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Group Therapy

Late Fees and Overdue Charges

Column Editor, Rosann Bazirjian (Florida State University)

Hey y'all out there! Do you have any gripes? Come to your therapist! Try <bazirjian@mailer.fsu.edu> or FAX 904-644-5170.

GRIPE: (Anonymous submission)

I have a gripe about the overdue charges we receive from publishers and vendors. Is it my imagination, or has the frequency of overdue charges only gotten worse in the past few years? I'd like to know if other libraries get these charges levied against them, and how do you pay them? I wonder how state institutions handle overdue charges. Might there be any publishers and vendors willing to comment on this as well?

RESPONSE: (Submitted by Sandy Beehler, Old Dominion University)

ATG queried a variety of vendors to find out what their policies were with regard to paying invoices: if and when late fees were added, if and when stronger measures were taken. This is a summary of the answers.

Among the ten vendors that I contacted, the policies toward late payers divide into two camps roughly relating to the kind of business predominately carried on by the company. Vendors who deal mostly in monograph orders do not generally charge a fee for late payment. Subscription agents do charge late fees.

Most vendors send out monthly statements that are intended to alert customers to overdue bills. They monitor the statements themselves and follow up with letters or phone calls to customers. They value the customer/vendor relationship highly and seem to be generally aware of the common causes of late payments and are very understanding of the customer's position.

All the vendors work closely with their customers to try to work out any problems underlying both occasional and chronic late payments. Many vendors deal with customers on a contractual basis, and fees for late payment may be part of a contract, though that is not usual. Most vendors say the majority of their customers pay on time; however, the statements or invoices they send out usually specify that late charges may be assessed. One vendor explained that a company works under two rules of thumb: maximum exposure for any customer based on creditworthiness and a general set of terms under which they will sell. Most vendors evaluate a particular credit situation based on the relationship with the customer and the circumstances. The company tries to establish and keep good, long-term relationships with customers.

Some vendors are alerted by their accounting system when a customer reaches its credit limit. At that point the situation is evaluated by high level accounting staff and often the sales representatives as well to decide on further action. In no case were late fees automatically charged by the company's accounting system. There is always human involvement in the decision. When a late fee, or carrying charge is levied, the amount ranges from one to 10 percent per month. In extreme cases a customer is put on credit hold until overdue payments are received.

Now, on to the reason why such fees are charged. Vendors that don't charge late fees at all tend not to have had to look at costs closely. Unfortunately more and more companies are being forced to do so as their profit margins shrink due to various market factors (e.g., lower discounts from publishers).

It was also explained to me that the subscription business is much different from the book business with respect to cash flow. For subscription agents, even more than for book agents, timing is critical to profit. Vendors have to pay publishers for subscriptions and orders. In most cases, they must borrow the money to do so. If they are not paid promptly, they cannot repay their debts. They must then borrow more money in order to pay the debts. The cost of borrowing money short term is higher than the cost of borrowing when one has time to plan ahead. That extra cost is passed along to the customers who don't pay on time in the form of a late (or "carrying") charge. In this way the vendor passes along the cost of doing business (financial cost) directly to those customers that cause it to incur higher costs, and does not penalize everyone, as would happen if it simply raised service charges to all customers.

Vendors feel that charging carrying fees is a way of educating customers to both consumer obligations and the reality of doing business. All vendors stressed that most of their customers pay on time or even before time. They also emphasized that communication on the part of the customer was vital; they were much more likely to take further action against customers who did not respond to letters or return phone calls.

All said that their policies with regard to charging late fees had not changed recently.

ATG also talked to some librarians, to find out what their policies were in regard to late fees and whether they thought these fees were being charged more often than in the past.

As I had already heard from vendors, most librarians say that they pay their bills on time. Some state institutions are required by their state government to pay within 30 days. Many had problems in the past which had been eliminated by new or improved integrated library systems. Most report that they were either never charged a late fee or simply refused (or were forbidden by state law) to pay late fees. One or two say they have sometimes paid late fees when they couldn't talk their way out of them. They also state that communicating promptly with vendors when problems arise is important to avoiding late charges. Nobody thought that the frequency of late charges had increased in recent years.

Librarians agree that most late payments are due to either disputed bills or institutional problems such as having to go through several departments to get a check cut. Occasionally an invoice might get lost or payments misapplied. In these cases it is a good idea to look at statements from your vendors. The small amount of time it takes to glance through them once a week or so is more than made up for by the problems that are caught before they become gigantic messes. For the first few years I was at Cornell Law Library nobody looked at vendors' statements; a couple of years before I left I began doing so and following up on anything that looked like a problem. By doing so, we were able to ensure that payments were being properly applied and in at least one case found thousands of dollars that had been floating around as credit we never knew we had.

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