

PUBLICATION

Successfully Collecting Interest on Overdue Accounts

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Contemplating interest payable at the onset of your relationship is in your company's best interest

The Courts have reaffirmed that in Alberta, interest payable on overdue bills is to be agreed between the Parties at the onset of the relationship and not left to words on an invoice at the billing stage.

But how often have *you* come to an agreement over the phone or email with another party to purchase their product or services and upon receiving that product or service, you are left with a bill to pay within a certain amount of time?

This type of verbal agreement is very common nowadays, where people do not have the time to sit down and put pen to paper to work out all the nitty gritty details of the plumber's visit, or your next trip to the auto mechanic. These types of transactions happen daily and often out of necessity. We all know we will pay a fee, which is why many of us ask for a quote in advance to better understand the costs and to shop around to see what others charge.

While many companies will provide the customer a quote when asked, typically there will not be a discussion about any "interest" payable on an overdue bill. The reasons for this may vary but frankly, many customers are so caught up in obtaining the service quickly they simply don't contemplate the costs of late payment. For vendors, getting the business is their main goal, and the less talk about potential costs the better, so as to not scare off potential customers. But regardless of the underlying reasons, interest payable on overdue invoices is very common for businesses in many industries. Unfortunately overdue bills can have major impacts to businesses later on.

Take for example, an oil and gas services company (the vendor) provided services to an exploration company (the customer) and invoices were sent periodically stating "Terms: 2% per month (24% per annum) charged on overdue accounts. The customer eventually missed payments and although they agreed (via a legal consent order) to pay the principal amount of the debt, they said the interest claimed in the invoices was not agreed to expressly or impliedly and should not be paid at all. It was determined that there was *"no express or specific agreement"* to support interest on outstanding invoices, prior to the issuing of the invoices, and the Court found in favour of the customer, and denied the claim for interest payable to the vendor.

The vendor argued that the customer was in failure to contact them when they received the invoices to

complain about the late interest but that argument did not support an "implied agreement" — other evidence of an agreement would have been necessary to hold any merit.

If you have any questions about outstanding debts owed to you or your company, please contact any of our Debt Recovery, Collections & Foreclosure lawyers. We would be happy to help you.