



THE COLLECTOR'S BRIEF



VOLUME 1, ISSUE 1

A NEWSLETTER FROM THE LAW OFFICES OF PATRICK SCANLON, P.A.

MAY 2015



About Us

Patrick Scanlon, P.A. focuses its practice on debt collection (both retail and commercial) and business transactions. Since 2002 we have been helping businesses collect on their past due accounts receivable. Owner Patrick Scanlon has been a member of the state and federal bar since 1975, and he is a frequent lecturer on the topic of collections.

In 2014 the law firm expanded its practice to include Maryland where Daniel Scanlon is the resident partner in the Salisbury office. In 2014 Darlene Wyatt Blythe joined the firm and with her addition the firm's practice has expanded to include Divorce, Family Law, Wills, Powers of Attorney, Advance Healthcare Directives and real estate transactions. The law firm also forms Delaware corporations and limited liability companies for your business needs. Patrick Scanlon, P.A. is insured and compliant with all State and Federal debt collection laws.

Know Your Customer

It is a rare business that never has a bad debt. Fortunately, a national survey ranks Delaware among the top five states for ease of collection. But to collect, you must prepare in advance.

Identifying the party or parties responsible for paying an account is crucial for litigation to collect upon delinquent accounts. Are you dealing with an individual or is it a corporation?

VERIFY YOUR CUSTOMER'S NAME. It is not uncommon for customers to provide

an incorrect name when filling out a credit application. To sound more professional some individuals will add Inc. or LLC to a trade name even though they are not incorporated. Other individuals may use their trade name on the credit application which is different from the incorporated entity. Verifying the correct identity is best done at the beginning of the relationship when the customer is cooperative. Once they go into default, debtors tend not to respond to creditors' calls or letters.

To verify the information on the credit application, go to the Secretary of State's website (<https://delecorp.delaware.gov/tin/GINameSearch.jsp>) to see if the name is registered exactly as your customer gives it to you. Also cross check their business license (<https://dorweb.revenue.delaware.gov/bussrch/>) to confirm the name they have provided. Remember, "General Motors" is not the name of a corporation. Get the full correct name.

GET A PERSONAL GUARANTEE. When you are dealing with an incorporated entity you should always attempt to obtain a personal guarantee so that the owner must pay if his corporation does not. There is no excuse for failing to put a personal guarantee block on your credit application. At worst they will refuse to sign it. New entities are riskier than established businesses which have a track record of paying their bills. A personal guarantee costs the individual nothing unless his company does not pay the bill. If he refuses to sign the personal guarantee because he is not sure that his company will pay the bill perhaps you should look more closely at the credit decision. If your corporate customer does

not pay its bill the corporation will often have no assets. You will be stuck!

GET YOUR CUSTOMER TO PAY YOUR ATTORNEY'S FEES. In addition to the name of the customer and the personal guarantee your application should also have a provision that in the event you have to turn the account over to collections the customer will pay your attorney's fees. Although this may not cover everything, it will help to cut your loss.

ADD A FINANCE CHARGE. Another provision in your application should be that the customer, in the event that he does not pay the bill on time, will agree to pay a finance charge of 18% on the outstanding balance. Although most applications provide for permission to check the customer's credit to determine whether or not to extend credit the application should also give permission to pull credit bureau report for purposes of collection.

USE A FORM. If you wish to receive a sample credit application contact our office and we will send you our sample credit application at no charge.

Registered Agents & Incorporators of Delaware, Inc. (RAID)

We form corporations, limited liability companies and can serve as your registered agent in Delaware. Go to www.delcorporations.com or call (302) 424-1996 x 104.

SEMINARS:

National Business Institute
"Collection Law From Start to Finish"
Thursday, December 17, 2015
9:00 a.m. to 4:30 a.m.
Wilmington, DE
Sign up should be available by August 2015

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