BROWN & JOSEPH

What is the “hidden”value of written off receivables?

To determine the value of receivables written off to bad debt, you must first look at what your litigationpolicy is. More specifically, I am referring to receivables that fall under your litigation threshold and have received a free pass from additional collection steps. Since they were too small to sue, it is reasonable to say they have never heard from an attorney, nor felt the impending pressure to pay.

Debtors these days are in business themselvesjust like you. They are making the same decisions you are. When do I sue to recover revenue and for what balance size is it worth suing? This “on the job training” prepares them for the collection calls they receive. Most know that if they hold out long enough, the collection agency will go away. They are educated enough to know that due to the balance size, they will never hear from an attorney.

A typical balance threshold for suit is $5,000.00and above. However, due to the rising costs in litigation, bankruptcies, and unsatisfied judgments, many companies are increasing the threshold to $10,000.00 and above.

This policy creates a “sweet spot.” The “sweet spot” is balances that range from $1,000.00 to $9,999.99 and represents accounts written off as too small to sue and cases younger than 24 months from the due date.

So what can you do to address this?

The answer is this: Cases that have fallen intothe “sweet spot” may have value. The value is determined by credit scoring and law office collections.

As written earlier, these debtors have neverheard from an attorney, so placing them with a law office for collection calls will recover revenue thought lost. The method we use to maximize your return on investment in time and to ensure the revenue return is to score the written off cases. Scoring will enable you to determine those that have money to pay and are still in business. After all, since they are still in business after a year or so, it is obvious they could pay, but decided not to.

For years, I have been recommending this actionto clients and all have profited by this policy. Statistics from our in-house law office collections show that “sweet spot” recoveries range from 6% to 20% depending on the nature of your portfolio.

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The key components are:

1. You need the impact of law office contingency collections.
2. You need to have a method to score files or have the agency or law firm willing to score and perform the analysis.
3. The ability to download the prospective debtor list into an Excel file for easy scoring.

For years, I have been recommending this actionto clients and all have profited by this policy. Statistics from our in-house law office collections show that "sweet spot" recoveries range from 6% to 20% depending on the nature of your portfolio. Our attorney Don Leviton reports that most of these recoveries occur within the first 30 days through phone calls and not costly litigation.

For more information, please contact:

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