



DEBT & PAYMENT RECOVERY PLAYBOOK

PLAYBOOK

Topic- Debt & Payment Recovery Playbook

Unpaid invoices are rarely just an accounting inconvenience for growing startups and established corporates alike, delinquent accounts receivable act as a silent drag on enterprise valuation and working capital. According to the Intrum European Payment Report, corporate payments typically take 63 days to clear despite agreed 43-day terms. When cash flow stalls due to non-paying enterprise clients, standard follow-up emails quickly lose their bite. What you need is a systematic, legally grounded Commercial Debt & Dispute Recovery Playbook spanning early evidence preservation, pre-litigation demand letters, statutory interest enforcement and recovery suits.

Phase 1: Pre-Dispute Hygiene & Contract Mechanics

The best debt recovery strategy starts long before an invoice is overdue. Creditors who win recovery suits almost always win them in the contract stage.

1. Watertight Payment Terms & Late Interest Clauses

A vague "Payment due in 30 days" line offers zero leverage. Contractual terms must specify:

- . Statutory/ Default Interest:** Explicitly state the compounded or simple interest rate applicable post-due date (e.g., 1.5% per month / 18% per annum or statutory late payment interest).

- . Legal Fee Indemnity:** Includes a clause stating that the prevailing party in any collection or legal proceeding is entitled to recover reasonable attorney's fees and enforcement costs.

- . Dispute Notification Window:** Require the buyer to notify you of any quality or service delivery disputes in writing within 7–14 days of invoice receipt. Silence beyond this window constitutes waiver of quality-based defenses.

Key Rule: A client cannot hold back payment for delivered goods or services by raising an unsubstantiated "quality dispute" months down the line. Establishing a strict dispute notice window strips them of this common stall tactic.

2. The Chain of Custody (Evidence Preservation)

Courts evaluate written trails, not verbal promises. Your collection package must maintain a clean evidentiary chain:

- . Fully executed Master Services Agreements (MSAs) and Statements of Work (SOWs).
- . Written Proof of Delivery (PoD), formal sign-offs, or accepted milestone deliverables.
- . Audit trails of invoice delivery and receipt acknowledgments.

Phase 2: Escalation & Draft Strategy for Demand Letters

When soft collection fails the formal legal demand letter marks the pivot from relationship management to enforcement.

Anatomy of an Effective Legal Demand Letter

A well-crafted legal demand letter serves two purposes: it creates immediate settlement urgency and establishes an unshakeable record of default for the court.

- 1. Clear Statement of Particulars:** Itemize each unpaid invoice number, original due date, principal amount and accrued interest calculation.
- 2. Citing Contractual & Statutory Provisions:** Reference specific contract clauses or relevant statutory late payment laws (e.g., Local Commercial Code, MSME statutory interest or UK Late Payment of Commercial Debts Act).
- 3. Firm Deadline & Consequence Matrix:** Provide a strict window (typically 14 to 30 days) for full settlement before immediate litigation, credit agency reporting or statutory insolvency proceedings commence.
- 4. Enclosure of Exhibits:** Attach copies of the invoices, purchase orders, and prior unanswered payment reminders.

Phase 3: Judicial Enforcement & Recovery Suits

When a legal demand letter yields silence or bad-faith pushback, it is time to move from administrative claims to judicial enforcement.

Fast Track & Summary Suits

Standard civil litigation can take years, but commercial law frameworks often offer accelerated mechanisms for debt recovery:

. Summary Suits/ Expedited Money Claims: Under procedural rules such as Order XXXVII of the Code of Civil Procedure (CPC) or standard commercial court summary judgments, summary proceedings apply to liquidated commercial debts based on written contracts or negotiable instruments.

Shifted Burden of Proof: In a summary proceeding, the debtor does not automatically get a full trial. They must seek special "leave to defend" from the court by demonstrating a genuine, bona fide dispute. If their defense is frivolous or a mere stall tactic, the court grants an immediate decree in favor of the creditor.

Statutory Insolvency & Specialist Tribunals

Depending on jurisdiction, corporate creditors hold additional leverage points:

Statutory Insolvency Warnings: Serving a formal demand under bankruptcy/insolvency codes signals that persistent default could lead to corporate resolution proceedings.

MSME/ Small Business Portals: Micro and small enterprise frameworks (such as the MSME Samadhaan mechanism or statutory prompt-payment boards) mandate strict timeline-bound conciliation and arbitration, often carrying statutory interest rates up to three times the bank rate.

Preserving Electronic Evidence

Modern B2B communication lives on Slack, Microsoft Teams, WhatsApp, and email threads. Courts accept electronic records as primary evidence provided you preserve them correctly:

- Take complete export logs rather than cropped screenshots.
- Preserve email header metadata showing delivery and reading timestamps.
- Certificate of Electronic Evidence: Maintain formal certificates verifying that digital records were extracted from system servers in the ordinary course of business.

Playbook Summary: Commercial Debt Recovery Workflow

1. **Days 1-15 Past Due:** Friendly automated reminder series with invoice copies attached.
2. **Days 16-30 Past Due:** Formal administrative notice from internal credit control; suspension of ongoing services/deliverables.
3. **Days 31-45 Past Due:** Service of a Formal Legal Demand Letter drafted by commercial legal counsel.
4. **Days 46-60 Past Due:** Final pre-litigation settlement opportunity; negotiation of structured payment plans with personal/corporate guarantees.
5. **Days 61+ Past Due:** Filing of a Summary Recovery Suit or initiating statutory insolvency/arbitration proceedings.



Fractional General Council

A-9, Block A, Sector 68, Noida,
Basi Bahuddin Nagar, Uttar Pradesh 201309

www.fracgc.in

contact@fracgc.in

[+91 83770 09673](tel:+918377009673)
