

Bad Debt Prevention & Recovery

Building Materials & Hardware

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This guide explains what the tool produces, how to use the output, and what to watch for. The actual output (draft/report) is generated on the tool page.

Background

Builds a bad-debt prevention and recovery approach — early warning and prevention, negotiation and settlement, legal recovery options (Section 138, summary suit, MSME dues) and write-off discipline — so you minimise losses and recover what you can. Use it for problem accounts. For cheque bounce specifically use the Cheque Bounce & Recovery Handling tool.

Purpose of this tool & output

Prevent, and recover, the debts that go bad

How the output is used

Use it to prevent, and lawfully recover, the debts that go bad — a graded demand-letter and legal-notice sequence for chronic defaulters.

Who receives it

The demand letter or legal notice is addressed to the defaulting customer (and any guarantor), with a copy retained; a final legal notice is usually sent through an advocate.

How to submit / file it

Send the demand letter by registered post/courier with acknowledgement, escalate to a lawyer-issued legal notice, and only then to a recovery suit if the amount justifies it.

Who should vet it

An advocate, to settle the final legal-notice wording, confirm the limitation period and advise on the right forum before you escalate.

Important cautions

Weigh recovery cost against the amount; sometimes a negotiated part-settlement beats years of litigation. Consult a lawyer for legal action — general guidance only.

Companion documents

- Contractor Credit & Collections Policy
- Customer Credit Appraisal
- Collections Process & Follow-Up SOP
- Cheque Bounce & Recovery Handling
- Outstanding & Ageing Management
- PDC & Security Management

This is AI-assisted guidance. Verify with a qualified professional before any binding decision. Fees, authorities and processes vary by state and change over time — confirm with your state authority.