

# TRANSCRIPT

## On Your Terms



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Episode #: 168

What to Do When a Client Doesn't Pay You

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Sam Vander Wielen:

Hey there, and welcome back to On Your Terms. I'm your host, Sam Vander Wielen. I'm so excited to chat with you today about an otherwise kind of unpleasant topic, but I'm hoping that we can talk about it in a super pleasant way, because that's kind of my thing. So, today we're going to talk about what to do when a client doesn't pay you.

It's like that moment when you get an email from the client being like "I'm not paying you any more" or you get an email from your payment processor saying that somebody's card hasn't gone through. That's a terrible moment in and of itself. It's also very normal, by the way, and we'll talk about that. But what's even worse is if you don't know what to do about it. So, that's what we're going to dive into today. I can't believe I haven't done this podcast episode already, because it's actually a training inside my Ultimate Bundle Program. It's something I talk a lot about on social media, but it deserves a place here on On Your Terms.

So, before we hop into today's episode, I have to confess something to you. So, typically, what I've been doing in the morning for the past several months - well, first of all, the backstory on this is that since my dad had cancer, then my dad died and then my mom died, I had trouble sleeping. And my problem with sleeping is not falling asleep. I fall asleep immediately, but I wake up in the middle of the night. I wake up usually 2:00 to 3:00 a.m. and then I have trouble falling back to sleep. And then, eventually, I fall back to sleep, like, hours later and I crash. So, I'm really tired all the time. Shoutout to the lady who left me a nasty comment on my Facebook Ad the other day telling me I look tired. I am tired, but thanks for saying that on Facebook.

So, anyway, obviously there are certain health things that can contribute to this, and so I started digging into all that kind of stuff. But one of the other things I started digging into was caffeine, because I don't

necessarily have a lot of it, but I really, really like waking up in the morning and having coffee. If you're a coffee drinker, even if you're a tea person, it's probably more of the ritual of it and I think the aroma, and I don't know, just the whole process of making coffee and the smell and the warmth, and I just love the whole thing.

So, I first started practicing delaying having my coffee, kind of following the Dr. Huberman method of not having coffee first thing in the morning. Allowing myself to wake up, getting some natural sunlight in my eyes. So, I've done that. I've definitely delayed it. I will admit right here on air that I don't follow, I think, he tells you to wait, like, an hour to 90 minutes. I can't always do that. Sometimes I'm waiting a-half-an-hour, sometimes I'm waiting an hour, but I try to wait as much as I can.

And then, the other thing that I thought was really helpful that I discovered was, I love this company called Cometeer - I think I've talked about this once before - they send these little flash frozen capsules of coffee and it's really, really good high end coffee, the kind of coffee that I typically like, but it's frozen into these little discs and then you pour hot water over it. And it's just so genius. It's great if you're busy, if you're traveling, if you're a parent, so many reasons why it's great. But one of the things I really love about it is that they offer half-caff capsules. So, they have half the amount of caffeine of a full cup of coffee. And so, now, I'm delaying it and then having the half-caf, and I found that that's been really, really helpful.

I'm not sponsored at all by Cometeer, but I would love to. So, if you're listening to this from Cometeer, please call me. But I do have one of those referral links below, where it gives you a discount in exchange. I think I have to refer enough people and I get a mug or something like that. So, I'll share that down below so you can save a few bucks in case you decide to try Cometeer, but I really love it.

But then, this morning, here's what happened. I went to the gym really early, well, for me, like 7:15. I'm a morning person. I like easing into my mornings. I went at, like, 7:15 and they have a coffee machine there and I made myself normal coffee, because I hadn't had any coffee yet. And now I'm

feeling it. I can feel the difference. It was like, whoa, it was like this whoosh feeling that I got from drinking coffee like that. So, I'm just giving you fair warning that I'm fully caffeinated today and ready to talk about what to do when a client doesn't pay you. So, you've been warned.

I have to tell you one more thing about the gym before we hop on to today's topic. So, this morning at the gym, I was realizing that I'm coming up on a year of going there consistently. And this is really big for me because I've been to gyms before, I've signed up for classes before, I've taken different stuff. I've never stuck to anything for this long and this consistently. I think maybe in the past it's been, like, a four month stint or six month dedication to fitness or something like that. I've never gone this long and this consistently, so I'm really proud of myself for that.

But I was also letting Mike, the owner of the gym, know this morning that I think one of the reasons why that's been the case is because of the gym that he's created. It's just such a community oriented place and so everybody is so nice from the members to the people who work the desk, to the trainers, to everybody who teaches the classes. Everyone is so welcoming and so nice, and they all know you by name, and they check in with you. I just love it there.

