

North Carolina Law Life

Got Paid? Eight Steps to Achieve Better Collections

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In these slow economic times, it is especially important to manage cash flow. Here are some tips for implementing precautionary measures before taking on new customers and pursuing outstanding invoices.

An ounce of prevention:

1. Have an attorney prepare your terms and conditions to maximize the enforceability of your contract, and to provide for collection interest, collection costs and attorneys fees.
2. Vet the customer thoroughly before you extend credit. Ask for trade references and do a credit check.
3. Familiarize yourself with the [Fair Debt Collection Practices Act](#) to know what you can and can't do to collect the debt.
4. Require prepayment or partial payment from a new customer.

A pound of cure:

1. Call promptly after the first payment deadline is missed as a reminder and to make sure there was no problem with your goods or services. The longer you wait the harder it is to collect.
2. Follow up with a formal demand letter after another month. Give a firm deadline before further action will be taken and state what that action is.
3. Work out a payment plan if necessary. A small monthly payment or a reduced lump-sum payment may be better than nothing.
4. Know the North Carolina collection [laws](#) if a lawsuit becomes necessary. But your goal is to prevent filing a lawsuit in the first place.

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