

Demand Letters

One of the most widely-used methods of collection on a past due account begins with a demand letter. Depending on your current relationship with a customer, your intent to maintain that relationship, and other factors should weigh in when sending a demand letter. Remember, this is just a sample, and if you want to ensure you are using effective and appropriate legal wording, please consult with your corporate attorney before sending a demand letter.

If you're just looking for some inspiration to get you started – or wondered what other credit pros are using – here are some quick examples. We think it's extremely important to pay attention to the language you use, and here's why: Would you say the same thing to a customer with whom you'd like to maintain a relationship versus a final demand letter that asks for payment in full and ends the relationship?

Exactly. Both demand letters, but two different tones. And here are some of our suggestions on how to make that happen.

Also, it is important to note one significant fact: Creditors almost always send letters when they want payment, but they rarely send letters of appreciation to customers within terms. To change the image of a credit manager in the minds of your customers, you may want to consider sending "Thank You for your Payment" letters, especially to first time customers, so they know you appreciate their efforts to stay current from the get-go.

Example 1: Maintain the Customer Relationship

Dear Sir/Madam;

We appreciate the opportunity to serve you and your company and look forward to a long and healthy business relationship.

For this reason, we would like to express our concern over the past due balance on your account *, in the amount of \$_____ which has not been reconciled. Please give this matter your immediate attention by remitting payment in full.

Should a discrepancy exist, please communicate these details to us at your earliest convenience. If payment has already been made, please disregard this notice with our gratitude.

Thank you for your cooperation. If you have any questions or concerns, do not hesitate to contact us.

Sincerely,

Credit Manager
MadeUp Corp.

Enc. Invoice #

* You may want to consider a more subtle phrase such as “Even though the condition of your account has not caused any real concern, we would like to draw your attention to the past due balance of \$_____.

Example 2: Final demand for Payment

Dear Sir/Madam;

Despite repeated requests for payment, your account's past-due balance remains unsettled. (Furthermore, we've received no communication from your office by way of explanation as to why the account has extended to _____ days past due.)

We request resolution of this issue and payment in the amount of \$_____ by _____ (date).

If we have not received your cooperation and remittance in full by the aforementioned date, we will have no other choice but to pursue further actions to collect this long overdue balance.

Sincerely,

Credit Manager
MadeUp Corp.

Enc. Invoices #, #, and #

* Note: Legal requirements restrict your language to prevent open threats/intimidation being used to collect on past-due balances. For this reason, this letter does not specify sending the account to a third-party collector or an attorney, or filing legal documents on your own, although that option is available within the context of this letter, should you take those actions.