I just think it's really important if you own your own business or you are trying to start your own business, I kind of take this on as an obligation as a business owner that I know what it's like to run a business and I want to make sure that I'm supporting small businesses and shopping local. And even if I buy something online or in-person, letting those business owners know when they're doing a really good job or I love their product or their employees are great to me. You have, I feel, like an obligation now as a business owner to start doing that because you're part of the club.

And I was telling him, I think you've done such a good job. And he always starts to cry when I tell him this. And I'm happy it makes him happy, but I just genuinely, genuinely feel that. So, that's the power of creating a business that really takes care of people, and speaks to people, and makes a safe space for people. It's amazing what we can do with our businesses.

So, let's hop in today to talking then about what to do when a client doesn't pay. Like if people stop paying their gym bill, for example. So, maybe a client hasn't paid you, they're not paying their invoice, they owe you money, they've stopped responding to your emails, or, maybe you're going to experience, if you haven't yet, somebody's card bouncing, like you get an email from Stripe or PayPal saying that their card has been declined.

Trying to figure out what to do when a client doesn't pay you is so frustrating, and it's definitely one of the least enjoyable parts of running an online business. And there's really nothing worse than not getting paid when you own your own business because we need money to run our businesses and we're relying on these expenses. And for a lot of you, you might have already performed the service, you might have written the thing, or had the coaching session, and now you're not getting paid for it. That's lost time and money and that's huge.

But I also think there's nothing worse than not knowing what to do about it. And just because this is an unfortunate aspect of doing business, it doesn't mean that there's nothing that you can do about it. There is something you can do about it. You've just got to know what it is.

So, there are actually two separate parts that have to be addressed when you're figuring out what to do when a customer refuses to pay or their card bounces. The first part is what do I do to try to get paid right now, to resolve this problem right now, if there's something that you can do to respond to that.

The second thing is to then look internally. And typically, if this is your first experience with not getting paid, we typically handle this afterwards. If you've not yet been not paid by a client, then I'm so glad that you're listening because you can do the second step right now to hopefully prevent the first step. So, the second step is looking internally to see in your business if there's anything you can do on the operations side systems, processes, the tools that you're using to lessen the chances of not getting paid moving forward.

So, I'm going to address the steps that you can take to deal with the immediate issue of getting the payment that you're owed first, and the how you can set your business up to try to prevent this issue in the future. I'll link down below to a video training that I have where I teach you my entire prevention system. You can click below to get that from us.

So, before I break down the steps of how to react when a client doesn't pay you, I guess I just first want to say that I want you to know that so many business owners have faced this or will face it. If you're listening and this hasn't happened to you yet, it's pretty much guaranteed in business, and that doesn't make it okay. I'm not saying that to be like, "Oh. It's just something you deal with and you let it go or whatever." But I'm more saying that because I want you to know that you're not alone and that this is a normal part of doing business. It has nothing to do with you. I hope you hear me loud and clear. This is not a statement of your coaching ability, the quality of your product, the quality of your services, how good your course is. It really isn't.

And I know that the first time that this happened to me, well, for one, when I was a health coach, I remember this happened to me, and then the first time somebody's card got declined when I started the legal templates business, I really felt like this was me. When I had the health coaching business, I was like, "Oh. This is because I'm a bad coach. They hated my coaching. Clearly, I wasn't helping them and I spiraled." And then, when I had my legal business, it was the same way or I felt like people were trying to steal from me, they didn't want to pay for my time. I had all this resentment and I built up this big story.

Now, looking back on it, I can tell you this is just something that happens and it's normal. And often it just has to do with what's going on with that person, whether it's that that person is going through a hard financial time or that person made an impulsive decision, and now they're blaming you for it when really that was their fault for making an impulsive decision, or they didn't do the research, or whatever. I would say 99 percent of the time it's not your fault.

I mean, of course, if you're advertising a product that's not real or legitimate or it's not what it says it is, and then someone asks for their money back, that's a different story. That's not what we're talking about. We're talking about people who use your product, utilize your services, and then are canceling their cards.

Okay. So, here's what you can do when somebody doesn't pay you. Step number one is that you have to check your contract. So, the very first thing that you want to look at whenever a client doesn't pay you is what your contract says about payment, and late payments, and not making payments, or canceling them. Why? Because your contract is essentially the guiding principle here. So, if a client doesn't pay you, the contract is the thing that says, first of all, that they even owed you money, how much money they owed you, what amount they owed you by when, when they had to pay it, and what the consequences are of not paying you. Any good contract would talk through what happens when a client doesn't pay.

