

Business owners should always remember that...

“A SALE IS A GIFT UNTIL IT IS PAID FOR”



The Canadian Printing Industries Association (CPIA) is always seeking benefits in which to enhance the success of their members. Particularly in today's economy, credit protection is crucial to the success of your business. CPIA recently spoke with Dan Tocchet of Canada Legal Referral, one of CPIA's membership partners, regarding the steps required for a responsible credit protection strategy. We would like to share his valuable insight with our readers.

The printing industry is very competitive and sales are important to the growth of any business. However, **A SALE IS A GIFT UNTIL IT IS PAID FOR**. So when taking on new accounts, it is important to first request a CREDIT REPORT (\$10) to see if the potential customer is credit worthy. From there, the next step is for the customer to fill out a credit application. Depending on the size of the order, you should confirm that the information on the credit application is truthful and accurate. CREDIT REPORTS are very inexpensive and can prevent potential bad debt.

To best illustrate this, here is a true story that is one of the many examples I have come across in my 15 years in Credit & Collections. As a senior executive with a CREDIT REPORTING/3RD PARTY COLLECTION AGENCY, our main focus is ensuring our clients will be compensated when taking on new accounts, making sure they continue to receive payments, and assist in collecting should they not get paid.

I did not want to disclose the real business names, so I will use a fictitious name for the purpose of this story. ABC Company is a small business who specializes in Print Finishing. They were approached by a potential customer (DEF Printer Inc) in early 2012 about doing some bindery work. The first order was for \$5,000 and DEF Printer Inc paid by credit card. Three more job orders were placed over the next couple of months, which were also paid by credit card. The owner of DEF Printer Inc was now requesting credit terms of net 30. ABC Company agreed with extending credit and set a limit of \$25,000.

Shortly after getting credit approval, DEF Printer Inc apparently landed orders from a Fortune 500 company. Several larger orders were placed over a six week period totalling close to \$75,000, even though the credit limit was \$25,000. DEF Printer Inc had requested 75 day terms since they gave the Fortune 500 Company 60 day terms to win the job. ABC Company ensured that the Fortune 500 Company was very solid and there would be no problems getting paid.

The first invoice that came due was for \$15,890. Several phone calls and visits were made to DEF Printer Inc who continued to make promises to pay. Subsequent invoices became due over a two month period until \$75,000 was outstanding. The owner of DEF Printer Inc was refusing to pay and invited ABC Company to proceed with legal action. ABC Company hired a lawyer to issue the claim shortly after. Fast forward 6 months later. ABC Company had a default judgement but could not collect on that plus had over \$5,000 in legal bills from the lawyer who issued the claim.

ABC Company reached out to me in hopes we could assist them in collecting on that judgement. I immediately did a derogatory search on DEF Printer Inc only to find out that there had been 26 legal claims and 16 collection claims filed against DEF Printer Inc over the past 3 years. Also, a current bank report showed that DEF Printer Inc.'s line of credit with the bank was 100% utilized. I was not looking forward to showing the owner of ABC Company the CREDIT REPORT on DEF Printer that contained this information because obviously that would have prevented the \$75,000 bad debt.

After 15 years in this business, I still find it hard to tell business owners, especially small business owners, that sometimes it is too late do anything when an account goes delinquent on them. It is harder to tell them that if they had simply done a CREDIT REPORT on a potential customer that they could have prevented that bad debt.



As much as I try to become numb to these types of situations, it always affects me to the point that our company now offers a service called ACCOUNT MONITORING where we will monitor accounts and warn our clients of derogatory information filed against their customers. ACCOUNT MONITORING is one of the many benefits CPIA is offering to the membership via Canada Legal Referral. The service will notify CPIA members via email should any of their existing accounts have a negative occurrence which can consist of a legal claim and/or collection claim.

It is also important that once an account becomes delinquent you forward the account to a 3rd party collection agency. Gone are the days of strong-arm tactics and four letter barrages for today's gentler collection process. Canada Legal Referral's collectors operate on the premise that listening carefully and allowing the customer to speak will lead the way to a solution. Here are the stages of collections.

1. PRE COLLECTION STAGE

"Legal final demand letters" are designed to give your customer a high impact impression, one which clearly defines your intentions. When used early in the collection process, the demand for payment will result in compensation, identify a problem or facilitate a satisfactory reimbursement arrangement. Canada Legal Referral does not charge a commission should payment be received at this stage.

2. 3rd PARTY COLLECTIONS

Communication in this stage of the collection process is critical. A quick evaluation is important to determine if the customer has the capacity to pay or if they have no intentions in paying. Being able to have multiple avenues to contact an individual with the authority to settle the debt is crucial. Canada Legal Referral does not charge any upfront fees and you pay a small fee only if the agency collects.

3. SMALL CLAIMS COURT PROCEEDING

At this time, Canada Legal Referral will do an “asset determination” into the prospect of filing a claim. Small Claims Court is designed to give companies a simple and inexpensive way to settle disputes or issue garnishments against bank accounts.

Even if no payment is received after implementing all three stages, at least we will have the information reported to the different credit bureaus to add to their files concerning that customer’s credit rating. Major suppliers and banks access CREDIT REPORTS when they are granting credit to potential customers. Any account that does not pay you that gets reported can be refused credit based on that information.

The laws make it easy for debtors to get away in not paying their bills. It may be clear that the debtor owes you money but you cannot rely on law enforcement agencies like the police to get involved. Canada Legal Referral is passionate in making it harder for debtors to not pay their bills. However, it is up to creditors to utilize the services that are available to them without compromising on increasing sales. As I mentioned above, until a sale is paid for, it really is only a GIFT.

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