

Friday, March 9, 2007

DCA WARNS DEBT BUYERS MUST BE LICENSED IF COLLECTING FROM NEW YORK CITY RESIDENTS

DCA Cites Spike in Complaints and Troubling Trends for Aggressive Focus; Reports 40% Increase in Amount of Invalid or Cancelled Debts for Consumers

As part of an aggressive campaign to tackle growing complaints and abusive debt collection practices, New York City Department of Consumer Affairs (DCA) Commissioner Jonathan Mintz today sent a strong message to the industry warning that debt buyers must be licensed if collecting from New York City residents, and that the agency will pursue those businesses operating illegally to ensure consumers are protected. Debt buyers, who buy default debt in bulk and then collect from consumers, often engage in such practices as collecting on debts that have already been paid or targeting the wrong consumer. Often, debt buyers lack the documents needed to verify an original debt and in turn can substantially harm consumer credit histories. These practices were highlighted at a public hearing held by DCA last spring when consumer complaints filed with DCA about debt collection spiked drastically. The amount of debts that could not be validated or were cancelled for consumers with complaints to DCA totaled nearly \$800,000 last year, up by 40% from the year before. In the past two months alone, DCA has secured agreements and fines totaling more than \$65,000 from six unlicensed collection agencies, and continues to investigate several others.

"Abusive debt collection tactics are more than just upsetting and illegal – they can significantly harm a consumer's credit history and impact the financial resources of those who need it most," said Commissioner Mintz. "DCA's multi-faceted approach to protect consumers is focused on using every tool at its disposal to strengthen enforcement, industry compliance, and educational efforts. With DCA's expanded work especially to help New Yorkers with low incomes build financial stability, our focus on combating abusive collection practices will continue to be critical."

Debt collection agencies are one of the 55 different categories of businesses licensed by the Department of Consumer Affairs, and there are approximately 1,000 businesses currently licensed to collect debts from New York City residents. Protecting consumers from deceptive and unscrupulous practices is central to the work of DCA. To that end, using targeted watchdog protection in areas that may have a disproportionate impact on the poor, such as abusive debt collection practices, is a focus of DCA's Office of Financial Empowerment (OFE). The OFE is part of Mayor Bloomberg's aggressive efforts to fight poverty and aims to educate, empower, and protect workers with low incomes so they can make the best use of their financial resources.

For a free copy of the DCA's *Debt Collection Guide* or to file a complaint, call 311 (or 212-NEW-YORK outside New York City) or go online to www.nyc.gov/consumers.

[Consumer tip sheet is attached.](#)