



Customer Debt Collection Policy

Policy Number: {insert unique number}

Policy Date: {insert date of policy}

For phone and email templates to assist you with your debt recovery process, visit the Business Victoria [manage overdue payments and debt recover page](#).

Purpose of the Policy

This policy provides guidelines for the collection of late payments from customers.

Debt Collection is an essential part of the accounting function and integral to the business's cash flow as required by the Corporations Act 2001 and in compliance with legislative bodies and government.

This policy and procedure provide a framework for applying and managing debt collection.

Procedures

An aging debtor report is to be run once a month. All overdue customer payments are to be noted, and the following procedures are undertaken until the recovery of outstanding amounts.

1. Review the terms of the contract. {to be completed by student}

(Approximate word count 60-70 words)

Review the terms of the agreements regarding payment conditions and debt recovery options. Whether it's an oral agreement or a partially oral/partially written agreement, they hold the same validity as an entirely written contract, given there is evidence of the agreed-upon terms.

If you encounter difficulties understanding the contract terms, consider seeking legal advice for clarification.

2. First Contact {to be completed by student}

(Approximate word count 60-70 words)

Once the payment is 7 days overdue, phone or email the customer. A missed payment could be a general oversight. Remind them that payment is due and has not been received. Ask them when they will be paying and keep a record of the conversation or email. Remember to be friendly; they may have forgotten or paid into the wrong bank account.

Friendly reminder email template (see Appendix)

3. Overdue reminder {to be completed by student}

(Approximate word count 60-70 words)

If they do not respond to the phone call or email within 14 days of the invoice being overdue, try contacting someone else in the business. Let them know who you are trying to contact. This often results in a return response from either the person you were trying to contact or someone else from the business. Make a note of all conversation details on the overdue customer payment record.

Overdue email template (see Appendix)

4. Final notice {to be completed by student}

(Approximate word count 30-40 words)

When a payment is overdue for 30 days, a final notice will be sent by phone or email. A record of this notice must be entered into the overdue customer payment record.

Final notice email template (see Appendix)

5. Direct contact {to be completed by student}

(Approximate word count 50-60 words)

Where there has been no response to the final notice, either visit the customer or phone where previous contact has been by email. The purpose of this step is to secure a date of payment. A record of this notice must be entered into the overdue customer payment record.

Follow up contact script (see Appendix)

6. Formal letter of demand {to be completed by student}

(Approximate word count 30-40 words)

Where payment remains outstanding, and there has been an unsatisfactory response from the customer, a formal letter of demand is sent via registered mail, and a record of this notice is entered into the overdue customer payment record.

Letter of demand template (see Appendix)

7. Debt collection agency: {to be completed by student}

(Approximate word count 20-30 words)

Where the outstanding amount exceeds \$1500.00, and all the above options have been exhausted, a debt collection agency will be appointed to recover the debt.

Write off debt: Customer payments that remain outstanding for 6months are to be written off as bad debts, and no further sales are to be undertaken with that customer without approval from the business owner

APPENDIX

(Approximate word count 600-700 words)

Friendly reminder email template

To: (Insert recipient email -generally accounts payable- here)

CC: (insert other relevant emails (e.g. Business Director or owner) here)

Subject: Invoice Payment Reminder - IMPORTANT

Dear (insert accounts payable name)

Note: it is best if you use their name as it makes it more personal.

This is a friendly reminder that the following invoice is now 7 days overdue:

Invoice Date: (insert date of original invoice)

Invoice No: (insert invoice number)

Invoice Amount: (insert invoice amount)

We understand that oversights happen but would appreciate prompt payment of this amount. Could you please let me know when I can expect payment? If payment has already been made please disregard this email.

Thanks in advance for your cooperation.

Best regards,

(Insert Name)

(insert position title)

Larry's Landscapes Pty Ltd

Overdue email template

To: (insert recipient email here - generally accounts payable)

CC: (insert other relevant emails e.g. Business Director or owner)

Subject: Overdue Invoice Reminder – URGENT ACTION REQUIRED

Dear (insert accounts payable name here)

Note: it is best if you use their name as it makes it more personal.

We regret to advise that the following invoice is now 14 days overdue:

Invoice Date: (insert date of original invoice here)

Invoice No: (insert invoice number here)

Invoice Amount: (insert invoice amount here)

We require immediate payment of this amount to avoid further action. Could you please let me know when we can expect payment?

If payment has already been made please disregard this email.

Thanks in advance for your understanding and cooperation.

Best regards

(insert Name)

(insert position title)

Larry's Landscapes Pty Ltd

Final notice email template

To: (insert recipient email here - generally accounts payable)

CC: (insert other relevant emails here e.g. Business Director or owner)

Subject: FINAL NOTICE Overdue Invoice – URGENT ACTION REQUIRED

Dear (insert accounts payable name)

Note: it is best if you use their name as it makes it more personal.

We have tried contacting you on numerous occasions regarding the following unpaid invoice which is now over 30 days overdue:

Invoice Date: (insert date of original invoice here)

Invoice No: (insert invoice number here)

Invoice Amount: (insert invoice amount here)

This matter has now reached a critical point and we require immediate payment of this amount to avoid further action. Please contact me immediately to advise when we can expect payment of this outstanding amount.

If payment has already been made please disregard this email.

Thanks in advance for your understanding and cooperation.

Best regards

(Insert Name)

(insert position title)

Larry's Landscapes Pty Ltd

Follow up contact script

To: (insert recipient email here - generally accounts payable)

CC: (insert other relevant emails here e.g. Business Director or owner)

Subject: FINAL NOTICE Overdue Invoice – URGENT ACTION REQUIRED

Dear (insert accounts payable name)

Note: it is best if you use their name as it makes it more personal.

We have tried contacting you on numerous occasions regarding the following unpaid invoice which is now over 30 days overdue:

Invoice Date: (insert date of original invoice here)

Invoice No: (insert invoice number here)

Invoice Amount: (insert invoice amount here)

This matter has now reached a critical point and we require immediate payment of this amount to avoid further action. Please contact me immediately to advise when we can expect payment of this outstanding amount.

If payment has already been made please disregard this email.

Thanks in advance for your understanding and cooperation.

Best regards

(Insert Name)

(insert position title)

Larry's Landscapes Pty Ltd

Letter of demand template

(Insert Name here)

(Insert address line 1 here)

(Insert address line 2 here)

Dear (insert payers name here),

Re: Letter of Demand for unpaid invoice

Invoice Date: (insert date of original invoice here)

Invoice No: (insert invoice number here)

Invoice Amount: (insert invoice amount here)

As you are aware the above invoice remains unpaid by you. Despite numerous reminder emails and telephone calls requesting payment of this account, the debt remains owing.

Accordingly, we advise that if payment in the sum of (insert invoice amount here) is not received by this office within seven days of the date of this letter, we will instruct our solicitor to issue proceedings against you, to recover the unpaid debt together with our legal costs.

Yours sincerely

(insert name)

(insert position title)

Larry's Landscapes Pty Ltd