

Debt collection and recovery

Getting paid is one of the key challenges facing many small businesses, Katherine Hawes explains.

The key to any business is to be paid in full, on time. Although as small business owners, we have many tasks to complete each day, getting paid on time should really be one of our highest priorities as for many of us, cash flow is key.

Here are some of my top tips to make sure you get paid on time:

- 1 Be clear and upfront about the costs of the job. One of the key reasons customers don't pay an account or only pay part of the amount due is that you have not clearly communicated the costs involved such as time and materials needed. Therefore, ensure your terms of engagement are clear from the beginning. Also, be careful how you quote for a job, don't under quote and then add on extras later on – your customers will become annoyed and this often leads to non-payment of accounts.
- 2 Communicate to your customer any changes to the original costs quoted. Don't assume that they will want to pay extra for better quality – make sure you ask first! Also, if the scope of work changes due to weather or unforeseen circumstances clearly discuss any additional costs with your customer.
- 3 If you have taken on a particularly large job, whether in terms of time or money, do some research on the company that is contracting with you? Has anyone else heard of them? What other building work have they undertaken? Use your other trade contacts to find out about the company before accepting the job.

- 4 If a large piece of work is spread over a few months, be sure to include in your contract part payment requirements, rather than waiting until the end of the contract for full payment. This will minimise the risk on not being paid at the end. If your customer fails to pay the part payment, you can then start to take action, including legal action, sooner rather than later.
- 5 Remember being in business is about managing the relationship you have with your customers. This relationship needs to be clear from day one by having clear trading terms and conditions in place.

In some cases, there may be the need to implement debt recovery process. I recommend that all credit managers follow this procedure:

- 1 Send an official letter to the customer requesting a full payment or offer instalments when this is possible.
- 2 Contact customer by phone no more than 10 times in 30 days.
- 3 Obtain a judgment order. This will legally recognise the debt and inform the customer that they have to pay.
- 4 Send a Letter of Demand
- 5 Issue and serve a 'Statement of Liquidated Claim'
- 6 Receive a court order for your money
- 7 Collect your money then through one of these methods:
 - a Examination summons
 - b Writ of execution against goods or land
 - c Installment orders
 - d Bankruptcy and liquidation
 - e Liquidation

Hopefully, somewhere along the way before getting to item 4 or 5 you will ultimately get paid! However, if things do end up going beyond this point, I recommend taking legal advice as the process can be loathsome and lengthy.



With over 20 years' legal and business experience, Katherine Hawes is the founder and principle solicitor Aquarius Lawyers which offers low cost and fixed legal advice to businesses. To find out more about her work please visit newagelegalsolutions.com.au or contact 02 9615 9635.