

What to do if someone owes you money but refuses to pay

by: Keith Murkin, Associate
published February 21, 2025

Whether it's for selling an item, services provided, or money you loaned, when someone owes you money but refuses to pay, it can feel frustrating and overwhelming. Having money owed to you can also be damaging to your business and personal finances.

As a creditor, it may feel hopeless when trying to collect. Unfortunately, collecting money owed to you can be a difficult process; however, there are resources available to help you resolve this issue.

In this article, we'll explore the options you can consider if someone cannot pay the money that they owe you.

A Direct Conversation

The first step when someone owes you money is contact the person directly. Tell the debtor exactly how much is owed and when you expect to be paid. Often, a debtor may be experiencing financial difficulties and simply needs more time or an alternative payment arrangement.

Debtors often attempt to avoid their obligations as long as they can, but they will provide a reasonable response once they are asked about the debt. You may want to ask why they cannot pay; if they are able to offer a partial payment or if they are willing to work out a payment plan with you. While discussions may not lead to immediate repayment, it is important to establish an open line of communication. It shows that you are willing to work with them which can potentially preserve your ongoing relationship and avoid the need for litigation.

If the debtor is able to make payments, you should seriously consider a payment plan. Often, the debtor is struggling financially and suing them will not guarantee payment. Some money through a payment plan is better than no money through litigation. With that said, it's important that you are direct with the debtor and follow up on any plan you make.

Engage A Lawyer

If direct communication and informal negotiation are unsuccessful, it may be time to engage a lawyer. A lawyer will provide expert advice and help you collect your money. Engaging a lawyer also shows you are serious about enforcing the debt. A lawyer can help in a variety of ways:

- **Demand Letter:** A lawyer will generally start with a formal demand letter to the debtor. A demand letter is a tool that often prompts the debtor to engage with the issue. It will state how much is owed, when it needs to be paid and will include a warning that legal action will be pursued if payment is not made by the deadline.
- **Legal Advice:** A lawyer can review your situation, assess whether you have a valid claim and guide you on whether pursuing a lawsuit is in your best interest.
- **Negotiation:** Lawyers can assist in negotiating a repayment plan or settlement. Their involvement may encourage the debtor to take your claim more seriously and reach a more favorable agreement.

Filing A Lawsuit

If attempts to negotiate a settlement fail, you may need to file a lawsuit. Filing a claim in the courts is asking the courts to formally order that the debtor pay the amount owed. It must be noted that lawsuits can be lengthy and costly, especially if the debtor disputes the amount owed. Furthermore, even if you win the lawsuit, the debtor may still be unable to pay. Once you have a judgment, you have legal enforcement methods that can force the debtor to pay.

Judgment Collection Methods

If the court rules in your favor, you will obtain a judgment. This Court Order means that the debtor is required to pay you the amount owed, but it doesn't necessarily mean payment will be immediate. A judgment does give you access to various collection methods:

- **Garnishing wages or bank accounts:** Once you have a judgment you can apply for a garnishment order to garnish the debtor's wages, bank account, or other sources of income.
- **Sale of Property:** You can request a court order the seizure and sale of the debtor's personal property to collect your judgment.
- **Registering against property:** If the debtor owns a house or land, you can register your judgment as a lien on the property. This will force the debtor to pay you when they try to sell or refinance their property. It may also give you the right to force the sale of the property.

The court does not formally assist with collection. If you obtain a judgment, you are responsible for collecting the amount owed.

Conclusion

You must take steps to collect when someone owes you money but cannot pay. Although it can be a lengthy process, there are remedies available to help collect the money. It's important to speak to a lawyer early in the process to ensure that your legal interests are protected and that you follow the best path to collection.

DISCLAIMER: *This article is written for informational purposes only and does not constitute legal advice. The views expressed are solely the author's and should not be attributed to any other party, including Meighen Haddad LLP. If you want to seek legal advice, please call our office at (204) 727-8461.*