



# Business Debt Recovery Fees

## 1. INTRODUCTION

We assist businesses on a nationwide basis to recover debts that are owed to them.

### **Free Initial Advice**

We will discuss your matter with you at the outset without charge. We want to be approachable and provide you with the opportunity to have an initial discussion with us, whether by telephone or in a meeting, without commitment or fee before formal instructions.

### **Our Expertise**

Debt recovery is an essential service for the cash flow of many businesses and a specialist area in its own right.

Our team are experts in the recovery and collection of many types of debts including those in foreign jurisdictions. We understand the need for speed but also to consider the most efficient and cost-effective recovery strategy with you.

We are happy to discuss repeat instruction packages as well as assistance to professionals such as insolvency practitioners.

### **Our Fixed Fees**

Save for complex or disputed matters, our standard fees for commercial debt recovery are fixed. This means, subject to your matter becoming complex or disputed, you will generally only pay our standard fixed fees as detailed below dependent upon which debt recovery service you select. By working to fixed fees our clients are able to agree a budget for each recovery case. Wherever possible, we shall aim to recover fees, interest, and statutory compensation on behalf of our clients pursuant to the Late Payment of Commercial Debts (Interest) Act 1998 (“the LPCD”).

Generally, the LPCD allows you to claim interest, compensation and (for orders placed after 16 March 2013) your reasonable costs of collecting the debt where these exceed the compensation. Interest can be claimed at 8% over the Bank of England base rate together with compensation at the rate of £40 - £100 per invoice. These provisions only apply where the debt has been incurred in the commercial supply of goods and services and where there is no other provision for interest in the relevant terms and conditions.

We usually recommend that our commercial clients base their debt recovery procedures on the LPCD due to the ability recover interest, compensation, and costs. By using the LPCD effectively the aim should be to make debt recovery cost free. We are willing to assist with amendments to

standard terms and conditions in order that your customers are fully aware that the LPCD shall be utilised in the event of non-payment.

### **Preliminary Considerations**

In order to formulate the most efficient and cost effective recovery method, we shall need to consider with you (a) whether the debt is disputed and your prospects of success, (b) the amount you will be able to recover and whether any interest, legal costs and statutory compensation may be recoverable, (c) the ability of the debtor to pay you, (d) whether compliance is required under any pre-action protocol including a consideration of whether alternative dispute resolution such as mediation may be suitable, (e) possible funding options including no-win-no-fee type arrangements (called Damages Based Agreements or Conditional Fee Agreements) or whether you may have insurance to cover your legal fees, (f) whether insolvency proceedings may be appropriate, (g) whether we can assist you with avoiding debts in the future by for example assisting you with your terms and conditions or invoicing terms.

Following preliminary considerations, we shall agree a suitable recovery strategy with you.

If the debt is disputed, we shall consider your matter under our Commercial Litigation and Dispute Resolution Service.

## **2. OUR PRE-ACTION SERVICES**

### **Pre-Action Reports**

At this stage, you may wish us to instruct an external agent on your behalf to locate a debtor (often called a Trace Report) or obtain a pre-action report in order to identify both the location and any readily identifiable assets of the debtor (often called a Trace and Means Report).

#### **Costs:**

The range of costs for a standard Trace Report is between £50 – £95 plus VAT including third party costs.

The range of costs for a standard Trace and Means Report is between £150 – £250 plus VAT including third party costs.

Additional costs may arise for complex or bespoke reports.

#### **Timescales:**

Pre-Action Reports are usually available within 7 to 14 days from order.

### **Letter before Action Service**

Suitable where you believe a single letter will achieve a successful outcome and the starting point in all debt recovery matters. If you receive payment at this stage, you have nothing further to pay for your recovery service.

#### **Costs:**

Simple letter before action to a company or partnership is £25 plus VAT

Simple letter before action to an individual including sole traders is £50 plus VAT

International letters attract an additional £50 plus VAT

Sending second simple letter before action is £25 plus VAT

Reporting to you on the debtor's response and negotiating a settlement/instalment plan £150 plus VAT. On the basis that an agreement is reached quickly.

Where we are able, we shall include a claim for contractual interest or statutory interest, compensation, and costs under the LPCD.

