



Association of  
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DEFINING STANDARDS OF EXCELLENCE

# Debt Collection Guide

February 2024

## Introduction to the Guide

In an economically challenging business landscape, overlong payment terms, delays in invoice payments, debt collection efforts, and bad debts can seriously harm your business's cash flow and financial viability.

Collecting a debt for services provided can be a frustrating, complex process. This guide takes you through best practices for debt collection in the UK, EU and the US, and signposts you to appropriate legal pathways to debt collection.

## Vetting clients is the best defence against bad debt

Vetting clients and carrying out robust risk assessment on new clients is the best line of defence against bad debt.

These are some of the ways you can protect your business from bad debt:

1. Check the client's company status with the national business registry or database in their country. In the UK, this is [Companies House](#).
2. Check the client's credit rating and assess their general financial health. The most popular tools on the market are [Experian](#) and [Creditsafe](#) for international company credit scores and reports.
3. Check and negotiate appropriate payment terms with the client to ensure your cashflow stays healthy.
4. Consider up-front payment for services sold directly to individuals or businesses with low credit ratings, and part-payment upfront for new clients with sizeable projects.
5. In a situation where you offer a new client a credit line it is a good idea to enter into a contract or MSA which clearly states the services offered, pricing, terms of business, legal jurisdiction and payment terms. You might need such documentation if the debt turns bad in the future.
6. Keep sight of your debtor book, and take action early if debts start to age.

Assessing the financial health of new and prospective clients helps you manage your business in a financially sustainable manner. It pays to carry out similar checks regularly also with existing clients, consider reviewing credit limits on a quarterly basis for those clients with high levels of credit. A company's financial health can change quickly and without much warning.

## Before you take legal action

Before you resort to taking legal action, follow these steps:

1. Send a formal reminder or demand letter to the debtor, outlining the amount owed and the terms of payment as per your contract. This letter should be professional and include all necessary details such as invoice numbers, service dates, and payment deadlines.
2. If the initial communication does not bring results, consider negotiation or mediation. Sometimes, payment plans or settlements are a good option if the debtor is facing financial difficulties.
3. If direct communication does not resolve the issue, you might need to hire a debt collection company. Note that debt collection companies usually charge a fee or a percentage of the collected amount.

Some recommended debt collection companies previously successfully used by ATC member companies are listed at the end of this guide.

## Taking legal action in the UK

In the UK, you can apply to a county court to claim money from a debtor. This process used to be known as taking someone to ‘small claims court’.

The court claim process is designed to handle minor civil disputes in a simple, quick, and cost-effective way, and a claim can be filed online. There is no limit to the amount of money you can claim. There is a fee payable to the court when you make your claim.

The court can also offer free mediation if the claim is for £10,000 or less.

After you make your claim, the debtor (defendant) will be given time to respond. If the defendant refuses to pay or you do not get a response, you can ask the court to order the defendant to pay, and may have to go to a court hearing to resolve the claim.

[Read more about making a court claim for money in the UK](#)

## Taking legal action in the EU

The European Small Claims Procedure can be used to make a claim against a business, organisation or a direct customer within the EU.

It is an alternative to national procedures in EU countries, and covers claims up to €5,000. There is usually a fee payable to the court when you make your claim, and you may also have to pay for forms to be translated. These costs will be reimbursed if your case is successful.

[Read more about making a court claim for money in the EU](#)

**NOTE: Businesses based in the UK can no longer use the European Small Claims Procedure to recover money owed to the by a business or individual located in an EU country. Seek legal advice to start a claim in another country, or to sue the overseas debtor in the UK.**

## Taking legal action in the US

In the US, debt collection laws can vary from state to state, and hiring a debt collection agency based in the US can be a wise move before considering taking legal action.

Legal action against a debtor involves suing the debtor in a US court. For this, you will need to hire a US attorney with experience in international debt collection.

Typically, a small claims made by companies are handled in state courts as commercial small claims.

[Read more about small claims and commercial small claims in e.g. New York City](#)

## Recommendations for debt collection companies

The below list includes recommendations for debt collection companies previously successfully used by ATC member companies.

### Thomas Higgins

UK-based company specialising in undisputed B2B debt collection.

- Fast and effective debt recovery
- No commission charged
- No charges based on percentage recovered
- Standard letters before action only £10.00 (plus VAT)
- Recover interest and get compensation from only £10.00 (plus VAT)
- Same day service
- Lexcel accredited, licensed and regulated by the Solicitors Regulation Authority

Call 0151 630 8008 and quote ATC.

For more information: <https://www.thomashiggins.com/>

### Debt Collect UK

UK-based company specialising in debt recovery in the UK and internationally in Europe, America, Australia and beyond.

- No collection, no fee basis
- No upfront fees

Call 0808 169 5963 or email [enquiries@debtcollectuk.com](mailto:enquiries@debtcollectuk.com).

For more information: <https://www.debtcollectuk.com/>

### Bierens Debt Recovery Lawyers

UK and Netherlands-based company specialising in international debt collection.

Call 020 3808 5878 or email [info@bierensgroup.com](mailto:info@bierensgroup.com).

For more information: <https://www.bierensgroup.com/en-gb/>