

Pay Me, Please. How Do I Get Customers to Pay for Repair Work?

Each of you repair your customer's equipment every day. Although this work is a profitable addition to your dealership's business, you inevitably deal with customers that can't or won't pay for your services. I get many calls from dealers in this situation. The good news is that you usually have legal rights to help you get paid without a lawsuit. In addition, there are steps you can take with your customer that will improve chances of payment even if the law doesn't help you. The bad news is that many dealers don't plan in advance for these situations and miss opportunities to take advantage of legal rights or include terms in their repair authorization forms that give them a better chance of recovery in these situations. To keep this from happening to you, keep in mind the following basic concepts:

- *Hold on to the Equipment.* This is the simplest rule, but one that is often hard to follow when you are trying to maintain good customer relations. The reality is that most states allow you to keep the equipment until you get paid and doing so greatly increases the chances of this happening.
- *Know Your State Law.* Most states have "repair lien laws." The laws are all over the map in terms of the protection offered and understanding the law will help you make decisions about how to handle non-payment situations. Here are some of the key issues addressed in these laws:
 - *Do I keep my lien if I release the equipment?* In some states, you can keep your lien if you release the equipment. This gives you more flexibility to give equipment back to the customer before getting paid. However, make sure you understand the limitations: (a) you may have to make a filing with the government (similar to a UCC filing) within a certain period of time; (b) required language may be needed in your repair authorization form; and (c) releasing the equipment might put you behind the bank's security interest.
 - *How do I sell the equipment?* Many states give you the right to sell the equipment and use the proceeds to cover your repair bill. But the process can vary significantly and can include advertising requirements, performing UCC searches and giving notices to other lien holders and restrictions on the place of sale.
 - *If I sell the equipment, how much do I get to keep?* Before you sell the equipment, you need to know if your law gives you priority over other liens against the equipment. The answer to that question, the value of the equipment and the amount of the repair bill will help you decide if you want to sell the equipment or simply hold on to it as leverage.
- *Get Additional Protections Through Terms of Service.* Most dealers do not have formal terms of service with customers. I recommend changing this practice to give you more leverage in customer non-payment situations. There are two simple things you can include in these terms that will help you even if your state doesn't have a strong repair lien law:
 - *Take a Security Interest.* Require the customer to give you a security interest in the equipment to cover your repair bill, costs of sale, attorneys' fees, etc. Even if you don't do a UCC filing, a security interest will give you a right to repossess the equipment and create leverage to get paid.
 - *Add Storage Charges.* You can charge for storage, but it needs to be in writing. Adding a storage charge that applies after the work is complete will help you deal with customers leaving seasonal equipment on your lot for months at a time (while not paying the repair bill).

Collecting repair bills from customers is a fact of life for all of you. Paying attention to the legal rights you have on the front end will give you the ability to put in place the terms you need to give you the best shot at getting paid.