Delinquent Client Escalation Checklist

A practical sequence for MSPs when a client stops paying.

Use this checklist to make sure payment issues move through a consistent process before an aging receivable becomes a major financial exposure. Adapt the timing to your agreements, operations, and applicable law.

1. Confirm the Contract and Account

- ☐ Confirm the invoice is accurate, due, and sent to the right contact.
- ☐ Check the agreement for payment terms, notice requirements, suspension rights, and treatment of third-party services.
- ☐ Identify any licenses, cloud services, security tools, or other vendor costs the MSP is still funding for the client.
- ☐ Document the current past-due balance and the MSP's ongoing monthly exposure.

2. Start the Internal Escalation Clock

- ☐ Send the initial payment reminder and document the date and response.
- ☐ Follow up with accounts payable, then escalate to the client relationship owner or leadership if the balance remains unpaid.
- ☐ Keep notes of promises to pay, disputed invoices, requested extensions, and missed commitments.
- ☐ Do not let repeated late payments become an informal exception to the company's payment policy.

3. Move to Formal Notice

- ☐ Send written notice that references the applicable contract provision and the amount required to cure the default.
- ☐ State the deadline clearly and explain what may happen if the account is not brought current.
- ☐ Send reminders as the deadline approaches; use a delivery method that creates a reliable record when appropriate.
- ☐ Before taking action, confirm internally that the required notice period and approval steps have been satisfied.

4. Suspend or Decline Further Liability

- ☐ Follow the agreement and applicable law before suspending services or changing access.
- ☐ Distinguish between affirmatively shutting off a service and declining to renew a third-party service the MSP would otherwise have to keep funding.
- ☐ Stop allowing unpaid balances to grow simply because the client says payment is coming.
- ☐ Coordinate account management, finance, technical operations, and leadership so the client receives one consistent message.

5. Structure Any Repayment Plan

- ☐ If the client resumes current payments but still owes an older balance, agree on a specific additional monthly payment amount.
- ☐ Set a defined repayment schedule instead of leaving the old balance open-ended.
- ☐ Consider documenting the past-due debt in a promissory note reviewed by counsel.
- ☐ If the client misses the repayment plan, escalate promptly rather than restarting the cycle of informal extensions.

6. Prepare for Collection or Exit

- ☐ Preserve the agreement, invoices, notices, payment history, service records, and relevant correspondence.
- ☐ Decide whether the account should move to counsel or another approved collection path.
- ☐ If the client relationship is ending, coordinate transition obligations without continuing to incur avoidable new liabilities.
- ☐ After the matter is resolved, review what the process exposed and update the contract or escalation procedure as needed.

Before a Payment Problem Arises

Have MSP Law review your managed services agreement and delinquent-client escalation process before you need to enforce either one.

Schedule a contract + collections process review: https://msplaw.us/