So, for example, Is access to your course removed? Are there late fees? Does their client contract get cancelled? Do they lose a session? And what happens when the client finally, hopefully, rectifies the payment? Unfortunately, without having a contract, there's really no way to enforce the payment that you think you're owed. And if you even have a contract, but it doesn't have the language about what I'm talking about, that's also difficult to enforce.

If you don't have contracts that have really good, really clear payment terms that go over all of these things, I would encourage you to check out my DIY legal template shop on my website. Any client contracts that I sell, or course contracts, membership stuff, they all have this language built in for you. And so, you can get those contracts either on their own on my website, [samvanderwielen.com/shop](https://samvanderwielen.com/shop). That's where all my legal templates are. Or any of the ten legal templates that are included in the Ultimate Bundle, like the client contract, the course contract, they all have that language in there for you.

So, now that we've looked at our contract, we move on to step number two. Step two is all about deciding how we go about now collecting payment. So,

after looking over your contract, the second thing we need to do if a client doesn't pay is decide what path you want to take to collect that payment. Are you going to try to handle it yourself, for example? Meaning, are you going to be the point of contact, the person reaching out to try to convince your customer to pay you? Or are you going to outsource this to someone, like a collections agency or a collections attorney to have them collect this payment on your behalf? Both options have pros and cons, and we'll chat through some of those today to help you make the best decision. I just want to offer a little side note here that I wouldn't recommend reaching out to a client or sending them to collections if somebody is just a day late or you just got one email saying people's card bounced. You should have a process in place for what this looks like. How many times do they have to be contacted? How many days? If it's autopay with their credit card, how many times do you try to recharge their card? How many days spaced apart? You have to have that all in your contract.

Again, all of that language is prompted for you in my contract template. I literally walk you through a credit card payment processing prompt to be like I will charge your card on day one, and then day seven, and then day ten, and then by the third attempt, and the fourth attempt. I walk you through exactly all of that. I'll give you the language, but you can customize it to be how many days or how many attempts, and all of that is really up to you. The whole point is that you have to have it in your contract. That's really, really important.

So, you would kind of walk through that process, and what we're really talking about now is how are we going to collect this payment. Are you going to go after them or are you going to send somebody else to go after the payment? We're talking about when you've reached the end of that initial process. What that's called is a dunning process.

That's something that I teach inside the Ultimate Bundle. I actually give you the email templates that you can copy and paste and use as your own to set up your own dunning process. A dunning process, is, well, at least for me, it's a four email process that you send somebody through when their credit card is declined. Kind of starting out nice, like really nice, and then the second one is pretty nice, and then the third one gets a little

stern, and then the fourth one is stern. I would say it's kind of an ascending sternness.

But you start out with the benefit of the doubt of just being like, "There must have been a mistake. Your card didn't get approved." Usually, it's either somebody's card declined the charge for some reason. Or we've had a lot of people be like, "Oh, my gosh. My credit card got stolen. I forgot that this was the one with my monthly payments." It just happens, so it's no problem. That's why we start out really nice. It's just like you get the benefit of the doubt, update your credit card payment, we try it again, and everything's good. Most things get resolved like that.

But we're talking about what about the ones that keep on going, keep on bouncing. So, what are some of the pros and cons then to handling payment collection yourself? We're still talking about step number two, how to go about collecting payment. And I was saying that there are two options collecting yourself or sending it outside to be collected.

So, for handling it yourself, some of the benefits of reaching out to a client yourself is that you get to handle it really quickly, because outsourcing extends the time that it takes and has more steps involved. You get to take control of the tone of the conversation and what's said in the conversation. Depending on the circumstances, sometimes people think it's too much or too aggressive to send somebody to collections. It kind of depends on the circumstances. It can be very cost effective since you're the one handling everything, because that means that you get to keep the payment once it's received, instead of giving a cut of it to someone else.

So, those pros are pretty good. I think those are pretty strong pros for handling things yourself. And I definitely handled things myself for a long time when the number of clients was a lot less and fewer purchases and fewer payments getting bounced, and everything was just less, it was easier to handle it myself.

So, I want to talk over then the cons of handling it yourself. So, for one, it costs you time, which could make you then spend more money. That time would be actually be able to be spent in your business making more money



and creating more content that attracts new clients who would actually pay you. The con I was going to mention a moment ago is, I think, the biggest one, the one that I noticed, which was that it can be emotionally and mentally draining, and it really takes the focus and energy away from other parts of your business.

