

## When to Place an Account for Collection

A frequently asked question is this: When should I place an account with a third party for collection? The answer is that when you do so it should not be based only on how many days past due the account has become. I think it is unwise to impose artificial deadlines such as this: "Any customer more than 150 days past due must automatically be placed for collection." I encourage creditor companies to adopt a policy that allows them to exercise their good judgment - which after all is part of what credit professionals are paid to do.

In general, an account should be placed with a third party for collection when the credit department feels that it is no longer making adequate progress in its collection efforts. Serious consideration should be given to immediate placement with a third party collection agency exist alone, and especially if they exist in combination:

- A customer has bounced checks to you or other vendors;
- The customer refuses to replace the bounced check;
- The creditor company is no longer making progress toward clearing the unpaid balance;
- If the customer will not take your calls;
- The customer will not return your calls;
- The account is 90 days or more past due;
- Federal or state tax liens have recently been placed on the debtor company;
- There is significant employee turnover in the company, especially among senior employees;
- The customer has broken two or more commitments to pay the past due balance;
- The customer promises to pay one amount, but pays significantly less;
- The debtor refuses to acknowledge the balance that is owed in writing;
- The customer proposes a payment plan, but refuses to sign a Promissory Note documenting that payment plan;
- The debtor is considering filing for bankruptcy protection;
- The debtor company is in violation of one or more of its bank loan covenants;
- The delinquent customer cannot pay until arrangements with a new bank are settled;
- The bank has frozen the customer's account;
- The debtor issues a check that is drawn on a closed account;
- The company was recently sold;
- There was a recent bulk sale of assets made by the debtor;
- The customer has proposed an extended payment plan to trade creditors and presented it as the only alternative to a bankruptcy filing;
- A customer asks you to speak with their "work-out" specialist;
- When you threaten to place the customer for collection, and they seem unconcerned;





## WISCONSIN CREDIT ASSOCIATION

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- The customer's phone is disconnected;
- Your mail to the debtor is being returned as undeliverable;
- When there has been a recent ownership change, and the new owner claims not to be responsible for the debts of the former owner(s);
- If you cannot reach a decision maker to discuss the past due balance;
- You cannot get a reasonable commitment for payment;
- You cannot get the debtor to make any payment commitment;
- You learn the customer is being sued by other trade creditors;
- The account has been placed for collection by other trade creditors;
- The business is for sale, and you are offered payment only if and when the sale is finalized and funded;
- Other trade creditors that once sold the customer on open-account terms now sell on COD terms;
- There is significant deterioration in payments to creditors;
- The debtor company does not respond to a final demand for payment.

Everyone knows the collectability drops off dramatically as an account ages out. At six months past due, the possibility of collection is low. At nine months past due, the possibility of collection is remote. At a year past due, collection is quite unlikely. The obvious answer for the creditor wondering when to place an account for collection is that sooner is better than later. Unlike good wine, delinquencies do not improve with age.

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**Flat  
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20%\***

### YEAR END CLEAN UP!

It is clear that the more of the conditions listed above apply to a delinquent customer, the more important it is to place an account for collection sooner rather than later. With this in mind, WCA would like to offer its members a 20% flat rate for any business/commercial claims. You must mention promo code **CLEANUP2017** in order to receive this offer. Please enter the promo code on your placement claim form or if using our [website](#) please mention promo code under comments.

**Offer Dates: Claims placed between November 15 - December 31st**

**\* Reverts to Regular fees if forwarded to an attorney**

**\* Applies to domestic claims only**

**Sincerely yours,**

The Business Credit Management Association Wisconsin is looking out for YOU!, serving all business creditors, one member at a time.