Debt Collection Policy

Principles and Processes

7/21/2022

A C Commercials Ltd

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**Debt Collection Policy**

Version control

Title: Debt Collection Policy

Purpose: To provide a debt collection policy that maximises the income available to the business but is not so prescriptive that it does not allow for arrangements to be made on terms that are fair to those having payment difficulties.

Owner: Andrew Williams (Director)

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Review

Frequency: 2 years

Next Review

Date: 2024

Consultation: Directors & Office Manager

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**1. Introduction**

1.1. The document sets out A C Commercials Ltd ( the company) approach to debt management arrangements.

1.2. Monies owed to this company are by customers who have used the services of the company and have received a VAT Tax Invoice. The company needs to maximise its income to enable it to pay its suppliers and continue to provide the service to all its customers. The company understands that sometimes customers find themselves experiencing financial difficulties and it is important that recovery procedures reflect an understanding of this and are flexible enough to enable the company to respond sensitively.

1.3. Our debt recovery must be fair and transparent. It must also be applied consistently. The full range of collection and recovery methods will be used, as appropriate, if debts are not paid. All personal information will be fairly and lawfully used and in accordance with relevant legislation including Data protection and Human Rights.

1.4. Customers will be given every opportunity to pay any sums due. The company will make every effort to contact customers at an early stage in order to prevent debts increasing and to encourage discussion about payment, and any possible issues which may prevent payment. If our customers cannot see a positive approach to the collection of debt, they may give repayment low priority and this can lead to a downward spiral where late and non-payment becomes normal. This can lead to cash-flow problems for the company. In addition, unless a payment culture is established, there is a risk that the level of debt will increase leading to sums which cannot be collected and/or which it is uneconomical to pursue, and this income will be lost. This is unfair to all those customers who do pay their bills on time.

1.5. Our Aims:

* To recognise that customers have a responsibility to pay, and that debts must be met,
* To maximise income for the company
* To be firm but fair
* To be consistent
* To be efficient but also sensitive to the customer
* To contact debtors about non-payment at an early stage
* To offer different payment options/methods
* To recognise the difference between priority and non-priority debts

**2. Common Principles**

2.1. All customers will receive a Tax Invoice stating the amount owed and why, with a detailed description of the service that has been provided. The Invoice will be sent by email as a first choice however, if the customer does not have an email address the invoice will be sent to the customer. The invoice will include:

* Amount Payable
* Unique Invoice Number
* Registration number of vehicle
* Date of invoice with a date the amount owed is due
* How to pay
* A contact number and email address for queries and also for discussing payment arrangements.

2.2. The Company will ensure that:

* Each customer is informed of the debt collection policy so they know what to expect
* Publish the policy on the website

2.3. The company will attempt at all times to use the most appropriate and effective method of debt recovery in order to maximise income.

2.4. The company recognises that prompt recovery action is key when managing its debt and maximising income. The company therefore aims to:

* Regularly monitor the level and age of debt
* Have clear written recovery procedures
* Regularly review irrecoverable debts for write off.
* A debt will be considered by the company, and if considered a priority will take the strongest legal action against an individual or company who does not pay. The size of the debt will not be the issue.

**3. Principle of Enforcement**

3.1. The company is fully committed to ensuring that its actions will be proportional, consistent and transparent. Additionally our intention will be to be firm and fair and our manner will be courteous.

**4. Write Offs**

4.1. All debts will be subject to the full recovery, collection and legal procedures relative to the type of debt and the company will follow the published procedures.

4.2. The company will make provision for bad debts. The company will decide when a debt is irrecoverable and when this has been decided prompt write off action of the debt is good practice.

4.3. Circumstances where a debt may be irrecoverable: (not exhaustive)

* Unable to trace the debtor
* The debt is not cost-effective to pursue due to the likelihood of payment balanced against the cost of proceedings
* The customer has died and there are no or insufficient funds in the personal or companies estate to settle the debt
* The debtor is subject to formal insolvency proceedings and there is little likelihood of a dividend.

**5. Debt Recovery Process**

1. The customer will promptly be invoiced for the work and will give clear instructions on when monies are due and how to pay.
2. The accounting system has an invoice reminder facility which will be utilised to remind customers of the monies owed and when.
3. At the end of each calendar month a statement of invoices outstanding will be sent to each customer, requesting payment of those invoices that are overdue.
4. If 1-3 do not result in payment then a direct email will be sent to the customer from the office manager requesting that the account is brought up to date. The opportunity will be given to discuss the payment and any barriers preventing payment.
5. If no payment or contact is made then the next step will be for a telephone call to be made, by the office manager, to speak to the appropriate person to instigate payment. If no response a voicemail will be left and two further attempts at contact will be made.
6. Credit hold - will be applied and will be notified to the customer. This will give a clear deadline for payment to be made, and if payment is not forthcoming then work for the customer will be stopped until their debt is paid. (this action will be authorised by the director)
7. Final Notice- This will be a letter before legal proceedings. It will highlight to the customer the deadline for payment before pursuing legal action against the customer to claim the money they owe. This is a last resort action and if this doesn't result in payment then the options will be either:

* Debt Collection - an agency will be instructed to liaise on the company's behalf to enforce either a court order or collect the monies owed. Or if the customer can't pay then they can take insolvency proceedings and recover assets via baliffs, or
* Small Claims Court - to apply for an order to pay monies owed and the costs for taking legal action.

**8**. **Review Dates**

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| **No** | **Date Completed** | **Version** |
| 1 | July 2022 | 1.c |
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