

# What To Do When You Receive A Demand Letter From A Terminated Employee's Lawyer:



Receiving a demand letter from a lawyer representing a former employee is never ideal – but it's also not unusual. These letters typically allege [wrongful dismissal](#), breach of contract, discrimination, or other workplace-related claims. They often demand compensation or another form of relief and can be a precursor to formal litigation.

If your business receives a demand letter, your response in the first few days can have a significant impact on the outcome. Here's a step-by-step guide on what to do, and how we can help.

## **1. Take It Seriously**

A demand letter is not a lawsuit, but it is a warning shot. It signals that the former employee has hired counsel and presumably intends to pursue their claim unless it is resolved.

Treat the letter as a formal notice of a potential legal dispute.

## **2. Read the Letter Carefully**

Go through the letter slowly and thoroughly. Take note of:

- What is being alleged: Wrongful dismissal, unpaid wages, discrimination, etc.
- What is being demanded: [Compensation](#), reinstatement, a reference, or something else
- Timelines: Is there a deadline to respond?

It's common for demand letters to include allegations that you may not agree with – or that are factually incorrect. Do not get drawn into a debate at this stage. Simply make note of the claims and proceed methodically.

## **3. Avoid Responding Right Away**

Do not respond on your own. Even well-intentioned responses – especially in writing – may be used as evidence later in a proceeding like a lawsuit. Avoid contacting the

former employee directly, and do not attempt to settle or clarify matters informally before obtaining legal advice.

## **4. Collect Evidence**

Immediately collect and preserve all documents relevant to the employee and their termination. This may include:

- Employment contracts and offer letters
- [Pay records](#) and bonus plans
- Performance reviews and disciplinary documentation
- Termination letters or severance agreements
- Emails or notes related to performance, conduct, or the termination decision

What documents are relevant will depend on the nature of the threatened claims. Solid documentary evidence is often key to defending a claim or gaining leverage in the course of negotiating a resolution.

## **5. Contact Your Employment Lawyer**

It's important to consult legal counsel as soon as possible. We can:

- Review the allegations and assess your legal exposure
- Help you understand your obligations under employment legislation and the broader legal system
- Recommend a response strategy
- Draft or provide advice regarding drafting a reply
- Assist with settlement discussions or formal proceedings

Prompt legal advice can help you avoid costly missteps and explore early resolution options where appropriate.

## **6. Think Strategically – Not Just Legally**

Resolving a workplace dispute is rarely just about the law. It may also involve:

- Business risk and cost considerations
- Internal morale and leadership credibility
- Precedent-setting concerns
- Reputation management

Your legal response should be informed by your broader goals as an employer. We work with clients to balance legal rights with commercial realities and employee relations strategies.

## **7. Understand Your Options**

Depending on the facts and the strength of the legal claim, you may choose to:

- Dispute the allegations outright
- Offer a without-prejudice settlement, with appropriate conditions and releases
- Engage in negotiations through legal counsel
- Take no action for now, and wait to see whether a formal complaint or lawsuit is filed

Your decision will depend on the risks, costs, and what outcome you're trying to achieve. We help clients understand the pros and cons of each option before proceeding.

## 8. Plan for the Future

Regardless of how the issue is resolved, use the opportunity to review and strengthen your HR and legal practices:

- Are your contracts clearly written and up to date, and don't unnecessarily increase your exposure to liability for wrongful dismissals?
- Are performance issues with employees properly documented?
- Do your termination letters and practices comply with legal requirements?
- Are you training managers on respectful and lawful terminations to mitigate allegations that the manner of dismissal was done in bad faith?

A well-structured and thought-out employment termination framework reduces legal risk and improves internal consistency when tough decisions need to be made.

### Final Thoughts: Legal Counsel Can Be Part of Your Team

Receiving a demand letter is rarely welcome – but it's manageable with the right support.

Having an employment lawyer on deck doesn't just mean you have someone to get legal answers from in a vacuum. We provide practical, strategic advice that aligns with your business goals. Sometimes that means crafting a firm defence. Sometimes it means recommending a settlement that avoids distraction and protects your reputation. Either way, we help you make informed decisions that strike whatever balance is necessary between both your legal position and the broader business context.

*The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.*

Author: [Peter Mueller](#)

Taylor McCaffrey LLP