

How to Reduce Your Outstanding Debtors Balance

Debtor Balance

This system does not require statements to be sent to clients. In fact statements should only be sent to clients that have a running balance and are making regular payments in terms of arrangements agreed with the firm.

Please ensure the Current 30, 60, 90 day boxes have been replaced with "Due now and Overdue"

Collecting Overdue Accounts

"Start early, make it easy for your clients to pay and be difficult to ignore if they chose not to"

An effective collections process requires regular weekly attention.

To get the best results focus on the "just overdues" as these are the easier accounts to collect. The basic rules are:

Start early

Don't wait to follow up when the account is overdue start reminding the client that payment is expected.

Always be the good guy

Collections should be a process not a punishment. Most clients are honest and would pay if they knew they had to. A series of gentle and non-confrontational reminders will get most of the honest clients to pay.

Be persistent

Your firm has decided its credit terms and advised clients of how much and when to pay. This process is about communicating with clients to ensure they are fully aware of the firm's requirements.

Note:

When clients are on repayment arrangements each installment is to be treated as a separate account with non payment followed up using the regular accounts procedure as above.

In most businesses following up debtors is still considered a tough job. When we find a team member that gets good results we often won't let them off the job. But have you ever noticed that no matter how many calls they make there are still more to make next month and really who gets any joy from calling clients and chasing money?

The vast majority of businesses approach collections on a reactive "as needs" basis. When the overdraft is bumping its limit or the debtor balances just get too high we clamp down. So you jump on the phone and spend a lot of frustrating time chasing people who have not paid you for a long time. It is possible to collect your money faster, with less effort overall, in a non-confrontational way and retain your clients. It's all in understanding the reasons people don't pay and implementing a system that makes it as easy as possible for your clients to pay your account on time.