

## Do you inherit debts?

by: O. Sarah Idowu, *Articling Student-at-Law*  
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When a loved one passes away, families are often faced with grief, funeral arrangements and difficult financial questions. One of the most common concerns is whether they will be responsible for someone else's debts after death.

In most situations, the answer to this question is no. Debts are usually not passed down to children, siblings, or other family members simply because they are related to the deceased. Instead, those debts are normally paid from the person's estate.

A person's estate includes everything they owned at the time of death such as bank accounts, a house, investments, vehicles, or personal belongings. Before any inheritance is shared with beneficiaries, the estate must first settle outstanding debt obligations like loans, taxes, credit card balances and other unpaid bills.

For example, if someone passes away with money in their bank account and an unpaid credit card balance, the executor of the estate must use those funds to pay the debt before distributing what remains to family members. If there is still money left after all debts are paid, beneficiaries receive their inheritance.

But what happens if the debts are larger than the assets? In this case, the estate is considered insolvent. Creditors may only recover part of what they are owed, and the remaining debt often goes unpaid. Family members are generally not expected to cover the shortfall from their own pockets. However, there are some important exceptions to know about.

One major exception is co-signed debt. If you signed a loan or credit agreement together with the deceased person, you may still be legally responsible for the balance. For instance, if a parent and child jointly signed for a car loan, the surviving co-signer would typically remain liable for the outstanding payments after the parent's death.

Joint debts work in a similar way. If two spouses share a line of credit or jointly hold a loan, the surviving borrower may still have to repay it. The responsibility arises from the agreement itself, not from inheritance.

Another common example is mortgages. If someone inherits a house with an outstanding mortgage, the debt does not automatically disappear simply because the owner has died unless it is covered under a life insurance policy. The beneficiary may choose to continue paying the mortgage and keep the home, refinance the loan, or sell the property to clear the debt. In other words, the debt follows the property, even if it does not personally transfer to the beneficiary.

Executors also need to be careful when managing an estate. Distributing assets too quickly before debts and taxes are settled can create legal problems later. Process must be followed to ensure creditors are properly dealt with before beneficiaries receive their share. Executors must ensure that debts are paid in priority and that beneficiaries are only to receive after all just debts of the estate are satisfied. If they do not do this, then the Executor may be liable to creditors for unpaid debts.

In conclusion, most people do not inherit debts simply because a family member or a relative has passed away. In most cases, the estate pays the debts first. However, co-signed loans, joint obligations, and secured debts like mortgages can create personal responsibility in certain situations. Understanding these differences can help families make informed decisions and avoid unnecessary worry during an already difficult period.

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**The Author:**  
SARAH IDOWU  
sidowu@mhlaw.ca