Recovering money from the right debtor

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One of the biggest mistakes companies or individuals make when attempting to recover a debt is going after the wrong debtor. Although a credit application has been completed in its entirety that does not mean the credit application is enforceable or even contains the correct information in order to recover a debt from a customer.

To ensure that you are seeking payment from the correct customer, debt collection processes should be put in place to protect your entity from providing goods to customers who will inevitably default in payment and be unable to recover payment for such goods.

It is important to firstly ensure that the name of the customer entered on the credit application is correct and complete. For example, if the customer is a company – it is important to cross-reference the details submitted by the company with ASIC records, be sure to check the registered address, directors details, whether the company remains registered, and other relevant information that will assist in conducting a review of the customer's ability to comply with a credit agreement. For an individual, it would be beneficial at all times to have a copy of the individual's driver's license, or copies of other identification. It is important to also review the ABN information for the business the individual or company is trading under to ensure the ABN remains currently registered and confirm the related individual or company to the business name.

If a credit application is filled in correctly but invoices are produced to an incorrect name, this may make it impossible to recover the debt until new invoices are issued. This will mean that the new invoices become due and payable from the date of reissue and therefore allow a customer an extension of time to pay such debt.

It is vital that when reviewing your debt collection processes, measures are put in place to ensure that:

- credit applications are filled in correctly;
- customer details of a credit application are cross-referenced; and
- invoices are addressed to the correct entity/individual for debt collection to occur, if necessary.

Other processes, such as regularly reviewing your terms and conditions, should be made part of your debt collection procedures.

Should you require any assistance reviewing your current credit applications, terms and conditions or debt collection processes, please contact our office.on to insolvency, restructuring

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