***Timescales:***

Letters before action to companies or partnerships seek a reply within 14 days but letters to individuals must permit 30 days in accordance with guidelines set down by the courts called the pre-action protocol.

**Statutory Demand Service**

Suitable where a debt is not disputed, for example, the debt is admitted or there is an existing court judgment. Statutory demands can be served upon companies or individuals. If payment is not received following a statutory demand you have proven the debt and can proceed with an application for bankruptcy against an individual or winding up a company.

***Costs:***

Statutory demand - £450 plus VAT

Third Party Costs:

£100 – £120 plus VAT for a process server to affect personal service.

Additional charges may apply if the matter is complex.

***Timescales:***

A statutory demand can be drafted within 1 to 3 working days from receipt of instructions and submitted to a process server who will serve within about 2 to 10 days. A debtor has 21 days in order to make payment under a statutory demand. A debtor may apply to set aside a statutory demand within 18 days.

### **3. OUR COURT ACTION SERVICE**

**Fixed Costs Collection Service**

Suitable for undefended court claims where the letter before action service has not been successful and you wish to achieve a court judgment against the debtor. Our service includes the issue of your claim and, where applicable, requesting default judgment on your behalf. We shall report to you on any responses received from the debtor including whether the debt becomes defended in which case your claim will become a litigation matter and a different charging structure will apply. Our fees exclude enforcement of the debt. We shall consider enforcement options with you following receipt of the court judgment. Any instalment plan over 6 months can either be administered by you or will be subject to an additional instalment plan charge of £75 plus VAT for each six-month period.

**Costs:**

Debt	Court fee	Our fee	Costs recoverable from Debtor
Up to £300	£35	£100 plus VAT	£85
£300 - £500	£50	£100 plus VAT	£100
£500 - £1,000	£70	£125 plus VAT	£120
£1,000 - £1,500	£80	£165 plus VAT	£150
£1,500 - £3,000	£115	£165 plus VAT	£185
£3,000 - £5,000	£205	£195 plus VAT	£275
£5000 - £10,000	£455	£350 plus VAT	£555
£10,000 - £200,000	5% of claim	£550 plus VAT	£100 plus court fee

*All shown costs are recoverable under LPCD*

Costs recoverable information is based upon a successful claim having regard to current court rules and the details set out in the LPCD. Costs are at the discretion of the Court and recovery is not guaranteed especially where the debt is under £10,000 and managed by the Court under the Small Claims Track. Note that the Court Fee banding is calculated by adding together the debt plus interest and any recoverable costs.

**Timescales:**

We will issue the Claim Form at Court usually within 1 to 3 working days following receipt of the Court Fee and any payment on account. We normally request that the Court serve the Claim Form. The Debtor has 14 days from the effective date of service in order to respond to the Claim Form. We shall request judgment in the event that the Debtor fails to respond within the stipulated timescale or admits the debt. We shall account to you in the event of payment being received from the Debtor within 1 to 3 working days from receipt of cleared funds.

**Damages Based Collection Service**

Subject to a risk assessment, where you do not wish to pay fixed costs and you are seeking a recovery solution involving us sharing the risk of non-recovery with you. We will enter into a Damages Based Agreement with you based upon us retaining a sum starting from 20% plus VAT to 40% plus VAT of any amounts collected. You will be responsible for any actual expenses such as court fees, tracing agents' fees and any barristers used. Any instalment plan will be administered by us and reported to you quarterly. This service includes further work involved in respect of enforcement action.

**Bankruptcy Proceedings**

Suitable where you wish to make an individual bankrupt following the successful service of a statutory demand or where you already have a court judgment.

**Costs:**

£950 plus VAT

Additional matters may apply for more complex matters and where the matter is not determined at first hearing.

**Third Party Costs:**

- Process server – between £100 to £120 plus VAT
- Court fee - £280
- Deposit - £990
- Agent for hearing - depending upon location
- Search fee - £9

**Timescale:**

A bankruptcy order, in a standard case, can usually be obtained within about 9-14 weeks of the petition being issued by the court.

**Winding Up Proceedings**

Suitable where you wish to wind up a company following the successful service of a statutory demand or where you already have a court judgment.

**Costs:**

£1,495 plus VAT

Additional matters may apply for more complex matters and where the matter is not determined at first hearing.