So, I remember it was just taking up a lot of my mental space. And if somebody owed me \$500, \$1,000, \$2,000, it took up more than \$2,000 worth of mental real estate. And for somebody like me who's comfortable getting on social, I can do a post or I can go on Stories or I can create some new piece of content somewhere that's going to be evergreen and draw people in for a long time, I could make a lot more in my business if I dropped the mental battle of somebody not paying me and then put my focus elsewhere. So, it wasn't always the best use of my time.

I would say last but not least, the last con to handling it yourself is that people may not take it as seriously or be as compelled to pay when the request is coming from you. You might have even tried that, you might have been emailing them and it's not working. Sometimes they don't respond, sometimes they double down. But when they're getting a letter from a lawyer or a collections agency, most people will respond.

So, that leads us then to the pros and cons of the second option, which is outsourcing the collection process. So, if you're not going to try to handle collections yourself, another option might be to outsource it to either a collections agency or a collections attorney. There are plenty of online options where you can send your stuff off and they go and handle it for you. But the main pros of outsourcing are that you get this unpleasant task off your plate, which allows you to go back to focusing your time and energy on other parts of your business. And I also think it's more intimidating when someone's contacted by a collections agency or a lawyer, or really just anyone other than you, because it shows that you've escalated this issue. It might be more effective then in getting your client to actually take action and pay you.

Maybe I would reserve that kind of stuff for the bigger things, you know, like when a client stiffs you on a really big payment or a really big

coaching contract. And then, I know for me, I outsource to collections once we had a volume of payments. Even if the payments were only \$200 a month, or 300, or 400, or 500 a month, we outsource that because we just have so many of them now. So, it's just not feasible for us to handle them anymore.

On the flip side, the downside of outsourcing your stuff is that you have to share the payment. So, something a lot of people don't know is that a collections agency works on commission, essentially, so they might take less than what you're owed, for example. So, someone owes you \$500, they might settle with the person for \$199 and then they take a cut of that. So, by the time everything's settled, you're left with a much smaller amount than what you're originally owed.

The good news is that many of the collection agencies will let you set the floor for how low you're willing to go, and that can give you some peace of mind that you won't get less than a certain amount, but you're still going to end up with less than what you're owed in addition to then giving the agency or the lawyer a cut. As your business grows and you're taking in more and more payments, this process becomes more inevitable because it's just not practical for you to handle all of this, and so it is normal to go this route.

So, even if you go with a collections agency, a lawyer, or you handle it yourself, you still need a contract. You're not off the hook where contracts are concerned, because a contract is always going to be the proof that you need that the client owes you money. Because if you go to a collections agency, for example, you're going to have to send them a copy of your contract to show that this person actually owes you this amount, that they're overdue, what the process was for non-payment, all of that.

So, as I mentioned at the beginning, now that you know what to do when someone doesn't pay you, I think it's really smart to go back in your business now, go back to the foundation of your operations stuff and your systems, put a system in place so that you can minimize the likelihood of this happening in the future. It's really, really important. So much of what we talked about today could have been prevented with a good contract, with a good policy at checkout, with a conversation.

I explain it all in the video that I'll link down below in the show notes, so you can watch that down below. And like I said, if you need these contracts, if you want to learn more about what to do when a client doesn't pay you, if you need the contracts in place for courses and automatic payments and all these kinds of things, I have them all for you as DIY legal templates a la carte. You can buy any contract or website policy that you need from me at [samvanderwielen.com/shop](https://samvanderwielen.com/shop). I'll also link to that in the show notes.

Or you can get the Ultimate Bundle, which gives you over ten DIY legal templates plus over 35 on demand video trainings, including trainings on what to do if a client doesn't pay you, what to do if a client asks you for a refund, how to form an LLC, how to protect your brand with trademarks and copyrights, and so much more. So, I'll link to the Ultimate Bundle and to my legal templates in the show notes.

Thank you so much for listening to On your Terms. If this episode was helpful, I would love for you to send me a message on Instagram, @samvanderwielen. Let me know, tell me what's the one thing you're going to implement. Are you going to get a better contract? Are you going to put a dunning email template system in place that comes with my Ultimate Bundle, for example, so that's inside. If you're already in the Ultimate Bundle, you can get that in place. Are you going to go watch my training if you're in the Bundle? DM me or reply to my email and tell me what is the one thing, what's the one action item you're going to take after listening to this episode. Thanks so much for listening and I'll see you in a few days.

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