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## Bad debt? - act quickly

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Debts owed to your company as a result of services or goods you have provided, which remain unpaid beyond the due date for payment, are bad debts. The longer a debt remains unpaid, the more likely it is that the debt may never be paid. Bad debts can seriously affect the cash flow of a business. If you wish to recover a bad debt then it is advisable to act quickly. This may increase the likelihood of recovering the debt.

The first action to take is to write to the debtor requesting payment of the debt within a reasonable period of say 14 days. Do not overlook your right to claim interest from the debtor. If the debtor is a company or sole trader then you may be able to claim interest under the Late Payment of Commercial Debt (interest) Act 1998 at a rate of 8% above the base interest rate together with claiming a compensation payment of £40 (for debts below £999) or £70 (for a debt £1,000 to £9,999) or £100 for debt over £10,000. You can claim the enhanced late payment interest rate against any size business and for any size debt unless a fixed interest rate has contractually been agreed with the debtor or the debtor is an individual. If your debtor is an individual then you may apply an interest rate of 8% or an agreed contractual interest rate but you may not claim a compensation payment.

If your debt is still not paid then the next step is to consider issuing Court proceedings. You can either do this online using the Court Service website or you may alternatively wish to use the services of a lawyer to ensure that your case proceeds correctly. Before issuing proceedings it is advisable to first consider whether the debtor is going to be able to pay you. There is no benefit in spending more money obtaining a judgment which may never be paid.

An alternative to issuing Court proceedings is to serve a Statutory Demand on a debtor. This can be done if the debt is more than £750. The debtor will then have a limited time to pay and if they do not pay then you would be entitled to apply to make a company insolvent or an individual bankrupt.

Gard & Co., has a specialist debt recovery team who ensure their clients receive the best legal service on a fixed fee basis. To get further advice please contact Gary who will be happy to assist or visit [www.gardandco.com](http://www.gardandco.com).

**GARD & CO**

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