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A BUSINESS APPROACH
TO LEGAL SERVICESM

“Ask the Legal Professional”

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BANKRUPTCY

Q If my customer shuts down and sticks me with a large debt, can I sue the owners individually?

A It all depends. What you are referring to is piercing the corporate veil. While holding the individual owners responsible for debts is not easy, in some instances it is appropriate. In order for owners of a company to avoid personal liability for company debts, they must adequately capitalize the company and follow corporate formalities. If your customer failed to capitalize the company with sufficient funds to get it started, or failed to hold board meetings to make important decisions and keep minutes, you may be able to pierce the veil and go after them personally. Simply going online and buying a corporation or LLC alone is probably not enough to shield them from liability.

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