

# Collecting past due accounts – taking a proactive approach

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In today's challenging business environment, recovering all receivables is critical to the success of your business. While the majority of customers pay in a timely manner, there are those who sometimes slip through the cracks or might try to avoid paying at all. Preventative measures such as using 20-day preliminary lien notices and a more proactive approach to collecting past-due receivables will help save your business valuable dollars.

While there are ways to collect internally, problem accounts (those that are at least 90 to 120 days past due) should be left to the experts. Internal collection efforts may work on some accounts, but those efforts may actually reduce productivity as it takes that staff member away from performing their primary functions. Many businesses are turning to commercial collection agencies that specialize in business-to-business recovery and serve as an extension of your company to prevent bad relations that could hurt your business in the future.

A collection agency's tactics will reflect on your company, so the key is to choose one that has a good chance of collecting your debts in a professional manner.

## How Collection Agencies Work

Collection agencies serve as a liaison between their client and the debtor who owes their client money. Typical collection tactics involve letter writing and phone calls, as well as various legal tools to persuade debtors to pay. Agencies that provide only a letter-writing service may end up costing more money than is worth because letter campaigns are rarely effective.

A good collection agency will keep their client informed of any settlement offers or payment arrangements and money should be remitted in a timely manner. Should the situation arise where the money can not be collected in a cooperative manner, commercial collection agencies will use attorneys to deliver a stronger punch and take the case all the way to judgment if needed. While commercial debt is not covered under the Fair Debt Collections Practices Act, it is best to conduct your research and determine if any complaints have been filed against a prospective agency. Successful agencies find that working with the debtor is the most profitable way to generate cash flow.

## When Is It Time to Turn to a Collection Agency?

You should send past-due accounts to your collection agency as soon as possible. Accounts that are at least 90-120 days past due should be forwarded for collections. Once you transfer an account to an agency, the firm will handle all the communication and settlement details.

Here are some indicators that a customer probably is not going to pay and when to turn an account over to an agency:

- Makes repeated, groundless complaints to avoid payment.
- Denies owing for any services or product, despite your records.
- Stops responding to your phone calls regarding payment.
- Changes address or phone number without notification.

## Choosing an Agency with Experience in Your Industry

Your business may require specific collection tactics that some agencies may be more familiar with than others. Be sure that the collection

agency you choose has expertise in your industry.

## Reputation of the Agency

Make sure to check references, particularly from clients that are in a similar business. A prospective agency should provide a list of references in your industry if they are attempting to win your business.

## Collection Agency Pricing

Debt collection is typically done on a contingency basis, which means that if they don't collect there is no charge to you. Depending on the size of the business, a collection agency's commission can range from 10% to 50% of the recovered amount, but are usually between 20% and 35%.

Some collection agents vary their fees depending on the age of the debt, charging less for 30-day-old debts and more for those over a year, simply because they are more likely to be able to recover newer debts. In addition, the fee may go up if an account is forwarded to an attorney.

## Working with an Agency to Ensure Success

Good communication between your business and agency is essential. Before you start, be sure to find out:

- How accounts can be placed.
- When collected funds will be remitted to your firm.
- What reports are provided to detail the collection progress.
- Do they report to the credit bureau.

The collector will be better equipped to do their job if you give them complete information. For each account, provide the following:

- Business name, address, and phone numbers.
- A list of all contacts.
- Credit Application and Personal Guarantee if available.
- Indicate if mail has been returned.
- Names of other creditors with whom your customer conducts business.
- A complete transactional history.

## Agency Advantages

There are several key advantages to working with a commercial collection agency. They work within the legal boundaries and take the burden of following collection laws off your employees. In addition, agencies are staffed with experienced specialists in negotiating with debtors. But most importantly, agencies can save a company time and money involved in debt collection while providing a buffer between your business and customer.

## About Corporate Collections International

Corporate Collections International (CCI) is a full-service debt-recovery firm providing professional, personalized commercial and consumer collection services. In conjunction with its subsidiary, Corporate Lien Services, the company serves as a one-stop-shop for collections and preliminary lien services in all 50 states.

Founded in 1985, CCI is locally owned and operated. Additionally, CCI is licensed, bonded and insured and is a member of the Commercial Law League of America and the American Credit Association. Corporate Collections International and Corporate Lien Services are members of the Arizona Contractors Association. For more information, call (480) 345-2500 or visit [www.corpcollection.com](http://www.corpcollection.com).