

CAN YOUR COMPANY COLLECT ITS INVOICES?

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You have successfully launched a new business securing enough market share that you are poised to edge out your competition. You've managed to keep costs and expenses down while not sacrificing quality. Your sales and anticipated revenue reflect all your hard efforts. So why does your company have a negative cash flow.

Too often businesses overlook a key factor to success—getting your customers to pay you! It seems like a simple task, produce an invoice for the services or goods supplied by your company, send it to the customer with instructions to pay in ten, fifteen or thirty days, and wait for the customer to send in payment as agreed. But time will show that many customers will fail to pay you no matter what they promised or how pleased they are with your products or services. Being prepared with knowledge of collection tools and tactics available to you is key to collecting past due accounts.

Florida law provides many ways for a business to collect money it is owed for services rendered or goods supplied. A business should begin by having the proper language in its invoices or contracts encouraging customers to pay on time by charging late fees, interest on overdue balances, and a provision holding the non-paying customer responsible for all costs of collection, including attorneys' fees. Depending on the type of product you provide, you might also consider having a clause where you retain an interest in the goods supplied as collateral to secure payment. Next, a business should closely watch its aging receivables account and consistently follow up on the unpaid accounts. If no payment arrangements are made and you do not receive responses to your demands, its time to enforce your rights in court. Experience has shown that the longer an account is in arrears the less likely you are to get paid.

While it is always best to get agreements or customer orders in writing with clear terms and payment arrangements, a business that fails to do so still has legal recourse against a non-paying customer, including actions for Account Stated and Open Account. Such actions are collection tools that can be used in commercial transactions that typically refer to an unsettled debt arising from items of labor, goods sold and other open transactions that have not been reduced to writing and usually with the sole record of the transaction being the account books of the business. Businesses also have recourse for the customer who submits worthless checks. Did you know that if a person fails to make payment within 30 days of being notified that their check has been dishonored, you can recover treble (or triple) the amount of the face value of the check?

Good record keeping is another factor to successfully collect money owed to your business. First and foremost, you need to know who to sue. Having the exact legal name of a customer on your agreement or invoice is particularly important, especially since many businesses operate under fictitious names or have multiple entities with similar names. Make sure you constantly update your customer contact information always having full and valid addresses. Open a file for each customer account keeping track of every communication whether written or verbal. You should also make it a practice to get customers to sign off that they are satisfied with the services or goods provided, as claiming otherwise is a common defense tactic among debtors. Finally, be sure to apply payments and credits in a logical and consistent manner. Poor records or accounting can turn an otherwise valid claim into a losing dispute. Knowing when to act and what is involved in collecting money owed to your business is crucial to ensuring a successful future.

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