When Reimbursement Becomes a Rip-Off

Let’s talk about something that should be straightforward but often isn’t: expense reimbursement.

At its core, reimbursing employees for out-of-pocket business expenses is about fairness. It’s the company’s responsibility to make sure employees aren’t footing the bill to keep the business running — whether it’s a tank of gas to visit a client, a hotel after a conference, or a $9 burrito wolfed down between sales calls. If it’s a legitimate business expense, employees should be repaid quickly and in full.

Unfortunately, some organizations manage to turn this basic exchange into a source of confusion, delay, and stress. And in some cases, they go further — weaponizing expense policies in ways that border on (or fully cross into) exploitation. That’s what we’re digging into here: what a fair reimbursement process looks like, what predatory practices actually look like in the real world, and what HR needs to do to stop the nickel-and-diming that burns out good people.

What Reimbursement Should Look Like

Let’s start with the baseline. A healthy, employee-centered reimbursement policy is:

- **Clear**: Employees know exactly what expenses qualify, how to submit them, and when they’ll be repaid.
- **Efficient**: Approvals don’t get buried in inboxes, and repayment happens on a predictable timeline (ideally 10 business days or less).
- **Equitable**: Everyone gets treated the same — no playing favourites, no mystery denials, no hidden exceptions.
- **Digital**: In 2025, employees shouldn’t be printing receipts or scanning forms just to get $18 back for parking.

Above all, it’s built on mutual trust. The company trusts employees to spend responsibly in the course of doing their jobs—and in turn, employees trust the company to have their back when the bill comes due.

But when that trust breaks down? It can lead to some pretty toxic patterns.

Six Reimbursement Red Flags That Signal Predatory Practices

Let’s unpack six specific signs that your reimbursement policy may be harming — not helping — your people.

1. **Excessively Long Reimbursement Timelines**

If your company takes 30, 60, or even 90 days to reimburse employees, you're not just slow – you're essentially forcing them to loan you money.

This isn't just an administrative lag. It creates a real burden on employees, especially those in junior roles or those without financial cushions. We've heard from employees at national retail chains who were stuck waiting three months for cross-country travel reimbursements, racking up interest charges on personal credit cards all the while.

The longer the delay, the clearer the message: "Our cash flow is more important than your rent." And when that's the culture, employees start looking for a more financially responsible employer.

2. **Requiring Pre-Approval with No Clear Process to Get It**

It's not unreasonable to ask for pre-approval before major spending. But it *is* unreasonable to require it without providing a clear path to actually get it.

If an employee is stranded after a cancelled flight, needs to book last-minute accommodation, or faces a client lunch that wasn't on the calendar—should they eat the cost because their manager was unreachable? A policy that says "pre-approval required" but provides no emergency plan or fallback creates confusion, hesitation, and financial anxiety.

Employees shouldn't be put in a position where they're unsure if they'll get reimbursed simply because someone failed to reply in time.

3. **Burdensome Documentation Requirements**

Requiring receipts? Totally fair. Requiring original printed receipts, five sign-offs, proof of exchange rate conversions, and written manager justifications for every $3 coffee? That's punitive.

We've seen companies still demanding interoffice courier submissions for expense reports – yes, in 2025. And in one case, a field tech was asked to provide notarized translation of a $12 cab receipt from Québec because it was "not in English."

Policies like this don't exist to ensure accuracy – they exist to create friction. When employees give up trying to get reimbursed, the company saves money. But it loses something more valuable: trust.

4. **Denying Claims That Align with Role Expectations**

When someone is expected to entertain clients, work late, or travel without much notice, those role-based obligations need to be backed by practical reimbursement support.

If an employee gets a pat on the back for sealing a deal over dinner, but then has their meal expense denied as "outside policy," that's a red flag. It tells staff that the company is happy to benefit from their hustle – but unwilling to pay for the cost of it.

This type of after-the-fact denial not only undermines morale – it creates an environment where employees are afraid to act without permission. That fear breeds hesitation, and hesitation kills momentum.

5. **Withholding Reimbursement Based on Performance Reviews or Sales Quotas**

We’ve encountered companies that delay expense payouts until after quarterly sales targets are hit, or tie reimbursements to the outcome of a performance review.

This is predatory, full stop. It crosses ethical lines and may even violate employment standards. If the expense was incurred doing work at the company’s direction, it must be reimbursed — regardless of whether the employee hit their KPIs.

Worse yet, this practice introduces serious psychological pressure. Employees begin associating basic financial support with whether they’re in good standing. That undermines psychological safety and corrodes your internal culture.

6. **Delaying Reimbursement During or After Termination**

It should go without saying: when someone leaves a company, whether they resign or are let go, they are still entitled to be reimbursed for valid expenses incurred during their employment.

Yet we continue to hear reports of delays, “technical issues,” or managers using reimbursements as bargaining chips during severance discussions. That’s not just unethical — it could be a violation of the employee’s final pay entitlements under employment law.

The way you treat someone on the way out of the organization matters. Slow-walking reimbursements after a departure is the fastest way to burn a bridge and invite reputational damage.

The Real-World Cost of Bad Reimbursement Practices

These issues don’t exist in a vacuum. They erode employee loyalty, create friction in day-to-day operations, and reflect poorly on your brand.

At a well-known Canadian SaaS company, employees began anonymously posting on Glassdoor about how their expenses were routinely denied or delayed without explanation. One story told of a salesperson who had to cancel a weekend trip because their travel reimbursements had maxed out their credit card.

In another case, a mid-sized marketing firm lost two senior employees after management refused to reimburse client lunch expenses from an offsite — expenses that were verbally approved, but later rejected due to a “new policy” that no one had communicated.

These aren’t isolated incidents. In an increasingly competitive talent market, the line between employee retention and turnover often comes down to trust. If employees can’t count on your organization to pay them back fairly and on time, why would they trust you with the rest of their career?

And remember — employees talk. On Slack, on LinkedIn, in the industry meetups you sponsor. How you handle a $75 reimbursement today might determine whether a top candidate accepts your offer tomorrow.

What HR and Leadership Need to Do

HR’s job isn’t just to write policies — it’s to ensure those policies reflect fairness, transparency, and common sense.

Here’s how to make sure your expense policy passes the smell test:

- **Audit your policy language**. Is it written in plain English? Does it clearly outline what’s reimbursable and when payments are issued?
- **Streamline approvals**. Implement tech tools that allow real-time mobile submissions and digital approvals. No more “I left it on my VP’s desk” excuses.
- **Balance trust and controls**. Use random audits to check for abuse, not blanket suspicion that makes everyone feel guilty until proven innocent.
- **Don’t punish urgency**. Build in allowances for emergency expenses without pre-approval in defined circumstances.
- **Treat reimbursements as time-sensitive payroll**. If someone incurs a work-related cost, the burden of speed and accuracy is on the company—not the employee.

Most importantly, involve employees in reviewing and updating the process. They’re the ones using it — and they’ll tell you, loudly and clearly, where it’s breaking down.

Final Thoughts: Respect the Receipt

A reimbursement policy isn’t just about dollars and cents. It’s about how much you value your people’s time, trust, and financial wellbeing.

If your policy feels like a punishment, it’s time to change it. If employees dread filing expenses because of the hoops and uncertainty, you’ve already lost ground.

In the best organizations, expense reimbursement is a background process—so seamless, so fair, so predictable that no one even talks about it. That’s the goal. Not because it’s glamorous, but because it’s the baseline of what every working person deserves: to be repaid for doing their job.

And if you’re looking to build a culture rooted in respect, it starts with something simple. Respect the receipt.