

I owe money to friends or family. What happens if I can't pay them back?

What happens if I can't pay my friends or family back?

If you owe money to family or friends, we understand that there's the added pressure of having an emotional attachment to those involved.

Firstly, if you're struggling to pay them back, you should try to talk to them so they're aware of the situation as they may be able to offer some additional time.

What if I still can't afford to repay them?

If you're still struggling to make the payments, don't ignore them as this could have a detrimental effect to your relationship with them.

Be honest and explain that you can't afford to pay them back. You can even go as far as showing them a copy of your income and expenditure to show why you can't afford it.

What if they're not charging any interest or making a profit?

If they're not acting like a loan shark, they could take legal action against you and claim what they're owed. Here are some of the options they may choose to take:

- **Mediation** is a cheaper and fast way of reaching an agreement. The process involves both parties meeting with their solicitors to agree a way forward.
- **Statutory demand** is where a formal demand is issued for what you're owed, and you're given 21 days to pay.
- **County Court** could be a route depending on how much you owe. While there's no minimum you can be taken to court for, this is usually a last resort.

Can they take legal action against me?

These types of debts are actionable in court, so if you're facing legal action, you should seek legal advice.

They'll need to prove that they've lent you money by showing any text messages or emails that show them contacting you for the debt.

While friends or family can legally lend you money, if they're making a profit or charging you interest by doing so, it could be illegal.

If this can be proven, it's known as '[loan shark behaviour](#)' and will mean they won't be able to get their money back by taking you to court.

Remember, if you're unable to keep up with repayments, our team are here and ready to help.