



“Negotiating With Collection Agencies”

André Larabie

With today’s current economic downturn, many business owners are finding that their payables are rapidly outpacing their receivables, and before they realize it, their debt burden has increased to the point that they are financially unable to make the payments. Possibly the situation has deteriorated to such a level that collection agencies are involved, possibly even attorneys. At this point, some business owners may choose to give up and play the bankruptcy card, but actually there is a better way to address the problem.

You can negotiate to reduce your overall debt burden.

After 20 years of working in the commercial debt negotiation field, I have developed a consistent, statistically proven method to reduce, on average, a company’s overall debt burden by more than 60%. And for many companies—especially in the current economy—these savings can be significant. And the capital that is tied up in Accounts Payable can be applied to other areas of the business.

Collection Agencies

While it is often better to negotiate directly with creditors, for those debts involving collection agencies, a business owner will need to interact with the collection agency rather than the creditor. This is because the creditor has already hired the agency to collect the money owed, and the agency is receiving a percentage of that debt. The opportunity has passed to pick up the phone and call the creditor directly; instead, a phone call arrives from the collection agency.

When you find yourself in this situation, you should first be aware that collection agencies are governed by certain laws, and these laws were



written to protect you. For example, collection agencies often make repeated phone calls to a debtor; they do this in such a manner that it becomes disruptive to a business. They are trying to create an aversive situation so that you will pay the bill to remove the disruption.

However, the collection act (formally known as the Fair Debt Collection Practices Act, or FDCPA), gives you recourse to protect yourself. One of the most important sections in the FDCPA provides that if you ask a collection agency in writing *not to communicate with you by phone*—and this is true in most states in the US—from that point forward, they can only contact you in writing.

To take advantage of this provision in the FDCPA, when the agency calls, get all the details of the debt from them and explain that you will be sending a letter asking that all future communications be made strictly by mail. Stopping the “harassment” is the first action you should take. If they call you after you know they have received your written notice, then you can complain to the proper department in your state that oversees collection agencies.

The Negotiation Process

You are now ready to begin the negotiation process. Your first action will be to call the agency and tell them that within a week, you will be making a formal proposal to *all the creditors*. They often will respond in a surprised manner, possibly something like: “What do you mean by all the creditors?” (During my 20 years of debt negotiation, I have found that they often respond this way. I don’t think this response has as much to do with surprise as it does with their natural tendency to collect information, which they are very good at doing. In any case, you can use this tendency to your advantage.)



At this point, you can reveal more details about your situation. Suppose it is XYZ Company that you owe money to. Tell the collection agency representative that you are going to prepare and send a proposal constructed specifically for their agency, one that addresses the total amount owed to XYZ Company. Make sure to reinforce the idea that you have to deal with *all your creditors* and that your situation is very complicated. Go on to indicate that your business has been severely impacted by the poor economy, and thus you have had to take various actions. Possibly the IRS is involved, possibly a reduction in staff. In any case, let them know the reasons that you have ended up in this unfortunate predicament.

Having a “story” is critical because all humans (even those working for a collection agency!) respond to a “story.” I am using the word “story” to indicate details and information that will elicit an emotional response, and the misfortunes that put you into your bad business situation will do exactly that.

The Settlement Proposal

The Settlement proposal is a formal device used in the negotiation process, and below are the key components of the Settlement Proposal. While you can construct the Settlement Proposal yourself, your time may be constrained if you are a business owner or a key person at a business. If this is the case (or possibly you have other reasons), you may choose to seek the assistance of a professional commercial debt negotiator, and I recommend that you do this if you are uncomfortable with this process.



The Settlement Proposal should contain the following:

- Introduction
- Statement of the Problem
- A Personification Statement

Introduction

This communication will also serve as a formal notice that you are representing yourself in these matters.

Statement of the Problem

Among other things, you should indicate all of the issues you are facing. Paint a bleak picture. If you have suffered financially due to extenuating circumstances such as employee embezzlement or theft, mention it in the proposal. If you find yourself in the position of being delinquent in paying this creditor because a customer has gone out of business and owes you a large sum of money that is now uncollectible, inform them.

A Personification Statement

This is where you “humanize” your plight.

About The Author

André Larabie, PhD, is distinguished for his expertise in teaching, coaching, business consulting, commercial debt resolution, training, consumer debt collection, mediation and arbitration. Dr. Larabie has owned and operated 2 collection agencies, a factoring organization and a business management consulting practice in both the USA and Canada. Email: andre@andrelarabie.com, Website: www.AndreLarabie.com