

## The Overdue Invoice Strategy:

The overdue invoice strategy is designed to make sure your customers pay on time and you are alerted to any problems your customers may have with their cash flow.

Make sure all customers are advised of your terms of trade and do not give credit by default. If a seven day account or payment on completion is advised then follow up to make sure the payment is made when it is due.

Stop credit on any customer who has overdue invoices. This is the terms of trade you have offered your customer and you can put their account on hold. You are not doing the customer any favours by increasing their debt if they cannot pay.

If you make sure you are strong on these initial procedures, then majority of your customers will pay by due date.

- Phone call: 3 days after account due date
  - Don't leave the first call for several weeks. If you use the phone script you may get a date to expect payment.
- Account Reminder: after 7 days of due date
  - If the customer is still delaying send a letter of reminder just to remind them that you are still waiting.
- First Letter of Demand: after 14 days of due date
  - The first letter of demand hopefully will get the payment. You could make another phone call a couple of days before this letter. (Read frequency of contact in the guidelines.)
- Final Letter of Demand: after 21 days of due date
- Notice of Intention to Sue: after 28 days after final letter
- Notice to Issue Summons: after 35 days after last letter
- Instalment Agreement: at any time after due date
  - If you have any indication in your phone calls that a customer has cash flow problems offer a payment plan immediately.

In the past, letters of demand traditionally contained consequences of legal action and what the court might do. Check your local laws as you may not be able to do this. All you may be able to say is what you will do, and that can be to advise your solicitor to commence legal action (or do it yourself). If you send out a letter saying that you will commence legal action if the customer does not pay then you need to be prepared to follow through. If the debt is small you may not want the cost of legal action and it is illegal to threaten an action that you have no intension of carrying out.

For more information regarding the laws download the ACCC Debt Collection Guidelines from the ACCC website.