Flexibility is the key when dealing with delinquent accounts

Despite increase in default cases, businesses can boost cash flow through collections efforts if willing to work out payment plans with clients

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It's no secret many companies large and small have seen a marked increase in the number of customers with past-due accounts, therefore affecting the cash flow at the businesses. And things are expected to get worse in the coming months as laid-off, public-sector employees face financial difficulties.

These days, traditional collection efforts such as the “notice of late payment” letter are simply not enough to get delinquent customers to stay current with their payment obligations, according to Atty. José Rafael del Valle Rodríguez.

“The good thing is, although those who are delinquent couldn't be worse off financially, most of them have a great desire to pay because they want to be responsible and remain in good credit standing,” Del Valle told CARIBBEAN BUSINESS. “It's a matter of setting up a reasonable payment plan so that they can still fulfill their financial commitments despite their situation.”

Del Valle Rodríguez Law Offices has been providing collections-based legal services to universities, colleges, insurance companies and other commercial and noncommercial institutions from its San Juan office since 1980.

FLEXIBILITY IS THE KEY

According to Del Valle, they key word in dealing with delinquent accounts is to be more flexible than usual and be willing to collect the amount owed over a more extended period.

Previously, collections efforts focused on demanding the full payment of the debt, whereas firms nowadays must be willing to agree on a payment plan to allow the delinquent client to pay under longer, more flexible terms, he said.

This, along with special proprietary software and online services the firm recently implemented, has allowed the average recovery rate for the law firm to hover between 40% and 45% over a two-year period.

Clients can prepare and compile their delinquent accounts using the law firm's Lexi-Logic money-collection system and upload it to the firm's Lexi-Site dedicated website. These systems minimize data-entry errors and speed up the collections efforts, Del Valle said.

The law firm, which has some 47,000 active accounts from 40 clients, has added about 12,000 new accounts over the past year and customers that previously sent 1,000 monthly delinquent accounts are sending between 3,000 and 4,000 new accounts each month, Del Valle said.

“This is a cost-effective solution for our clients because if they don't collect, they don't pay,” Del Valle said. The firm has eight employees.