**Third Party Costs:**

- Court fee - £280
- Petition deposit - £1,600
- Process server – between £100 to £120 plus VAT
- Agent fees for hearing- depends on location
- Advertisement in London Gazette - £101.52

**Timescale:**

A winding up order, in a standard case, can usually be obtained within about 9-14 weeks of the petition being issued by the court.

**4. ENFORCEMENT OF JUDGMENTS**

Where you have a court judgment and are not considering bankruptcy or winding up, we can assist you, subject to the Debtor having sufficient means, with the following enforcement procedures.

**Oral Examination of Debtor**

An application to Court in order to ascertain whether the Debtor has sufficient assets to be able to pay the debt owed to you.

If granted, the Debtor to attend court to provide information about assets, income and liabilities. You will then be able to decide as to whether you wish to enforce the court judgment now or in the future and, if so, by which method of enforcement.

**Costs:**

£250 plus VAT

**Third Party Costs:**

- Court fee - £55
- Agent fee for hearing if required - depends on location

- Process server - up to £150 plus VAT

**Timescale:**

The debtor will usually be required to attend court for questioning within about 8-12 weeks of the application being made.

**Writ of Control – (High Court Bailiff)**

An instruction to a High Court Bailiff to take control of a Debtor's goods and sell them in order to enforce a court judgment.

**Costs:**

£75 plus VAT

**Third Party Costs:**

- Court fee - £66
- Bailiff fee - £90 payable if the warrant is not successful

**Timescale:**

A writ of control may be applied for once judgment has been obtained but whether or not any recovery will be made depends on the debtor's ability to pay and whether there are any assets which may be seized and whether a repayment agreement is entered into. A typical enforcement by writ of control may take about 5-9 weeks from instruction.

**Warrant of execution – (County Court Bailiff)**

An instruction to a High Court Bailiff to take control of a Debtor's goods and sell them in order to enforce a court judgment.

**Costs:**

£75 plus VAT

**Third Party Costs:**

- Court fee - £110

**Timescale:**

A warrant of execution may be applied for once judgment has been obtained but whether or not any recovery will be made depends on the debtor's ability to pay and whether there are any assets which may be seized and whether a repayment agreement is entered into. A typical enforcement may take about 5-9 weeks from instruction.

**Attachment of earnings**

An order seeking a proportion of a Debtor's earnings to be deducted by the Debtor's employer and paid directly to you by regular instalments until the judgment debt is paid.

**Costs:**

£195 plus VAT (without hearing using standard questions)

**Third Party Costs:**

- Court fee - £110

**Timescale:**

An attachment of earnings order can sometimes be obtained within about 5-9 weeks from issue of the application.

**Charging Order**

A Charging Order is a way of securing a debt payable under a Court judgment by imposing a charge over a Debtor's interest in land, securities or certain other assets. A Charging Order over property secures an unpaid court judgment and, in the event of continuing non-payment, will eventually enable you to apply for an order for the sale of the property in certain circumstances.

**Costs:**

£495 plus VAT

**Third Party Costs:**

- Court fee - £110
- Agent's fee for attendance at court if necessary - depends on location
- Land Registry fee for registration of charging order - £40
- Search fee - £9

**Timescale:**

An interim charging order can sometimes be obtained within about 2-3 weeks of the application being made to Court. The timescale for the final charging order will depend upon whether the Debtor files an objection and if the Court lists the case for a hearing. Without any objections or a hearing, it would be a further 5-9 weeks.

**Third Party Debt Order**

A Third-Party Debt Order will freeze a bank account containing money owed by a Debtor that is in the hands of a third party (for example, a bank) and this money can then be used to satisfy a Court Judgment.

**Costs:**

£495 plus VAT

**Third Party Costs:**

- Court fee - £110
- Agents fee for hearing - depends on location

**Timescale:**

A Third-Party Debt Order can sometimes be obtained within about 8-12 weeks of the application being issued by the court.

**5. FURTHER INFORMATION**

We would be pleased to help your business by providing the right debt recovery solutions for your business.

**For further information, please do not hesitate to contact**

**Bill Dhariwal**, *Solicitor and Managing Director*

01489 864 117

bill.dhariwal@lawcomm.co.uk

**Sam Hook**, *Debt Recovery and Litigation Assistant*

01489 864 130

sam.hook@lawcomm.co.uk