



# DEBT COLLECTION POLICY AND PROCEDURE ASSESSOR GUIDE



## Debt Collection Policy and Procedure

### PURPOSE AND SCOPE

1. The purpose of the policy and procedure is to collect outstanding debts from customers as they are due
2. Debt Collection is an important part of the accounting function and integral to the cashflow of the business as required by the *Corporations Act 2001* and in compliance with legislative bodies and government.
3. This policy and procedure provide a framework for the application and management of debt collection.

### Terminology

For the purposes of this policy and procedure, the following terms apply:

ATO: Australian Taxation Office  
ASIC: Australian Securities and Investment Commission  
Corporations Act 2001  
ACCC: Australian Competition and Consumer Commission

### Procedure

The steps provided are to be followed to recovering overdue payments from customers:

#### 1) Review the terms of your contract *(section to be completed by student)*

Check the terms of your contract for the payment conditions and debt recovery options.

If you have an oral agreement or part oral/part written agreement, these are just as valid as a written contract – if there is proof of what was agreed.

Consider getting some legal advice if you're having problems understanding the contract terms.

#### 2) Send a reminder *(section to be completed by student)*

A missed payment could just be a general oversight. Get in touch with your customer by phone, email, letter or in person to:

- give them a reminder
- discuss a payment date
- negotiate a payment schedule.

#### 3) Send a letter of demand *(section to be completed by student)*

If your customer doesn't respond to your reminders, send a letter of demand, or ask a legal professional to draft one for you.



Be aware that you have legal and consumer law obligations when contacting other businesses about debt.

#### **4) Get help with dispute resolution *(section to be completed by student)***

If other methods haven't worked you may need to get help to resolve the issue.

- The Australian Small Business and Family Enterprise Ombudsman website provides:
  - a Dispute Support- external site online tool to find low cost dispute resolution services in your area
  - five steps to resolve your dispute- external site
  - an Assistance Team- external site to help you through your dispute process.
- Mediation is a common form of dispute resolution where you and your customer work with a mediator to reach an agreement. You can find a nationally accredited mediator- external site on the Mediator Standards Board website.
- For consumers and small businesses dispute resolution for financial complaints, go to the Australian Financial Complaints Authority (AFCA)- external site website.
- If you're still unable to reach an agreement, lodge a complaint through your state or territory's Fair Trading agency. They can act as an informal negotiator.

#### **5) Use a debt collection agency *(section to be completed by student)***

If you can't recover the debt after friendly reminders, informal negotiations and a letter of demand, you might decide to engage a debt collection service.

#### **6) Take legal action *(section to be completed by student)***

If nothing else has worked, you might want to take legal action. Depending on the amount of money involved, you can either get legal advice or lodge a claim with a small claims tribunal.

#### **7) Timeframes *(section to be completed by student)***

It is essential to have clear and reasonable timeframes communicated to clients from the first engagement, throughout the debt collection process:

- invoices must be paid within 14 days
- a friendly reminder should be sent 3 days after the payment of an invoice is overdue
- overdue payment reminder email with the invoice should be sent once the invoice is 14 days overdue
- overdue final notice should be sent once the invoice is 30 days overdue



#### **APPENDIX *(section to be completed by student)***

This appendix contains useful links to be used throughout the debt collection process, including:

- [Understand contracts](#)
- [Business Victoria](#) has a number of handy templates that can help you send
  - a friendly reminder email
  - an overdue payment second reminder email
  - a final notice email.
- [Australian Competition & Consumer Commission \(ACCC\) website](#)
- [The Australian Small Business and Family Enterprise Ombudsman website](#)
- [Mediator Standards Board website](#)
- [Australian Financial Complaints Authority \(AFCA\)](#)
- [Fair Trading Agency](#)
- [Debt collection services](#)
- [Small claims tribunal](#)