
What to Look for in a Debt Collector

Choosing a Debt Collection Service

Your customer has taken you to the end of your tether. They've used all the excuses in the book not to pay you and played for time at every turn. Enough is enough, it's important you get your money, but you have to focus on running the rest of your business too. Time to turn to a debt collector for help, but what should you be looking for?

Can't Pay? We'll Take it Away.

With TV shows featuring large gentlemen intimidating recalcitrant payers into coughing up, the popular image of a debt collector is a barn door in a suit. This may be the kind of approach some businesses are looking for, but if you value your reputation and brand you are likely to be looking for a more professional approach. Continuing to do business with the customer may be important to your business so you have to be smart. Employing a debt recovery company need not destroy a business relationship, in fact bringing in a third party can remove emotional baggage from the negotiation and leave relationships in better shape after the issue has been resolved.

A company that specialises in bailiff work is likely to be have more tattooed knuckles per employee, and might not project the right image for you. A legal firm will probably have a more professional image, but quickly 'going legal' could damage future relationships. A credit control company that specialises in business debt collection can combine a professional approach with a less aggressive initial contact, quickly ramping up the pressure on the debtor to legal action only if the debtor does not respond positively.

Alignment of Interests

Ask yourself how the company you are considering makes its fees. Are their interests aligned with yours?

Many legal firms will send an automated threatening legal letter to your debtor for a very small fee. But why would they do this? Clearly its because they hope the debtor ignores it and you have to end up spending money with them taking the debtor through the courts. It's a simple loss leader for them. The letters have impressive-sounding titles like 'Letter Before Action', but the more it's used (and there are more and more of legal firms offering this service), the more debtors are getting wise to the idea that the letter cost only a few quid and the threat is empty.

Some debt collection companies charge an upfront fee to work on your behalf. But you can avoid these and instead choose a business that backs itself with a fee that is only charged on successful recovery of your debt. Then you know that the company you have chosen has

exactly the same interests as you, namely to bring in the most money in the quickest possible time.

Check also that the debt collection company will give you the option to add late payment interest and their fees to the debt to be collected. You now have a statutory right to charge our debtor for these. If these additional sums are successfully collected, the debtor will in effect be paying the debt collector and you'll be getting the service for nothing.

The Big Stick

It's important to check that the debt collection service you employ has the capability of taking the case all the way to court in the small number of situations that require it. The reason for this is that the debtor needs to know, deep down, that this has become serious and they really need to deal with your outstanding payment rather than someone else's first.

US President Theodore Roosevelt said of foreign policy 'Speak softly and carry a big stick'. If the polite insistence of your debt collection company is backed up with the credible threat of a court action, then you're far more likely to get paid quickly and not need to end up in court at all. Check your debt collector has the ability to take your debtor to small claims court, and perhaps more importantly that their website makes it clear to your debtors that this is the case.

Making the Best

It may be that there are serious financial problems with the debtor company and that you feel that anything you can get out before the train wreck is a bonus. More a case of "can't pay" rather than "won't pay". Where this is the case, it is often best if your debt collector can help you agree a payment plan where the debtor pays you in instalments over a few months, with the aim of getting paid ahead of other creditors. Check your debt collection company will negotiate for you rather than just insisting on full payment immediately and driving you into a costly and ultimately fruitless court case.

Source: mycreditcontrollers.co.uk

About Kollect Systems Sdn. Bhd.

Kollect Systems is a leading technology provider of Revenue & Arrears Collections, Debt Recovery and Agency Management Software Solutions. Kollect provides specific solutions to help its Customers focus on their clients reduce arrears and optimize profits throughout their Revenue and Profitability Lifecycle. As experts in Revenue & Arrears Collections, Debt Recovery and Agency Management, Kollect continuously brings enterprise level scalable software technologies to the doorstep of its Customers. This helps to reduce Arrears Delinquency, Bad Debt and Improve Tracking & Profitability. Kollect, being a MSC status and TUV Quality certified company has its global HQ in Malaysia and leverages on partners for regional presence in ASEAN, Asia South, Middle East and Africa.

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