

# International Debt Collection

## All you need to know

4 min read



## Introduction

It can be frustrating when your foreign customers do not pay their invoices on time.

The recovery process is more time-consuming and much more difficult than chasing debtors in your own country.

To make it easier for you, we will explain, in a simple way:

- What regulations apply.
- How the international collection process works.
- How to achieve effective debt collection that always is in accordance with the law.

## What is meant by international debt collection?

International debt collection has to do with the recovery of cross-border, non-contested claims.

For companies, it involves collecting invoices that are overdue from customers in other countries.

## What laws apply

## The main features of countries' legislation

"The rules and laws of the debtor's country are the ones that regulate how to collect the claims."

**There is no such thing as international debt recovery laws.** Rules and laws that apply to debt collection are always regulated at a national level, just like other procedural rules for suing someone in court.

**So which country's laws apply?** For debt collection, the laws of the country where the debtor is located are applied. In other words, if you have to collect a claim against a debtor in Sweden, Swedish laws apply.

**1, Authorisation is almost always needed for third-party collection agencies,** to protect debtors from unscrupulous companies and prohibited practices. Here's an illustration: if you're making your claim against a company of German origin, only a German collector can recover such a claim regardless of the creditor's country.

**2, There are rules about prohibited actions against the debtor.** (To protect the debtor.) For example. What time of day, the Debt Collector may contact the debtor, etc.

**3, Most countries have simplified judicial procedures to regulate uncontested claims** if there's need for a creditor to institute any legal action.



# The international debt collection process 1(2)



## Step 1. Trying to get the customer to pay voluntarily. (Amicable debt collection.)

A Debt Collector tries to persuade a debtor to pay his debt without resorting to legal action. This may include phone calls and collection demands. The debtor is informed that legal action is an option if there's no payment. This has a huge impact on the debtor's desire to pay back.



## Step 2. Legal action.

Legal actions are usually instituted in the country of the debtor. In most countries there's a court procedure known as a "Payment Order", which is used to settle uncontested monetary claims. This procedure makes the process cheaper and faster compared to the normal proceedings.

**Jurisdiction:** Jurisdiction has to do with the country where the legal action is to be instituted, where the parties reside in different countries. Such questions must be tackled case by case.

However, the rule of thumb for commercial disputes is that the country of the debtor will have jurisdiction if the parties fail to agree on jurisdiction. The implication of this is that, these debt collection cases will be instituted in the debtor's country.

## The international debt collection process, 2(2)



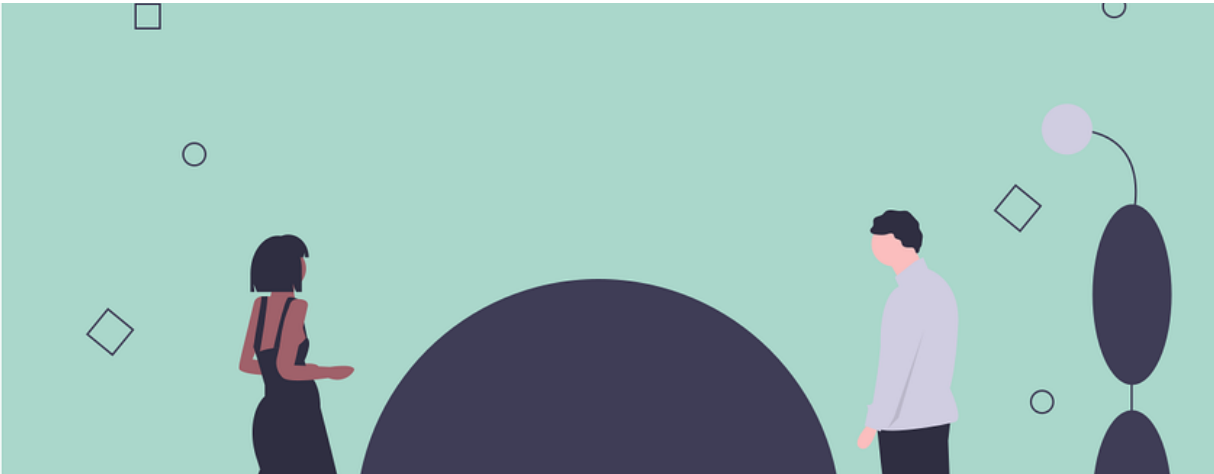
### Step 3. Enforcement

If the debtor doesn't pay after the judgment, you must apply for enforcement. Each country has enforcement authorities that can compulsively take assets from the debtor if he does not willingly pay. You must apply for Enforcement in the country where the debtor has assets.

To apply for enforcement, you must have an enforcement order (a judgment/verdict) from the same county you apply for Enforcement in. There are exceptions when a judgment from another country can also be accepted, (enforcement and recognition of foreign judgments.) However, it varies from situation to situation and must be investigated separately in each case.

# Local Coverage is key for international debt collection! 1(2)

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A customer's failure to pay can always be traced back to one of three reasons.

They forgot.  
They can't.  
They don't want to.

If they have forgotten, a payment reminder is usually enough to make them aware of this.

But if a customer cannot, or does not want to, maybe they are short of cash, or simply choose to not prioritise your payment. Then you need help from a collection company.

Debt collection companies are often good at negotiating. But more importantly they inform the debtors that they will take legal action if they do not pay.

This makes them prioritise these invoices.

The important thing is that the "threats" become de facto tangible. "Could the debt collector easily proceed with legal action if we do not pay?"

And since legal action must almost always be taken in the debtor's country, the debt collector needs to have local coverage and specialist knowledge of the procedural rules in that country.

# Local Coverage is key for international debt collection! 2(2)

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Additional advantages of having a debt collector with local connections in the debtor's country are that;

- They have knowledge of the local business culture.
- They speak the language of your debtors.
- They are much more likely to have authorisation for collection activities in the country.
- Their actions always comply with the rules and laws regulating debt collection in the nation.

“Imagine the difference it would make to your reaction if you got a collection demand from a collection company several countries away, compared to getting it from one in your own country.”

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Make sure your choice of debt collector covers the whole collection procedure. (Amicable, legal action, enforcement.) This gives you leverage with your debtors and makes it easier to proceed with the necessary escalated steps if need be.

## To sum up:

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- 1, There are no international debt collection laws.
  - 2, The rules for debt collection in the debtor's country apply.
  - 3, Most likely, permission is required for debt collection activities against debtors in that specific country.
  - 4, The debt collection process contains three steps. Amicable debt collection, legal action, and enforcement. Make sure your choice of debt collector covers them all.
  - 5, Legal action must practically always be taken in the country of the debtor.
  - 6, Enforcement must be done in the country where the debtor has assets.
  - 7, Local coverage is absolute crucial for effective debt collection that complies with the law.
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Oddcoll is a platform with handpicked debt collectors in every European country, meaning your invoices are collected from your debtors' countries.

This enables internationally-oriented companies to collect their overdue invoices with ease

To find out more how we can help your business achieve more effective debt collection,

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