

Am I Judgment Proof?

What does it mean to be “judgment proof?”

“Judgment proof” is not a legal term, although we often receive requests for a legal definition of the phrase at the Law Library. In layman’s terms, a person is judgment proof when they have no collectable income or assets. In this case, it makes no sense for a creditor to take that person to court, because even if the creditor wins the suit and obtains a judgment, the creditor will not be able to collect.

People with very little income and property, and no expectation of a change for the better, have little to lose if they are sued by a creditor. You cannot go to jail for bad debt. [California Constitution Article 1, Section 10](#)

(https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=CONS&division=&title=&part=&chapter=&article=1). Both state and federal laws protect essentials such as basic clothing, ordinary household furnishings, food, and Social Security and disability benefits from being taken to pay for a judgment. [42 U.S.C. § 407](#) (<http://www.gpo.gov/fdsys/pkg/USCODE-2010-title42/pdf/USCODE-2010-title42-chap7-subchapII-sec407.pdf>); [California Code of Civil Procedure \(CCP\) §§ 704.010 – 704.210](#)

(https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=CCP&division=2.&title=9.&part=2.&chapter=4.&article=3).

If your credit rating is already badly damaged, doing nothing in response to a creditor’s lawsuit could be an effective way of dealing with the situation.

Can someone who is judgment proof still receive a judgment against them?

Yes! Being judgment proof does not mean that a court does not have the authority to grant a collection agency or other private creditor a judgment against you. If a creditor sues you, the court will decide based on the evidence presented by both parties, the law, and common sense. If you don’t respond to

A true judgment proof debtor is not employed and has no future prospects of finding employment, lives on government pensions or retirement, and has no funds in his or her checking or savings accounts that do not stem directly from exempt (protected) funds.

the case, the creditor will win the lawsuit by default. This is known as a “default judgment.”

If you owe old debts and a collection agency has notified you of its intent to sue, being judgment proof can protect you from some of the more nasty consequences of losing a collection agency lawsuit, such as wage garnishment, property liens, and bank account levies from debt collectors. (See our guides “[How to Ask the Court to Stop or Reduce a Wage Garnishment](https://www.saclaw.org/resource_library/ej-claim-of-exemption-wage-garnishment/) (https://www.saclaw.org/resource_library/ej-claim-of-exemption-wage-garnishment/)” and “[How to Ask the Court to Stop or Reduce a Bank Levy](https://www.saclaw.org/resource_library/ej-claim-of-exemption-bank-levy/) (https://www.saclaw.org/resource_library/ej-claim-of-exemption-bank-levy/),” for more information).

If you are “judgment proof,” writing your creditors or plaintiff’s attorney to explain your situation may convince them not to bother suing you. [A sample of such a letter is available from Public Counsel.](https://publiccounsel.org/wp-content/uploads/2024/03/No-Contact-Letter-Packet_ENGLISH.pdf) (https://publiccounsel.org/wp-content/uploads/2024/03/No-Contact-Letter-Packet_ENGLISH.pdf)

Remember, however, that just because you are judgment proof, this does not mean that a creditor can and will not sue you in order to seek, and obtain, a judgment against you.

How long can a judgment remain on a credit report?

Judgments, which are detrimental to your credit rating, typically remain on your credit report for seven years. In California, however, judgments can be enforced for up to ten years and then renewed ad infinitum as soon as five years after that. [CCP §§ 683.010 - 683.220](https://leginfo.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=CCP&division=1.&title=9.&part=2.&chapter=3.&article=683.010) (https://leginfo.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=CCP&division=1.&title=9.&part=2.&chapter=3.&article=683.010). Personal debts under \$50,000, including credit cards and other consumer debt, are limited to one renewal, for just five years. [CCP §§ 683.110.](https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=CCP§ionNum=683.110) ([https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=CCP§ionNum=683.110.](https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=CCP§ionNum=683.110))

The renewal can result in a judgment appearing or re-appearing on your credit report for much longer than the standard seven-year reporting period. See the Fair Credit Reporting Act (FCRA), [15 U.S.C. § 1681](https://uscode.house.gov/view.xhtml?req=(title:15%20section:1681%20edition:prelim)%20OR%20(granuleid:USC-prelim-title15-section1681)&f=treesort&edition=prelim&num=0&jumpTo=true) ([https://uscode.house.gov/view.xhtml?req=\(title:15%20section:1681%20edition:prelim\)%20OR%20\(granuleid:USC-prelim-title15-section1681\)&f=treesort&edition=prelim&num=0&jumpTo=true](https://uscode.house.gov/view.xhtml?req=(title:15%20section:1681%20edition:prelim)%20OR%20(granuleid:USC-prelim-title15-section1681)&f=treesort&edition=prelim&num=0&jumpTo=true)) et seq.

Free credit reports

The Fair Credit Reporting Act permits consumers to request a free copy of their credit report once every 12 months from each of the three major credit reporting agencies. [The agencies now voluntarily permit one report per week.](https://investor.equifax.com/news-events/press-releases/detail/1303/equifax-experian-and-transunion-support-u-s-consumers) (<https://investor.equifax.com/news-events/press-releases/detail/1303/equifax-experian-and-transunion-support-u-s-consumers>)

You can obtain your free credit report:

Over the Internet:

[AnnualCreditReport](http://www.annualcreditreport.com) (<http://www.annualcreditreport.com>)

On the phone: call 1-877-322-8228.

Contact the specific agencies to request reports and corrections:

[Equifax](http://www.equifax.com/) (<http://www.equifax.com/>)

P.O. Box 740241
Atlanta, GA 30374-0241

[Experian](http://www.experian.com/) (<http://www.experian.com/>)

P.O. Box 2104
Allen, TX 75013-0949

[Trans Union](https://www.transunion.com/) (<https://www.transunion.com/>)

P.O. Box 1000
Chester, PA 19022

Keep in mind!

A person's judgment proof status can change at any time if income increases. People can find a job, win the lottery, or receive an inheritance!

Can a creditor collect from me if they obtain a judgment?

A consumer may be immune to one form of judgment collection, yet susceptible to another. For example, although a collection agency cannot hope to garnish the wages of an individual who is unemployed, if that individual owns a home the judgment creditor may be able to place a lien against that home. The individual would not be able to sell the home without paying the creditor out of the proceeds.

In addition, the fact that the individual is not currently working does not mean that he or she does not have money in his or her checking and/or savings accounts. As long as the money in his or her bank accounts is not exempt (protected) from garnishment, as are child support payments and government benefit checks, the collection agency may request a bank levy and seize the

individual's banking accounts.

Can I avoid a judgment?

If a collection agency knows prior to filing suit that it will be unable to collect upon a judgment debt, it is less likely to incur the expense of a lawsuit to obtain that judgment. It is possible that notifying the collection agency of your judgment proof status will prevent a lawsuit.

Remember, however, that just because you are judgment proof does not mean that the creditor will not sue you in order to get, and receive, a judgment against you. Some, if not most, collection agency attorneys are hired only to obtain a judgment against a debtor; collection of that debt is someone else's job.