

Bad check woes begone

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E-collect of Ohio replaces banks to retrieve nonsufficient funds for companies. The result is a cheaper way to get money owed you and a bit of nontraditional advice — reducing contact with customers can sometimes help your business.

By Courie Weston

Nothing is worse than being shortchanged. Consider what it does to your business when you find yourself in a vicious cycle of cashing bad checks and calling collection agencies.

Usually, it's your cash flow that suffers.

Banks typically charge fees of \$5 to \$6 for every check that bounces. If your company cashes hundreds of bad checks each year — or even each month — the fees rack up. Simply passing that charge on to the customer isn't the best method of customer service, especially when your only other solution would be to eliminate taking checks at all.

But dealing with bad checks doesn't have to be so costly, explains Michael Kline, president of E-collect of Ohio. Kline, a CPA and fraud examiner, says there's another way.

In late 1998, Congress passed a law legalizing electronic monitoring of bank accounts. That's opened the door for a new type of collection agency that can monitor consumer — and business — accounts so that bad checks can be redeposited electronically when funds are made available in the account.

Kline says the law limits to \$2,500 the amount of checks that can be redeposited. That's created a niche for companies such as E-collect.

Here's how Kline says this type of service can benefit your company.

Reduce fees

In business, cash is king. When your cash flow suffers, it begins to affect many other aspects of your business.

Electronic collection agencies don't cost the business owner money, instead drawing a fee from the check writer's account.

Kline says when a check bounces, the bank sends it to companies such as E-collect. E-collect then monitors the account electronically and extracts the money the moment it becomes available.

While that works well for smaller businesses, for large retailers or wholesalers who accept checks — which Kline categorizes as large users — it works even better. Kline defines very large users as those which receive more than 100 bad checks each month, such as grocery store or drug store chains.

Those businesses are accustomed to paying banks a \$5 or \$6 fee when they attempt

to cash bad checks. In fact, they consider it a cost of doing business. Under the large user program, that fee is replaced by a 50 cent fee, which is covered by E-collect.

Explains Kline, "Theoretically, large users save tens of thousands of dollars per year."

Improve cash flow

Chasing down bad debts can be a lengthy process. Using electronic collection agencies slashes that time dramatically.

"Getting that money is accomplished in days as opposed to weeks or months," Kline says.

Industry standards for redepositing checks vary — some banks do it, others don't. But, Kline says, with this type of system, the redeposit rate is 50 to 75 percent higher than usual.

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Michael Kline, president,
E-collect of Ohio

Focus on your clients, not their debts

Kline offers some unconventional advice: "Studies have shown that the more contact there is between the bad check writer and the company they gave the check to, the less likely the customer will come back to that business."

That's because customers who accidentally wrote bad checks feel embarrassed and don't want to face that business owner or clerk again. So, they often take their business elsewhere and hope not to write any more bad checks.

With electronic monitoring and redepositing, that face-to-face contact disappears. Says Kline, "There really is no contact at all."

Who would have thought that less contact with your customers could actually increase your business? **How to reach: E-collect of Ohio, (216) 663-4772**

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