OCTAGONA
A BONFIGLIOLI CONSULTING COMPANY

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Advisory

Corporate Debt Recovery

ADVISORY

CORPORATE DEBT RECOVERY

I. INTRODUCTION

In the ordinary course of business, companies often supply goods, provide services, extend credit, undertake consultancy work, or perform contractual obligations for clients, vendors, customers, distributors, or other business partners. In such transactions, payment may be agreed upfront, in stages, upon completion of work, or within a specified credit period.

However, issues related to the payments may due to various unforseen reasons. In such cases, the outstanding amount may become a recoverable corporate debt.

Corporate debt recovery is necessary to protect cash flow, enforce contractual rights, reduce financial exposure, and prevent avoidable loss. It also ensures that payment defaults are addressed in a lawful and structured manner.

II. WHEN DEBT RECOVERY MAY ARISE

Corporate debt recovery may arise in several situations, such as:

a. unpaid invoices, consultancy/ professional fees, commission;
b. delayed payments;
c. non-payment for goods supplied or services rendered;
d. dishonoured cheques;
e. reimbursements;

It may also arise where the debtor has acknowledged the liability through email, message, ledger confirmation, part payment, or other written communication, but still fails to clear the outstanding dues.

III. PRELIMINARY ASSESSMENT

Before taking legal action, the creditor should first assess the strength of the claim. This includes reviewing the contract, if any, purchase order, invoices, statement of account, proof of delivery or services, payment reminders, correspondence, and any admission or acknowledgement of liability.

This assessment helps determine whether the debt is admitted or disputed, whether the claim is within limitation, whether interest can be claimed, and which legal remedy may be most suitable.

IV. DEMAND NOTICE

a. A demand notice is often useful because it creates formal pressure, opens the possibility of settlement, and demonstrates that the creditor has acted reasonably before initiating proceedings.

b. It records the outstanding amount, refers to the relevant documents, calls upon the debtor to make payment within a specified time, and puts the debtor on notice of possible legal action.

V. AVAILABLE LEGAL REMEDIES

a. The choice of remedy should be made after considering the nature of the debt, available documents, contractual terms, limitation period, debtor’s response, and whether the claim is admitted or disputed.

b. If the debtor does not make payment despite the demand notice, the creditor may consider appropriate legal remedies. The available remedies may include a civil or commercial recovery suit, arbitration proceedings if the contract contains an arbitration clause, cheque dishonour proceedings where a cheque has been dishonoured, MSME recovery mechanism where the creditor is eligible, or proceedings under the Insolvency and Bankruptcy Code in suitable cases.

VI. LIMITATION

Debt recovery action must be taken within the applicable limitation period. In most commercial recovery matters, delay may weaken the claim and may affect the creditor’s ability to recover the dues. Therefore, timely action is advisable.

VII. CONCLUSION

Corporate debt recovery should be handled in a structured and legally compliant manner. The creditor should first verify the claim, collect supporting documents, issue a formal demand notice, and thereafter proceed with the most suitable legal remedy. A timely and well-documented approach can significantly improve the chances of recovery and reduce unnecessary legal and financial risk.

Octagona India provides end-to-end legal support for corporate debt recovery, including review of documents, assessment of outstanding dues, drafting of demand notices, and advising on suitable recovery remedies under Indian law. We assist in matters involving unpaid invoices, delayed payments, dishonoured cheques, breach of payment terms, consultancy fees, reimbursements, and other commercial dues.

Our services help businesses take timely and legally compliant action to recover outstanding amounts, protect commercial interests, reduce financial exposure, and minimize prolonged payment disputes.

Disclaimer Note:

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