

GETTING DEBT MANAGEMENT RIGHT

How one provider built a transparent, professional approach to debt management

Direct Gap Fee Collection (DGFC) is a new system, where families pay the service the gap fee directly, rather than educators handling payments. Some in the sector may use the term 'centralised model' to describe the same process.

This case study explores debt management in the context of transitioning successfully to a DGFC model. When this provider made the shift to DGFC, the biggest unknown wasn't technology, it was debt management and recovery. What followed was a rapid learning curve, open communication, and a values-driven process that not only worked but helped professionalise the service overall.

Service Snapshot

SERVICE TYPE:

Private For Profit

VALUES:

Transparency,
flexibility,
professionalism

EDUCATORS:

110

FAMILIES:

~800

TOOLS USED:

Harmony software
& tailored internal
procedures

PAYMENT CYCLE:

Weekly



Starting from Scratch

When the team took on full responsibility for issuing invoices and collecting payments, the early weeks were intense. With 20–25 payment declines in the first few weeks, managing follow-ups became a full-time task. The biggest challenges were technical largely because not all families were set up for direct debit, and many needed support to update their banking details.

The service quickly realised that weekly payment cycles, though more frequent, were easier to manage, helping to avoid large, complicated fortnightly payment runs.

"I honestly think we should've done this from the beginning. It's made everything more transparent, more professional, and ultimately better for families and educators."



Building Systems Around People

Rather than outsourcing debt collection, the service kept everything in-house to maintain relationships and make decisions on a case-by-case basis.

“We didn’t want to be a faceless system. We wanted to talk to families and make fair, informed decisions.”

They built the system around real-world flexibility:

- Manual payment options for families who couldn’t meet strict timing
- Clear, personalised communication when payments declined
- Use of SMS and detailed error messaging to reduce stigma and confusion

“We always tell families exactly what the issue was – not just that a payment failed. That makes a big difference.”

Turning Pain Points into Process

With time, the team introduced streamlined tools and systems:

- **Automated email reminders** (triggered by their third-party software provider) to reduce manual workload
- **Templates and clear procedures** for staff and families
- **Educator-facing policies** explaining the debt management process

They also worked closely with their third-party software provider to improve system reporting. Now, pay advice statements include clearer breakdowns, helping educators feel confident they’re not missing payments.

Educators: From Concern to Confidence

Early on, educators were nervous about losing control over payments. Would families still pay? Would care be cut off too quickly? To ease those concerns, the service committed to:

- Consulting educators before making payment plan decisions
- Taking on the “awkward” conversations with families
- Sharing a transparent overview of processes and responsibilities

“We’re like a buffer. Educators don’t have to have tough conversations at the front gate anymore - it’s made things more professional.”

Key Learnings & Tips



Start small and stay flexible

Expect the first 6-8 weeks to be intensive. Use that time to refine your systems and support families.



Communication is everything

Be open, personal, and consistent. Explain declines clearly and let families know you’re there to help, not penalise.



Don’t underestimate reporting

Make sure your software shows what’s happening. Advocate for improvements if it doesn’t.



Keep educators in the loop

Consult educators before pausing care. Support them by owning the tough conversations.



Connect with others

Lean on other services that have already transitioned - don’t rely on hearsay on social media.



Leverage the support you have access to

The debt recovery subscription product offered by Family Day Care Australia’s Legal Services partner Wotton Kearney can be used to recover outstanding payments in cases where families leave with unpaid bills. The service noted they’ve had to use this option only a handful of times in the past three years, with a 100% success rate in recovering debt. While amounts are often small, the insurance provides a valuable safety net and adds confidence to the direct gap fee approach.