

# Debt Collection



**Novalnet**

**WhitePaper on Novalnet's Debt Collection**

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# Content

**INTRODUCTION**

**DEBT COLLECTION  
PROCESS AT NOVALNET**

**WHY IS DUNNING IMPORTANT**

**ABOUT NOVALNET AG**



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# Introduction

Debt Collection is an effort by the Payment Service Providers to collect payments from customers who owe for the products or services they obtained from online merchants. The debt collection process involves repeated steps with profound actions at each step.

The debt collection or dunning process depends on the amount due, payment delay time, and customer reliability. Overdue payments are handled by the account receivables team, which internally passes them to the collection team.

The payment service providers hire third-party collection partners to perform the dunning process. The collection partners send payment reminders on behalf of the payment providers.

This whitepaper focuses on the debt collection process and its outcomes.



## Glossary

**Dunning** - A process collecting unpaid dues from users.

**Grace period** - Additional period offered to debtors after the due date, to pay their bill

**Bookkeeping** - the process of organizing the financial records of a business.

# Debt Collection Process At Novalnet



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**Step 1:** The customer brought about a non-payment for goods or services he purchased from an online store. This may be due to a payment decline caused by card payment or an attempt to prevent fraudulent card transactions or when the transaction amount exceeds the customer's account balance.

**Step 2:** The payment failure is considered an incident, and the case is transferred to the Novalnet collection team.

**Step 3:** The Novalnet collection team sends gentle payment reminders to customers through e-mail or through post. The e-mail might have a payment link to update the payment method and retry payments or pay their pending amount, which is due. In general, Novalnet provides a grace period for the customer to complete the payment.

**Step 4:** If the customer fails to pay even after the grace period or doesn't contact the Novalnet support team, the incident is considered a payment default, and the case is moved to the third-party collection partner.

**Step 5:** The collection partner and their law firm reviews the customer profile and sends payment reminder notices via phone calls, e-mails, phone messaging services, messaging applications or postal mail.

**Step 6:** After several notices and calls, If the customer fails to pay a court procedure starts and If the customer didn't pay still, a legal officer visits the customer's house and collects the payment.

**Step 7:** Then, the collection partner credits the due amount to Novalnet.

**Step 8:** Novalnet pays their merchants the transaction amount to close the pending case.

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# Why Is Dunning Important

Recovering customers' failed payments is essential to increase recurring revenue and avoid bad debts. The dunning process is automated and works against involuntary churn due to payment failures.

When the customer is subjected to the dunning process, Novalnet's debt collection check does not allow him place orders in the site. Payment reminders sent as a part of dunning may genuinely remind someone who has left their dues unpaid by mistake. So it's high time they might have their expired credit card renewed.

The debt collection process boosts your subscription sales in most cases where recurring revenue is optimized with uninterrupted payment flow. In addition, getting paid on time will significantly benefit bookkeeping and account closures.

Debt collection must be one mandatory service you could integrate into your online shop, where you experience serenity from checkout to debt collection. Taking appropriate measures at the right time will ensure the smooth running of online businesses.

Debt collection builds customer communication by keeping them connected with your business with regular alerts. Automated debt collection services powered by third-party partners will save time rather than manual dunning directly by business owners.





# About Novalnet AG

Founded in 2007, Novalnet is a pioneer in all-in-one payment services. Our strength remains in the unrelenting pursuit for perfection, innovation and acceleration, supported by the best people in the industry. This constant drive to innovate and scale keeps our global payment solutions ahead of the game and gives you the business edge. Our belief in exceeding the best of expectations have made us one of the most popular payment service providers in Europe.

# Thank You

Accept 200+ payment methods in 150+ currencies globally in a highly secure, state-of-the-art environment supported by AI-powered risk management for SMEs & large enterprises. Novalnet hosts multiple value-added features & services including recurring payments, debt collection, automated marketplace.



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