

Bill Collection: How To Get the Money You're Owed

I am always asked a question such as this: "I own a small business and my accounts receivable increase every month. I have sent my customers statements and many sternly worded letters to little effect, what can I do?"

The answer is that you can begin collection proceedings against your customers by first getting a judgment in court, and then "executing" on that judgment by garnishing bank accounts or wages, filing liens against their homes, or ordering certain assets to be seized.

If you have decided you have no choice but to sue your customers, what should you do next? It may be easier to retain an attorney to file these lawsuits, but if you have only a few customers to sue and the amount you are owed is small enough, you might be able to file a lawsuit yourself in small claims court.

If you sue your customers and receive judgments against them, will be forced to pay you? Many people do not realize that a judgment is only an official acknowledgment that money is owed to you and not a directive for money to transfer hands. It is your job to try to collect that money. The easiest way to do this is to garnish the debtor's bank accounts or wages. To garnish someone's wages, you must file paperwork asking the court to seize the money from the judgment debtor's bank account or wages. The debtor, in turn, will have a chance to be heard by the court before any garnishment is granted.

How does the wage garnishment work? A person's wages can be garnished only up to a certain percent per pay. If, however, the person is paying other court-ordered deductions such as child support, the amount that can be garnished will be reduced. Garnishments are continuous orders, meaning that once you file the paperwork, employers must withhold funds from an employee's paycheck until your judgment is satisfied. Unfortunately, if another creditor is already garnishing the debtor's wages, you may have to wait as long as six months until the other garnishment is complete.

So, are there any other options for collections? There are, for instance, you may take your judgment and file it as a lien against a person's real estate and foreclose upon it (subject to homestead etc.). Also, you may ask the court to seize tangible items (e.g., jewelry, computers, equipment) and sell them at auction, then give you the proceeds. These are fairly complex procedures which are difficult to do without a lawyer's advice.