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Proactive Debt Recovery — By Eugene Collins

It is all too easy to be consumed with all aspects of owning a business and being too busy to be proactive with debt recovery. In a competitive market Customers demands keep you focussed on meeting their needs when a businesses biggest need is continued cash flow.

Having a good proactive debt recovery system in place improves cash flow.

Proactive debt recovery begins with the very first contact you have with a Customer. If you are in the business of providing goods and services then you should have Terms and Conditions which a Customer should sign before you undertake any work for them.

In addition to ensuring that it is your Terms and Conditions which dictate the Contract you are entering into with the Customer it is also a way of collecting personal information about the person or Company you are contracting with.

If you are dealing a Company then you should always obtain a Personal Guarantee.

If you are dealing with an individual you should always obtain their personal residential address.

As much information as possible will help if you find yourself in a position of having to pursue that person for



an unpaid account.

If your Terms of Trade provide for payment on the 20th of the month you should have a system in place so that a reminder is immediately posted within a week of that date passing and payment not being received.

Any telephone contact where the Customer promises to pay should be recorded on the Customer's file.

If you are in a trade that is covered by the Construction Contracts Act then you should ensure that any invoices issued are Payment Claims and comply with the format and contain the information specified in the Act.

If a Customer's account is over 90 days file Proceedings immediately. If you have a good proactive debt recovery system in place then you would already have written to the Customer at least twice by the time that the three months has passed.

It is an all too common occurrence for businesses to continue to correspond with

a client who simply isn't paying and before you know it 6 to 12 months has passed and you haven't started any legal processes to force them to pay.

If you file Proceedings you can always negotiate a Resolution and withdraw them later. Having the Proceedings sitting there keeps that Debtor focussed on meeting their obligations.

It is absolutely imperative if you enter into any Time Payment Agreements that it is on the basis if any payment is missed then the balance becomes immediately due and owing. If you do not have such an Agreement and a Customer agrees to pay it off over 12 months and simply misses the first month then you can only sue for one month because the other 11 months aren't due yet.

Once a good system has been set up it should happen automatically and the long term effect is it will keep your cash flow and stop your Customers using you as a bank.

If you wish to discuss any of these matters please feel free to call Eugene Collins on 576 1407. For those who work in the construction industry or trades associated with the construction industry we will be running an Educational Seminar on the Construction Contracts Act (which was designed to keep cash flow within the construction industry) in June/July. We will provide more information closer to the date.