

What is a debt collection letter?

A debt collection letter is a formal debt reminder that you send (or hire a collection agency to send) to a nonpaying client. You can send a debt collection letter to a B2B client (another business) or an individual consumer.

The first couple of debt collection letters you send to a debtor can be relatively friendly and sympathetic. However, as you send additional debt collection letters, you may need to escalate what you write to include warnings of impending legal action.

What is the purpose of a debt collection letter?

Informing debtors that they owe you money

Establishing a payment process.(options)

Starting legal proceedings (yourself or hire an agency)

What should be included in a debt collection letter?

- The amount the debtor owes you
- The initial due date of the payment
- A new due date for the payment, whether ASAP or longer
- Instructions on how to pay the debt
- In your first debt collection letter, phrasing that advises the debtor to contact you if the debt has indeed been paid and you are in error
- In the early stages of collection, a friendly but firm reminder that payment is due ASAP
- In the early stages of collection, a note that you would like to retain the client but require payment to do so
- In the late stages of collection, a firm (but not quite unfriendly) warning of impending legal action, such as sending the debtor to collections
- In the late stages of collection, a note that the debtor has the right to dispute their debt via debt validation letter sent within a given timeframe of receiving your debt collection letter

Reminder 1

{Enter your business name}

{Enter your address}

12 February 2022

{Recipient's name}

{Recipient's business name}

{Recipient's address}

Dear {Recipient's name}

RE: Unpaid invoice # {Enter invoice reference}

The above invoice for \${enter amount} has recently become overdue for payment. As such, we would appreciate you making this payment as soon as possible.

If there is an error on our part and payment has been made, please contact me immediately so that the matter can be rectified.

Otherwise, if there is a problem paying this amount owing, please contact me so that an alternative arrangement for payment can be made.

Yours sincerely

{Your name}

{Your position}

Reminder 2

{Enter your business name}

{Enter your address}

12 February 2022

{Recipient's name}

{Recipient's business name}

{Recipient's address}

Dear {Recipient's name}

RE: Unpaid invoice # {Enter invoice reference}

Stop credit notice

The above invoice for \${enter amount} remains unpaid despite our previous reminder. As such, we would appreciate you making this payment as soon as possible.

I value your business but regret that we are unable to continue supplying goods or services on credit while this amount remains unpaid.

If there was a problem with the goods or services supplied I urge you to contact me so that the matter can be addressed.

Otherwise, if there is a problem paying this amount owing I'm happy to discuss an alternative arrangement for payment so that we can get your account back onto normal supply as soon as possible.

Yours sincerely

{Your name}

{Your position}

Reminder 3

{Enter your business name}

{Enter your address}

12 February 2022

{Recipient's name}

{Recipient's business name}

{Recipient's address}

Dear {Recipient's name}

RE: Unpaid invoice # {Enter invoice reference}

Urgent: please rectify this matter immediately

Despite my previous reminders, the above invoice for \${enter amount} remains unpaid. As such, we would appreciate you making this payment as soon as possible.

I regret to advise that unless payment is received by {enter date} this invoice will be passed over to our debt collection agency/lawyer. This could seriously affect your credit rating so I urge you contact us immediately to make payment or arrange an alternative before this date.

Please contact me directly on {direct dial/mobile}.

Yours sincerely

{Your name}

{Your position}