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EXTENDING CREDIT

CHECKLIST: ACTIONS TO IMPROVE COLLECTION OF ACCOUNTS

If you extend credit to your customers, it is inevitable that some of those customers are not going to pay you on time. In fact, you can rest assured that some of those customers are not going to pay you at all! The following actions can help improve your chances of collecting your accounts.

- Require payment by cash or credit card whenever possible.
- Encourage customers to pay sooner by offering discounts for payment within a specific period of time. For example, you could offer a 2 percent discount if an account is paid within ten days rather than thirty. Discourage customers from paying late by charging interest or late fees on delinquent accounts. Be sure to consult with your attorney first to be sure you are complying with your state's usury statutes and applicable federal laws!
- Make a personal visit to your customer to discuss a past-due bill, or talk to your customer when he or she visits your business, whenever possible.
- Make a phone call to your customer about the past-due bill in cases where a personal visit is not possible.
- Send a series of "reminder" letters to your customer if talking to him or her personally is impractical, or if the amount owed is relatively small. The first letter can simply be a friendly reminder. The second letter can be a little more forceful. The third letter can be a "final" demand before you turn the account over to a collection agency or to your attorney.
- Use a collection agency to collect a past-due account if trying to collect the account is too time consuming or if you have not been successful in collecting it. A collection agency usually charges a significant percentage of the amount of the debt as its fee.
- File suit in small claims (conciliation) court if the dollar amount of the past due account is under the maximum amount allowed for such claims.
- If the amount owed by your customer is more than the amount allowed by your local small claims or conciliation court, ask your attorney to file a lawsuit to collect the account.