



LAW NOTES

from the Law Firm of
Kay & Andersen, S.C.

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What Every Employer Should Know.....

ABOUT RECOVERING INTEREST

Businesses in Wisconsin routinely charge interest on past due accounts. Legal disputes have occasionally arisen on the issue of whether a business gave a customer sufficient notice of its intent to charge interest on a particular account. One such recent case is *Houghton Wood Products, Inc. v. Southwood Door Company, LLC*, Wisconsin Appeal No. 2007AP1207 found at <http://www.wisbar.org/res/capp/2008/2007ap001207.htm>. Southwood placed 35 separate purchase orders with Houghton over a 26-month time frame, each of which specified the term, "Net 30 Days." Upon receiving each purchase order, Houghton delivered wood products to Southwood and issued an invoice with the following notation in capital letters: "PAST DUE ACCOUNTS WILL BE CHARGED 1 1/2% INTEREST PER MONTH." Southwood made regular payments on its account but balances were not paid in full within 30 days of receipt. When Southwood decided to obtain wood products from another supplier, Houghton sued Southwood for the remaining \$60,000.00 on its account, mostly accrued interest. The circuit court granted summary judgment to Houghton, and the Court of Appeals affirmed the judgment. Southwood contended that Houghton's interest claim should be denied because Houghton had never previously attempted to collect interest on the balances. However, the Court of Appeals was persuaded by the fact that invoices accompanying each delivery had the same reminder in capital letters that interest would be charged on past due accounts. Southwood also argued that it relied on Houghton's choice of billing and accounting methods, which consisted of sending separate invoices for each purchase that showed only the amount due for the particular purchase and did not reflect accrued interest. The Court of Appeals was not convinced that Houghton needed to issue a monthly bill or reminder of the entire amount due on Southwood's account, when the invoices clearly put Southwood on notice of Houghton's right to recover interest.

This case reiterates the point that a business is entitled to recover interest when the customer is timely advised of the business's intention to recover interest through an invoice or other documentation. Kay & Andersen, S.C. has substantial experience in assisting businesses with drafting appropriate customer contracts and litigating business disputes, including the recovery of interest.

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