

Collection Agencies and Collection Attorneys Working Together

We often tell our credit grantor clients how important it is for them to know when to let go of a claim and hand it over to a third party collector. As we've mentioned to them time and time again, the longer the claim is worked without results, the lower the collectability of the claim becomes.

So when the claim is finally handed over to a third party collection agency, the same thing applies. The longer the collection agency continues to work the account without much results, the lower the collectability becomes. You can imagine that if a claim is placed with an agency at the one year point and then another year goes by before it's placed with an attorney for suit, the collection potential will greatly diminish.

So, how can collection agencies and collection attorneys work as a team to increase the potential of a claim being collected or settled and increase long term profitability? Here's the quick list below.

Collection agencies are advised to:

Keep files moving on a timely basis. When the efforts of a collection agency are not producing any results within a fairly short period of time, best to send it on to the collection attorney for further efforts.

Detail all collection efforts in a concise manner so that the collection attorney can process the claim more effectively from the get-go.

Communicate to the client that the file has been placed with an attorney. Depending upon your relationship with the client, you may need to explain that the claim is still being handled on a contingency basis. Many clients require a lot of education on your processes, especially if they are new to your agency and/or have not had previous experience with the legal collection process.

Outline to the attorney what your collection and communication requirements are. Whether it's weekly or monthly reports, even if the status has not changed, having a fairly regular line of communication in writing that keeps the collection agency, and thus the client, up to date is paramount for maintaining good relationships.

Receiving attorneys need to:

Provide the collection agency with your evaluation of the collectability of the case as quickly as possible. Neither office makes money maintaining a file in an open status if it is uncollectible.

Provide specific reasons as to why if you are recommending suit action. Do you have past experience with the debtor? Have you discovered potential assets to seize? etc.

Keep the collection agency informed in order that they can in turn keep the creditor updated. Although the law firm ultimately represents the creditor, they should never forget from a practical point of view that they would not have received the case except for the collection agency.

Do what you can to make the collection agency look good with the creditor. There are a number of different subtle things that can accomplish this. For example, an attorney acknowledges receipt of a collection placement from a collection agency, and in that acknowledgement, he goes out of his way to indicate how well the collection agency has organized and prepared the case for forwarding. He compliments the collection agency on the thoroughness with which they have summarized contacts with the debtor, organized documentation, etc. In turn, this acknowledgement gets passed on to the creditor, and the end result is that by the receiving attorney taking this extra step, it makes the collection agency look good in the eyes of their client.

Think of your law firm as part of a team with the collection agency. The ultimate goal is to make money by collecting accounts and encouraging the agency's creditors to continue to send future business.

Thomas W. Hamilton
American Lawyers Company
Cleveland, Ohio
www.alqlist.com