

Top 10 Account Collection Mistakes

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From the AllBusiness.com Finance & Accounting Center

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1. **Making payment application errors.** Perhaps the most common mistake is the simple error made by applying payment information to the wrong account or applying it twice to the same account.
2. **Not sending invoices promptly.** Invoices should be sent upon the completion of either the service or the sale of the product. If it is a recurring invoice, it should be sent promptly at the same time each month. Failure to do so delays payment and suggests to the other party that they have more time in which to pay.
3. **Not having a standard policy.** From the onset, you need to have a policy in place (and in writing) that makes it clear when payment is due and what the follow-up steps are for late payment. Make sure the customer knows there is a fee for late payment.

4. **Not having thorough follow up.** Someone from your company needs to follow up when trying to collect payments that are late. This means having the information handy and making repeated efforts to receive payment.
5. **Not updating your database regularly.** Far too many payments are not collected because the invoices went to the wrong address or the business was sold and someone new is handling payables. Collection mistakes made through the fault of your company should be easy to correct by establishing a smooth process for updating all contact information.
6. **Failing to address problems early on.** Often, it becomes evident that either payments are routinely late or that you need to be aggressive to collect from a specific account. In these instances, you should address the situation early on. Perhaps another payment schedule will make it easier to receive payments on time. Don't ignore such problems in the making.
7. **Accepting the runaround.** It's very easy in business today to avoid calls, emails, and other means of communications. Don't allow a company to give you the runaround. Be persistent and reach the person with whom you need to discuss outstanding payment.
8. **Failing to apply payments promptly.** If you receive a payment and do not apply it promptly and accurately, you run the risk later on of not knowing whether or not payment has been made. This can result in duplicate billing of an invoice that was paid.
9. **Failing to lock in a payment date.** It is worthwhile to try and lock in a payment date early on in the collection process. This way, if you are still waiting for payment, you have a specific date set and can use that for leverage.
10. **Not increasing the level of your collection attempts.** Each invoice should indicate that payment is late and attempts to collect should become more frequent. You should be prepared to

take more aggressive action if necessary. But make sure you comply with laws applicable to collection practices.

Have a question about account collection mistakes? [Connect with a SCORE mentor](#) online or in your community today!