



Case Study: Ending a Vendor Dispute Without Litigation

Drafting a Resolution
and Securing a Better
Fit

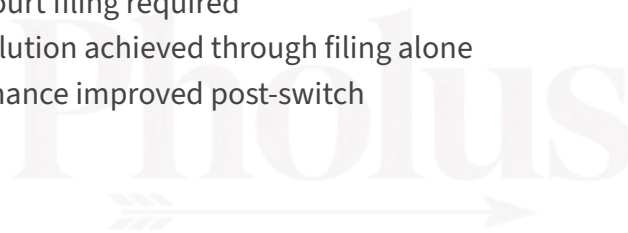
Case Study: Resolving a Vendor Billing Dispute Without a Lawsuit — and Securing a Better Partner

Executive Summary

A vendor repeatedly overbilled without delivering promised services. Pholus helped the client file with the state attorney general, terminate the contract, and onboard a better-suited partner—without legal fees or disruption.

Key Results & Indicators

- Vendor contract ended without penalties
- New vendor onboarded in 14 days
- No lawsuit or court filing required
- State-level resolution achieved through filing alone
- Service performance improved post-switch



Introduction

Vendor relationships are rarely designed for easy exits. When billing issues arise or service delivery falls short, the burden often falls on the client to prove harm, argue for fairness, and eat the sunk cost. Litigation is expensive. Public escalation is risky. But passivity can cost even more.

Pholus was engaged in a standard advisory retainer with a mid-sized client when a recurring vendor issue reached a breaking point. The client had been billed repeatedly for services that didn't match what was promised. The vendor remained unresponsive to informal complaints and resisted attempts to renegotiate or terminate the contract.

Rather than pursue costly litigation, Pholus helped the client draft a high-leverage communication to the relevant state attorney general's office. The result: the vendor backed down, released the client from further obligations, and the client secured a more aligned provider without financial penalties.

The Situation

The client, based in the U.S., had contracted with a service vendor several months prior. The vendor's offering—on paper—promised seamless integration, customer support, and real-time performance reporting.

But in practice:

- The core deliverables were routinely delayed or missing
- Customer service was non-responsive or dismissive
- Invoicing continued monthly, with no pause or adjustment despite repeated complaints

The client had already paid several invoices under the assumption the problems were temporary. But after four months of degraded service and no improvements, they wanted out.

The vendor refused. They pointed to the fine print in the contract and claimed termination fees applied. Meanwhile, the billing system kept charging them.

That's when Pholus was looped in.

Pholus' Role and Strategy

Since we were already engaged on retainer, the client shared the situation during a routine advisory session. They assumed their only option was to hire a lawyer or continue paying until the contract ended.

We offered a third path.

1. Assessing the Leverage — and the Risk

We quickly:

- Reviewed the contract and payment terms
- Documented the client's service complaints and vendor communication history
- Identified the misalignment between what was promised and what was delivered
- Noted that the vendor's pattern—charging for services not rendered—could reasonably be construed as deceptive business practice under state law

The state attorney general's office in the client's state accepted consumer protection complaints from businesses, not just individuals. This gave us a high-leverage tool.

2. Drafting the Regulatory Complaint (Without Threats)

Pholus helped the client draft a calm, fact-based communication to the state AG's office. The message:

- Detailed the specific service failures and timeline
- Included screenshots, email trails, and billing records
- Avoided emotional language or legal threats
- Simply requested review under deceptive trade practice protections and asked for assistance terminating the agreement

We framed the letter as a request for mediation—not a lawsuit trigger. The AG's office acknowledged receipt and contacted the vendor within two weeks.

3. The Vendor's Response — and the Turnaround

Once contacted by the attorney general's office, the vendor quickly changed its tone:

- All pending invoices were voided
- The client was released from the remaining contract term
- A formal letter of account closure was issued within 10 days

No public filings, no litigation, no damage to the client's brand.

4. Securing a Better Partner

Pholus didn't stop there. We worked with the client to:

- Define their real needs moving forward
- Vet and shortlist alternate vendors
- Ensure the new provider's terms were flexible and performance-tied

The client secured a new partner that delivered better service—at lower cost—within 30 days.

The Outcome

- Ongoing billing stopped immediately
- Contract terminated without penalty
- Regulatory complaint worked without scorched-earth tactics
- New vendor implemented under Pholus guidance
- Client avoided legal fees and reputational risk
- Handled as part of standard retainer—no need for crisis escalation

Final Thoughts

Not every vendor dispute requires a lawsuit—or silence. Pholus helps organizations navigate gray-zone service failures using structured communications, light-touch regulatory channels, and decisive transitions.

When a vendor crosses the line but lawyers feel like overkill, we help you turn pressure into leverage and walk away clean.

All without burning bridges or breaking budgets.

About Pholus

Pholus is a discreet advisory firm that supports founders, boards, and stakeholders in fragile or complex environments. We specialize in quiet interventions, exit planning, and operational clarity when reputations, relationships, or resources are at risk.

Need to navigate something delicate or high-stakes? We work behind the scenes to help you stabilize, reset, or exit — without triggering avoidable fallout.

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