

DEBT RECOVERY: Local Court Small Claims

KRGS

<https://www.krgsdoors.com.au/>

"Previously, I have been writing off small debts because it is too expensive to hire a solicitor to sue a debtor in the Local Court or send them to a debt collector".

"KRGS now uses a platform that delivers effective debt recovery for debts that has made a difference to my business".

Clayton Blackman – KRGS Managing Director

Affordable Debt Recovery

Executive Summary

In January 2018, KRGS contracted with a fit-out contractor to install and deliver a KRGS Clearvision Polycarbonate Roller Shutter to a retail store in Surfers Paradise, Queensland.

The sub-contractor paid a 50% deposit on acceptance of the KRGS quotation and on completion of installation, being February 2018, sent the contractor a final tax invoice for the balance of monies owing.

The contractor refused to pay the balance of 50% being under \$3,000. I retained **Effective Debt Recovery (EDR)** to recover the balance of monies owing to KRGS.



EFFECTIVE DEBT
RECOVERY

CASE STUDY

EDR's service gave me confidence in pursuing my claim in the Local Court because:

- the fixed fees made it attractive;
- the debt recovery process gave me certainty in having my claim determined in a reasonable period; and
- I was able to recover the fixed fees from the debtor.

Challenges

Prior to using the services of EDR, I was writing off small debts because it was too expensive to recover them in the Local Court. The opportunity cost in chasing small debts was far greater and it stopped me from pursuing other more profitable tasks.

Writing off debts puts pressure on my cash flow, my profit and loss and balance sheet.

How EDR Helped

My accounts receivables manager submits all KRGS debts online using EDR's secure website www.effectivedebtrecovery.com.au

Upon entering the debt details, uploading the supporting documentation and making payment of the fixed fees:

- EDR sent a letter of demand to the debtor;
- EDR followed up my account manager on the expiry of the letter of demand to see if payment had been made; and
- EDR filed and served a statement of claim in the Local Court as soon as the letter of demand expired.

Debt recovery statistics in Local Court NSW

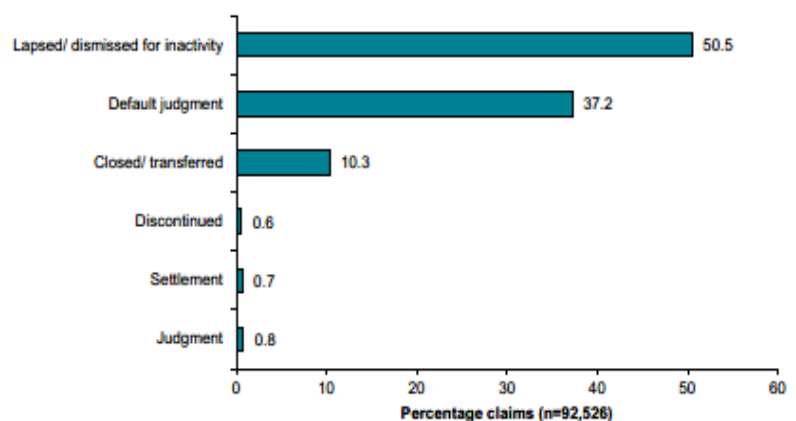
Fig 1: Types of claims finalised in the Local Court, 2014 by Justice Link claim type and by claim type with Mercantile Law – Other category revised (estimates)

All claims (N=93,805) Claim type (summarised categories)	JusticeLink %	Revised Estimated % range		
		Lower	Mid	Upper
Unpaid council rates	27.3	32.5	34.1	35.6
Mercantile law – sale of goods & services	18.6	22.3	23.8	25.3
Mercantile law – consumer credit & money lent	10.8	11.5	12.4	13.3
Torts – motor vehicle accident	8.2	8.2	8.6	9.1
Mercantile law – other	24.7	5.7	7.2	8.8
Mercantile law – strata levies	2.5	3.0	3.8	4.5
Property related	1.1		1.1	
Mercantile law – (remaining types combined)	0.8		0.8	
Torts – negligence – other	0.3		0.3	
Administrative law	0.2		0.2	
Torts – trespass	0.1		0.1	
Employment awards & agreements	<0.1		0.0	
Unknown and miscellaneous	<0.1	0.0	0.2	0.4
Total	100		100.0	

Source: JusticeLink database, claims only (n=93,805); Casefile review, sample of 200 cases with JusticeLink claim type of Mercantile law - other.

