

## ***Letters of demand – what you need to know***

Before you send a letter of demand, make sure you have done the following:

### **1. Check you have done this first**

- a. Sent an invoice – this is essential. If there is no invoice, there is no debt. This is a legal requirement.
- b. Sent at least one reminder. The reminder should tell the person receiving it that the debt is overdue.
- c. Make a phone call. As well as serving as a reminder, this will usually also yield valuable information. Your client may have moved or gone out of business.

### **2. Write two letters of demand. Why two?**

- a. The first letter of demand is polite. It aims to prod the debtor and see if there is not some innocent reason that the debt has not been paid yet. Such as being out of town or having changed address. It aims to provide a polite but firm reminder that money is outstanding and that you want to be paid, and also allows the business relationship to be preserved. The first letter will say 'excuse me but you owe me money. Before I go and talk to a lawyer, is there anything I have been misinformed about or anything you would like me to know?' The letter should specify a time in which to pay. If you are not paid within that time, send a second letter of demand.
- b. OK, now its time to make a threat. The second letter of demand is a threat. Threats are considered to be rude, and therefore this second letter will be perceived as such. It is unlikely the business relationship will be preserved. By the time you get around to sending this letter, you will have had enough of chasing this particular client anyway, and the business relationship is likely to have soured. The second letter says 'Now that we have not received satisfaction in the form of payment or a good explanation to our first letter, we will take you to court. You have one last chance to pay. If you do not pay now we will force you to pay by going to court. We will force you to pay our legal costs too.'

### **3. Follow through on your threat. Show them you are serious.**

If you have still not been paid after the second letter of demand, its time to call in the experts. Now is the time to call a lawyer This is important because it shows you were serious when you made the threat. If you do nothing at this point you can kiss your money goodbye. The first thing your lawyer will do is issue their own letter of demand. Sometimes this is all it takes. A letter from a commercial lawyer carries the message that you were not joking when you threatened to go to court. Its also a necessary step before launching legal action. If that does not get some money for you, then you can proceed to enforce your legal right to be paid via the court system without delay. The good news is that the cost of going to court is usually paid by the person who owes you the money.

Good luck! We hope you get paid quickly. If you have not been paid after following these steps, call us on **02 9439 1139** to discuss how we can get your money for you.