

## **DEBT COLLECTION**

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There is nothing more frustrating than when someone owes you money and you have to spend money to chase them! But debt collection is an everyday reality for most businesses. The key to recovering debts cost effectively is to know when to stop. You need to ask: does this person/company have any assets I can be paid out of? If the answer is no, think carefully about how much money it is worth spending pursuing them.

### **Demand letter**

The first step your lawyer is likely to take is sending a demand letter to the debtor requiring them to pay up within a certain time (often seven days) or suffer the legal consequences. A demand letter will not usually be costly and can sometimes get results with slow payers.

### **Liquidation and bankruptcy**

If the debtor is a company or a person with substantial assets who is not paying their debts, you may be able to apply to liquidate (a company) or bankrupt (a person). The ultimate aim is to have an independent person appointed to gather in the person/company's assets and pay the creditors. Whether and how much you are paid will depend on the value of the assets.

### **Judgments and enforcement**

In some situations it will be best to get a judgment against the debtor in the High Court or District Court. Once you have a judgment against the debtor there are various court processes that can be used to identify the assets of the debtor and recover your debt.