

COLLECT YOUR DEBTS – PART 1

By Kurt Obermaier – Executive Director, Credit Services Association

Despite the major steps taken by the Collections industry to promote its services over the last few years, both in the private and the public sector, there is still a mindset amongst some businessmen and women that using a third-party Debt Collection Agency (DCA) is acknowledging a failure on their part to recover monies owed. They worry that employing a third-party will somehow mean they will lose control of their customer and their reputation. And they worry also that the cost of recovery might be too high. It is a mindset that has to change, because nothing could be further from the truth.

When considering the use of a Debt Collection Agency, first make sure that they are members of the Credit Services Association. Then you can be sure that you will remain in control, and not put your reputation at risk. Members of the CSA adhere to a strict Code of Conduct. There are specific procedures and rules that these members follow with teams dedicated to a specific task – and that is recovering debt.

CSA members are professionals. Their business, their training, and their ambition is all about achieving results for their customers. It is their focus, and not a bolt-on service to other services that they may undertake. Their methodology is one of engaging the debtor, not confronting them. It is this collaborative approach that reaps better results, and maintains the creditor/debtor relationship for the future.

Unlike practically any other industry, DCAs are only paid on results. Whilst certain legal firms, for example, may operate a 'no win no fee' service in specific cases, in the debt collection industry, no win no fee is pretty much accepted as the industry standard. As a business therefore, you have quite literally nothing to lose and everything to gain.

There is another point worth considering. Debtors expect to be chased by the creditor. One business phoning another for payment of an overdue account, or sending one statement after the other is part and parcel of business life. Human nature being what it is, however, they respond much quicker once a third party becomes involved. Somehow the debt then is seen as being much more 'serious', and the requirement to pay more 'urgent'.

Far from indicating 'failure', the market for debt collection has grown so much because businesses are increasingly recognising how DCAs should be utilised as an integral part of their credit management strategy.