



# LATE PAYMENT AND COLLECTION LETTER PACKET

**Included:**

Overview

Dos and Don'ts Checklist

Five Late Payment Sample Letters

## 1. Overview

You've started a business, created a marketable product, and attracted customers – the rest is easy, right? Unfortunately, one of the most difficult and time-consuming activities for a new business owner may lie ahead. In a word: collections.

Although a customer has purchased your product, the transaction isn't complete until the money is in your hands. Customers fail to make payments for any number of reasons: they forgot, lost their job, were dissatisfied with the product, could not raise the money, or just didn't want to pay. Whatever their reason, the business owner must determine how to make sure these customers make their promised payments.

Some believe that this best approach for collecting late payments is aggressive, dogged, threatening correspondence. Although this method does have its place, in many circumstances it will further alienate you from your customer, erase the possibility of future business, and perhaps make personal the payment tug-of-war. A better strategy is to weigh your options carefully, prepare well thought-out communications, keep accurate records, and be flexible.

The letters included in this packet are constructed to help you get what is rightfully yours. They range from polite to tough, from amicable to threatening. In the end, you know your business and your customers better than anyone else: you may want to alter the correspondence to best suit your business needs.

## 2. Dos & Don'ts Checklist

- ☐ Keep an invoice log to track outgoing invoices and incoming payments. Poor recordkeeping could cost your company thousands of dollars.
- ☐ Establish a system for processing payments and tracking invoices. Designate one employee to record all of the company's transactions, even if duplicate records are kept in another department or with a second employee.
- ☐ Review your invoicing and accounting regularly. Errors caught early are easier to correct.
- ☐ If a customer's payment is not received by the due date, send a written notice of this overdue amount immediately. A delay in notification only delays the eventual payment.
- ☐ All of your correspondence with customers (including late payment notices) should be kept in an organized and accessible file. If a dispute does occur, this will be useful in supporting your case.
- ☐ Include specific instructions and contact information. The easier it is for your customer to contact you, the more likely it is that you will get paid.
- ☐ Generally, it is best to send a polite notice of reminder first, because chances are your customer simply forgot to pay. A nasty notice may get you paid, but you can kiss any return business goodbye.

- ☐ Using language like “Payable Upon Receipt” or “Due 5 Days After Receipt” can be problematic, because you will not know when the notice was received. It is better to include a due date, or to state the payment is “Due Upon Receipt.”
- ☐ If your customer is having difficulty with the current payment plan, be flexible and work with the customer to create one that you can both live with. It’s faster and easier than contacting a collection agency or filing a lawsuit.
- ☐ If a customer just won’t pay, don’t be afraid to contact a collection agency or lawyer. Collection agencies may work for a fee or may take a percentage of the recovered money.

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## Form Sample

### SAMPLE 1 Demand for Payment – First Notice

[Your Street Address]

[City, State and Zip]

[Insert Date]

[Recipient's Name]

[Recipient's Company, if applicable]

[Recipient's Address]

[Recipient's City, State and Zip]

**RE: Past Due Payment for Account [Insert account #]**

Dear \_\_\_\_\_

We appreciate your business. However, it has recently come to our attention that your account is in arrears in the amount of \$ \_\_\_\_\_. This payment was originally due on \_\_\_\_\_, 20\_\_\_\_. Please remit payment by \_\_\_\_\_, 20\_\_\_\_ so as to avoid any late fees.

If you have any questions regarding this letter or your account, please contact us at \_\_\_\_\_. If you are not the intended recipient, please disregard this notice.