us.

If you are currently experiencing difficulties, we will be happy to try and help you. However, if you do not contact us, we will assume that you have our account and have overlooked it, and now having brought it to your attention, it will receive the prompt settlement it requires.

Where full settlement or alternative arrangements are not made within seven (7) days of the date of this letter, we regret to advise that any current work on your account with us will cease immediately until payment is made.

If you have forwarded your remittance in the past few days, please disregard this reminder.

### Standard Paragraph 3

RE: OUTSTANDING FEES - \$[INSERT AMOUNT]

We are interested in our customers and are always trying to find new ways to improve our service. For these reasons, we are inquiring if there is a reason for your delay in paying your overdue account.

Our professional trading terms are [X] days and a recent audit of our outstanding debtors indicates that your account to the amount of [INSERT AMOUNT] is now [INSERT NO. OF DAYS] overdue.

We have sent you several emails regarding your account, requesting your attention on its overdue status. In these letters, we have also requested that we should be contacted if you are having difficulties with payment for any reason.

Our staff have tried to contact you by phone over the past number of weeks, without a successful resolution of this matter.

In light of the above, we feel that we have no other option but to advise that should we not receive full payment of this outstanding account within seven (7) days of the date of this letter, we will be handing your account over to our debt collection agency, and commence legal proceedings to recover these monies.

We now leave the outcome of this matter in your hands.