Debt Collection in Saudi Arabia

Typically, a claimant or creditor will give a debtor several opportunities to repay due amount, believing that the debtor might pay, and to avoid the time and hassle of formal debt collection proceedings. The unfortunate reality, however is that debtors often do not come forward to settle and pay their debts willingly, and attempts at negotiating a settlement fail. Only after prolonged attempts of follow up and negotiation to collect, the claimant chooses to pursue legal actions i.e. consult and engage lawyers to take legal recourse.

We always advise claimants to consult our experts before it becomes bad debt.

Debt collection through two process;

1. Pre-legal or Out of Court Collection
2. Collection through Courts
   2.1. Regular Courts
      2.1.1. Commercial Courts
      2.1.2. Board of Grievances
   2.2. Enforcement Courts

1. Pre-legal or Out of Court Collection
Out of court collections are usually performed where the claimant wants to have an expedite process to collect the outstanding dues and we can negotiate to bring the debtor for an amicable settlement in short a period of time. This phase is also tired where sufficient documents are not available for claimants to file a case.

Early settlements and collections – During pre-legal phase our team always work within the legal module, we always advise claimant to issue us a legalized power of attorney (POA) to represent them before the debtors in an appropriate legal approach. We would inform the debtors that we represent the claimant legally and we have instructions to initiate legal case against them and legal consequences. We suggest the debtors to avoid legal consequences and come forward for settlement. During this phase the debtor might propose for settlements either by one-time settlement or by instalments. The interesting part is that we have managed to collect or settle with the debtor in 30 to 40 working days in this phase.

Our strategies help clients in reduction of expenses and protracted legal battles.

We stand different from the collection agencies;

In many debts claim cases the claims do not succeed in Courts due to lack of substantial documents such as proof of delivery, or purchase orders or signed contracts available for the Judge to prove the debt actually existed. Documents without signatures or stamps or authentication are not accepted by the court and makes the collection process even weaker. As a law firm we are well aware of these circumstances, as such during pre-legal (out of court collection) process if the debtor refuses to cooperate, we engage our lawyers to negotiate and make the debtor to sign any commitment by way of a settlement agreement or letter. Such documents become authenticated and legally enforceable in the court making the chanceless debt to recoverable debt.

2. Collection through Courts

There are two competent courts where we can file money claim case and collection of financial instruments, one through the regular courts (The Commercial Court & the Board of Grievances) and the Enforcement Court.
As a first step we will review your situation to determine whether there is a valid case and enough documentation is available (or can be obtained) to pursue litigation through regular courts, if the documents are trade instruments, such as cheques, promissory notes & bonds etc., for their validity and expiration. Depending on the results of this analysis, a case may be filed before the Commercial Court (where the available documents are only invoices, purchase orders, balance confirmations, delivery notes and contracts etc.), or with the Enforcement Court (where available documents are trade instruments and final judgments or arbitration orders).

2.1. Regular Courts (Commercial Court and Board of Grievances);

Money claim suits are filed through regular courts; the Commercial Court is competent to accept cases related to commercial transactions dues against individuals and private entities and the Board of Grievances is an exclusive court which is competent to accept money claim suits against government entities.

In regular courts we file the case based on documents such as invoices, delivery notes, balance confirmations, purchase orders, certified emails and contracts 1. Either party can appeal the judgment issued by the first instance court within 30 days from the date of judgment issued. After obtaining the judgement in favour of the claimant it has to be implemented through the Enforcement Court.

2.2. Enforcement Court Proceedings:

The crucial part is that the claimant must be aware that financial instruments such as the promissory notes, cheques, and bonds etc., should be filed with the Enforcement Court before expiry of the limitation period set by the Enforcement Law. This is commonly known as a statute of limitation. Therefore, taking early legal action is highly advisable.

The Enforcement Court is very aggressive, and the non-appearance or refusal to pay by the debtor could result in the following: 1) seizure of the debtor’s Commercial Registration certificate (CR), halting the business operations of debtor; 2) the issuance of an arrest warrant against the individual and General Manager of Debtor company; 3) a freezing of bank accounts; 4) travel ban; 5) notification to the labor office to stop its services for the Debtor company; 6) seizure of movable and other immovable assets; and/or 7) an order to liquidate the company to recover the claim amount. Etc.,

Duration

Based on our experience, the successful completion of a case varies considerably depending on the facts and circumstances of the case. Out of court collection should not take more than three to four weeks to get to stage where judicial proceedings can be initiated. Cases before the regular courts usually take at least one to two weeks for review for viability and two weeks to serve a summons once filed and accepted. A final judgment can take upwards of twelve to eighteen months, possibly longer in certain cases for any disputed invoices or facts or lack of substantial documents.

Duration of a case before the Enforcement Court is much faster. One week is usually sufficient to review and report on the viability of the case. Once accepted by the court, within twenty-one days of submission, the judge will serve summons and pass the first order, and within a period of one to two months will start issuing arrest warrants, seize assets, and freeze all activities of the Debtor on failure to pay.

1 stated documents should be signed and stamped
Fees

For Pre-legal collections we work with “no collection no fees” basis, for regular courts and enforcement courts we usually quote fees only after analysis of the documents.

We can also conduct a study on the transaction documents, facts and situations on the request of client before legal proceedings to provide legal opinion/advise whether there is a viable case. We charge a nominal fee for such advise/opinion.

For more details please do not hesitate to call our experts!