

# SOP Template: Late Fee Penalty and Reminder Notification Procedures

This SOP details the **late fee penalty and reminder notification procedures**, including the criteria for applying late fees, the timeline for issuing reminders, communication channels utilized for notifications, steps for escalating unpaid fees, and methods for maintaining accurate records. The purpose is to ensure timely payment collections, reduce overdue accounts, and maintain transparent communication with clients regarding penalties and outstanding balances.

## 1. Scope

This procedure applies to all accounts receivable processes for client invoicing and collections related to overdue payments.

## 2. Definitions

- **Late Fee:** The penalty charged for outstanding payment beyond the due date.
- **Reminder Notification:** Communication sent to clients regarding upcoming or overdue payment deadlines.
- **Escalation:** Steps taken if payment remains outstanding after multiple reminders.

## 3. Criteria for Applying Late Fees

- Late fees are applied when payment has not been received by 11:59 PM on the invoice due date.
- The standard late fee rate is [% **Late Fee Rate %**] of the overdue balance, or as specified in the client agreement.
- An additional late fee may accrue for each subsequent billing period the account remains past due.

## 4. Timeline for Reminders & Penalties

Day	Action	Communication Channel
0 (Due Date)	Invoice Due	Email or Billing Portal
Day 1	First Overdue Reminder	Email
Day 7	Second Overdue Reminder & Late Fee Applied	Email & SMS (if available)
Day 14	Final Notice Prior to Escalation	Email & Phone Call
Day 30	Escalation to Collections or Suspension of Services	Written Letter & Account Update

## 5. Communication Channels

- Email: Primary method for reminders and invoices
- Billing Portal: Automated alerts and account status updates
- SMS: Supplemental reminder for overdue accounts (optional)
- Phone Call: For final reminders prior to escalation
- Written Letter: For formal escalation or collections notice

## 6. Escalation Procedures

1. After 30 days overdue, escalate to collections team or external collection agency.
2. Consider account suspension or termination as per contract terms.
3. Record all escalation steps and communications in the account record.

## 7. Record Maintenance

- Maintain detailed logs of all invoices, payment statuses, and reminders sent.
- Retain copies of all late fee assessments and communication records for at least [% **Record Retention Period %**] years.
- Regularly audit records for accuracy and compliance.

## 8. Responsibilities

- **Accounts Receivable Staff:** Issue reminders, apply late fees, update records, escalate as needed.
- **Finance Manager:** Oversee process adherence, review escalated accounts, approve external collections.

## 9. Review and Updates

This SOP should be reviewed and updated annually or as required by regulatory or policy changes.