



Money for Nothing? Or, Something Instead of Nothing.

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Before commencing potentially costly court proceedings, there are a number of debt recovery options which should be canvassed by a wise creditor. One such option is that of a payment plan, or payment arrangement.

The benefits of a payment plan include;

1. Regular payments from the debtor assisting with cashflow;
2. Debtors are more likely to be able to repay a debt when it is broken down into smaller repayments;
3. Potentially keeping relationships with valued customers;
4. Opens up a channel of communication with the debtor;
5. Avoiding disputes over the amounts owing.

A payment plan can take the form of an informal arrangement, or even just simply letting the debtor pay the debt off in smaller amounts without objecting or suing for the balance. On the other hand the terms may be set out in a formal deed. There are advantages and disadvantages to both approaches, and much will depend upon which of the benefits set out above are most attractive to the creditor.

A more formal arrangement can provide for easier enforcement, and can obtain significant



concessions from the debtor. It can also set out procedures to be followed, and amounts to be paid, which may be missing or unclear from the creditor's terms and conditions. A number of these advantages can be obtained with a carefully worded letter or email exchange and need not involve the costs of a formal deed. It is here that a good lawyer can add value, either up front or assisting with critical wording 'behind the scenes'.

One obvious disadvantage of a payment plan is that the Creditor will not receive the full amount of their debt in a lump sum. Therefore, depending on the quantum of the debt and the agreed repayments, it can take some time for the outstanding debt to be repaid in full.

However, given the expenses associated with pursuing a debt through the courts, negotiating a payment plan with a debtor can result in large savings. Additionally, as a win in court does not guarantee that the monies will be repaid, a payment plan can recover a portion of any debt and save any money that will be effectively 'thrown away' in pursuing a dead end debt.

There are many different types and styles of payment plans. These will not always be the best option for all creditors, but should be an option that is considered as part of a complete debt collection armoury.

At Matthews Folbigg Lawyers, our Debt Recovery team can advise you on how to ensure that a payment plan will work best for you, including steps to secure and monitor payments.

If you would like more information or advice on this area, please contact a Principal of Matthews Folbigg Insolvency, Restructuring & Debt Recovery Team:

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