

Stevens & Ricci, Inc.

BUSINESS CREDIT SOLUTIONS



# 2017 CASH FLOW STRATEGY GUIDE

**STEP 1: Collection Letter Series  
FINAL DEMAND LETTER**

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- ✓ Sample Letter
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**Phone calls are better in the early stages of collection, but in the later stages the written word in the legal context is far more powerful than speech. Here's how to build a custom five-part template letter for your business.**

## **Use a Final Demand Letter Before Taking Your Debtor to Court**

When all other collection attempts fail, you have a choice: either let the matter (and your money) go, or take it to court. A written Final Demand Letter is recommended by most courts, and required by a few, to file suit.

**Keep in mind, though, that you don't want to go to court; you want to collect the monies owed.**

The Final Demand Letter sells the need to pay while fulfilling the legal requirements. A good Final Demand Letter results in payment in as many as one-third of all cases, if delivered at the right time and to the correct recipient—that's the only way to maximize the response received.

Think about the times you've found yourself embroiled in a heated collection situation. After exchanging angry words—maybe even a lawsuit threat—what happened? Chances are, nothing happened. For whatever reason, you didn't pursue the claim.

Things change when you write a demand letter. Lay out the reasons why the other party owes you money. State that, if you fail to get payment, you will go to small claims court or turn the account over to a collection agency. Now, instead of being “just another bill collector voice on the other side of the phone,” you and your claim take on a sobering realness.

The other party must now confront the fact that you won't simply go away, and you plan to have your day in court or unleash agency collectors. They will have to expend time, energy, and money. As long as your position has merit, the chances that the other party will pay all (or at least a portion of what you demand), will go way up.

## Writing a Final Demand Letter

When you write your Final Demand Letter, keep the following points in mind, whether or not you actually intend to follow through with small claims court action. (Refer to the sample letter)

- **Firm Opening:** Grab their attention and get right to the point.
  - **Heavy Language:** Nothing sets a serious tone better than a reference to some fine print or legalese in your contract or work order, especially if signed by the customer.
  - **Payment Demand:** Say exactly what you want. Ask for a specific amount of money to be paid by a set date, or for some other specific action to be performed.
  - **Consequence:** Towards the end of the letter, state your intentions and give your customer a potential “out” (i.e., pay now and preserve your credit rating).
  - **Close:** Be polite, professional, and avoid personal attacks. You want the other person to make a business decision... Get them to ask questions, such as, “what are my risks of losing, and how much time and expense does a defense take?” Usually, the other party will decide it makes more sense to compromise.
  - **Enclosure:** Enclose a copy of your invoice and/or work order. In an involved situation, review the history of the dispute. If you do end up in court, the judge or hearing officer who doesn’t know the facts of your situation will read the letter.
- **Mail:** Send the letter by certified mail. This assures your customer that you mean business and provides a record of receipt.
  - **Fax:** Send the letter via “Receipt Recorded Fax.” After faxing, print a confirmation report from your fax machine and attach it to your copy for proof.

### TECHNICAL TIP:

**If your debtor is a corporation, mail or fax the letter to the Statutory Agent (call Secretary of State's office to obtain), copying the debtor. If it's not a corporation, mail or fax the letter to an owner or partner, not the manager or clerk. Pull your credit application (if you have one on file) to find the names of owners, partners, corporate officers, etc. You want MAXIMUM IMPACT, and WHO you send it to can be more important than WHAT you are sending.**

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## Your Final Demand Letter should contain the following elements:

- Firm Opening
  - Heavy Language
  - Payment Demand
  - Consequence
  - Close
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*About the Author: Ben Ricci*

In the face of today's changing economic climate, recognizing and managing future risks becomes a priority for credit professionals, Stevens and Ricci Commercial Debt Recovery can provide a business with products and services to control risk and enhance cash flow. Founder Ben Ricci brings a strong credit management foundation into his current client relationships. As a corporate credit manager in the early '90s, he developed the IRS Advantage™, other collection letters, call strategies, and short-term payment plans that "cash-in" on slow paying customers. To learn more, please visit our website, [www.stevensricci.com](http://www.stevensricci.com).

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**FINAL DEMAND**  
**“CERTIFIED MAIL”**  
(or) **“RECEIPT RECORDED FAX”**

Month/Day/Year

Contact  
Company Name  
Address  
City, State, Zip

Re:	<u><b>Invoice</b></u>	<u><b>Date</b></u>	<u><b>Amount</b></u>	
	23543200	M/D/Y	1,417.47	- PO# _____
	Interest to Date:		<u>26.93</u>	
	<b>TOTAL NOW DUE:</b>		<b>1,444.40</b>	

Dear Mr./Ms. Customer:

The purpose of this letter is to notify you that despite numerous efforts to obtain final payment for the above invoice, I have been unsuccessful and must now accelerate collection efforts in accordance with the terms and conditions or our original agreement dated \_\_\_\_\_ and signed by you on \_\_\_\_\_. *(If the customer did not sign an agreement, leave this part out)*

Please refer to your copy of our agreement. It clearly states the following:

**(Sample Heavy Language – pull something like this from one of your agreements)**

6. Default: “Purchaser shall pay for expenses of Seller in enforcement of remedies including reasonable attorney’s fees and other legal expenses. All overdue payments shall bear interest at 1½ % per month until paid in full...”

In accordance with this provision, your total amount due on the attached invoice is now \$\_\_\_\_\_. This includes interest to *[date]* only. Interest will continue to accrue until date of payment. If we do not receive this payment by *[date]*, we will, at our option, pursue this matter in \_\_\_\_\_ County Justice Court or forward this account to our corporate collection agency, in which case your company will be reported to the major business credit reporting agencies. This action will affect your company’s credit rating. **We may also report this to the I.R.S. as Debt Cancellation Income under I.R.S. Reg. S1.61-12 if payment is not received.**

We request payment of the above by \_\_\_\_\_. Thank you in advance for your prompt attention to this matter.

Sincerely,

Your Name  
Your Title

Encl.