

# When to Quit Working Troubled Accounts

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*(This is a free series of monthly tip sheets on commercial credit and collection management based on our leading national Corporate Education & Training program.)*

Collecting receivables should be compared with selling. A collector must qualify the prospect (debtor), acknowledge resistance, keep records, and close the deal.

It's important to qualify each debtor because the collector can't justify spending equal time on each account. The collector makes judgments about how much time to spend by considering the size of the account in dollars, age of the account, previous payment history, existing credit information, and amount of *other* accounts to be worked.

In addition to these factors, the final decision on when to quit working troubled accounts should be made when the customer becomes a debtor. On the second page of this article, the lines are drawn and both sides are clearly defined based on responses to payment demand.

For example, if a customer breaks one payment promise or bounces a check, the account continues to be worked in-house. If the customer slams the phone down or doesn't return three calls in a row, it's a debtor and should be assigned to a third party or even written off.

This system is the best way to decide when to quit working troubled accounts. Consider a company's policy to work accounts over \$1,000 for four months then turn them over to a collection agency. What if one account proves to be a complete skip one month after invoicing? The account is clearly a debtor and needs to be turned over to an agency right away, not in three months. Nothing is gained by holding it. In fact, a great deal is lost by waiting. Particularly with skips, the trail gets cold very fast.

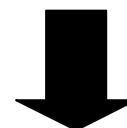
Why not print this list out and put it by the phone of anyone in your company who does collecting?

About the author: Ben Ricci develops innovative strategies for businesses to improve working capital and operating cash flow. He is founder and CEO of Stevens & Ricci, Inc., a credit management and debt recovery firm. Tips excerpted from "World Class Credit Management – The experts guide to credit management and debt collection", an exciting new program exclusively for credit and collection professionals. Find out more >> [Online Brochure](#) or call Toll Free: 888-722-1611

To ensure email delivery, add [bricci@stevensricci.com](mailto:bricci@stevensricci.com) to your email address book or list of Safe Senders. Also, please forward this email to anyone who wants to collect more money, sooner, at less cost and without losing valued customers.

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## See Chart Below



## WHEN A CUSTOMER BECOMES A DEBTOR

### Customer

- Paid in full
- Regular payments
- One broken promise
- Key customer – slow pay
- Pay when paid situation
- Friend of boss accounts
- Semi-valid disputes
- Nsf check first time

### Debtor

- Slammed phone down
- Profanity
- Nsf check second time
- Second broken promise
- Didn't return call 3 times
- Spent insurance and refuses to pay
- Complete skip
- Credit criminals