Notes: The original % column indicates the proportion of claims by type, as defined in the JusticeLink data. The revised % column indicates estimated percentages based on our review of the proportions of misidentified claims in the Mercantile law – other category. As the reallocation was drawn from a sample the estimates of the number of cases to be reallocated are subject to sampling error. The range provided is a 95% confidence interval: there is a 0.95 probability that the population figure is included in the range. Matter types that did not have any cases allocated from Mercantile – other are unaffected and therefore do not have an associated confidence interval. These figures could change further if each other category were similarly reviewed.

Fig 2: How claims were finalised in the Local Court, 2014



Source: Management information report, attached to JusticeLink database.

Note: Based on all claims finalised in 2014. Information on finalisation type not available for 1,279 claims.

Fig 3: Finalised Claims Defended in Local Court, 2014, by claim type

All claims Claim type (summarised categories)	% of all claims	% of claims defended
Employment awards & agreements (n=30)	<0.1	56.7
Torts – trespass (n=95)	0.1	54.7
Torts – negligence (n=268)	0.3	41.8
Torts – motor vehicle accident (n=7,695)	8.2	26.4
Mercantile law (remaining types combined) (n=768)	0.8	16.7
Unknown and miscellaneous (n=17)	<0.1	11.8
Mercantile law – sale of goods & services (n=17,460)	18.6	11.0
Mercantile law – other (n=23,203) ^a	24.7	7.4
Property related (n=1063)	1.1	5.6
Mercantile law – consumer credit & money lent (n=10,156)	10.8	3.2
Mercantile law – strata levies (n=2381)	2.5	2.8
Administrative law (n=168)	0.2	1.2
Mercantile law – insurance disputes (n=4,926)	5.3	1.1
Unpaid council rates (n=25,370) ^a	27.3	0.3
All claims (n=93,805)	100.0	7.0

Source: JusticeLink database, claims only.

Notes: 'Defended' claims are those where a defence is filed at any point in the matter.

^aThese figures do not include the estimated 6381 Mercantile law – other claims which are actually unpaid council rates (see Table 8 for reappointed claims).

Most of the claims filed in the Local Court in 2014 was for unpaid council rates, mercantile law – sale of goods & services; consumer credit & money lent; strata levies & other – 96.6% of all claims.

Only 7% of all claims are defended.

About 37% of all claims are determined by default judgment.

Over half are either lapsed/dismissed for lack of activity, closed/transferred, discontinued, settled or determined by judgment.

This means that there are reasonable prospects for getting paid once you file a statement of claim.

Results, Return on Investment and Future Plans

The contractor filed a defence and counter claim in the Local Court proceedings filed by EDR.

At the pre-trial review, my solicitor attempted settlement but to no avail. The registrar listed the matter for hearing and made a direction that parties file and serve all witness statements intending to rely on at least two (2) weeks before the hearing date.

My solicitor filed and served the witness statements in accordance with the direction of the Court and attended the trial hearing.

The adjudicator entered judgment in favour of KRGS for the full amount of the claim plus interest and costs and dismissed the cross claim. KRGS received the full judgment sum including interest and costs within 28 days after the hearing.

Since March 2018, EDR has recovered over \$20,300 in principal, interest and costs for KRGS.

KRGS has spent less than \$5,000 in fixed legal costs, filing and service fees to recover \$20,300, which makes it commercially viable to pursue debts in the Local Court small claims division.

"I understand the small claims division of the Local Court has increased its claims to \$20,000 (up from \$10,000 previously). The small claims division gives certainty and finality when pursuing debts that is crucial to my cash flow".

Clayton Blackman – Managing Director KRGS Doors