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Collectors hound consumers for a million disputed debts per year, FTC study finds

By [Jenna Greene](#) | [Contact](#) | [All Articles](#)
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The Federal Trade Commission gets more complaints about debt collectors than any other industry, with consumers claiming that they're being hounded for debts they don't owe or for the wrong amount of money.

In the first study of its kind, released on January 30, the FTC examined data on debt buyers, looking at more than 5,000 portfolios containing nearly 90 million consumer accounts with a face value of \$143 billion.

Creditors often sell debt that they have not collected to such buyers.

The agency found that each year, buyers seek to collect about a million debts that consumers assert they don't owe, writing that the "proper handling of this large number of disputed debts is a significant consumer protection concern."

For the study, the FTC got information (via what the agency termed a "compulsory process") from nine of the largest debt buyers. Most of the debts stemmed from unpaid credit card charges, though the study also included debts from mortgage, medical, utility, telecommunications, and other creditors. The buyers paid an average of 4 cents per dollar of the debts' face value.

The FTC found that many ensuing problems with debt collection were the result of incomplete information and poor communication. For example, debt buyers often did not get any information from sellers, whether a consumer had disputed the debt or whether the disputed debt had been verified. Nor did they get information that would allow them to break down the outstanding balance into principal, interest, and fees.

"The Commission has found that such information would assist consumers in determining if the amount of their debts is correct," the FTC stated.

The FTC also found that sellers typically refused to guarantee whether the information about the debts for sale was accurate, selling them "as is and with all faults." Nor could debt buyers in most cases get a refund from the seller if the information about the debts was inaccurate. The study did not attempt to determine how often the information contained errors.

The FTC has brought cases against debt buyers for failing to verify disputed debts, such as the agency's 2012 action against Asset Acceptance, when it alleged that the company lacked a reasonable basis for representing to borrowers that they owed a debt, in violation of the FTC Act. Asset settled the case for \$2.5 million.

The FTC has recommended to Congress that it amend the Fair Debt Collection Practices Act to require that debt buyers provide consumers with the name of the original creditor; an itemization of the principal, total interest, and total fees that make up the debt; plus two additional statements notifying consumers of their rights.

If a consumer protests that he or she doesn't owe the money or that the amount is wrong, the FTC said collectors should back off, because they are "likely to need more information before once again claiming that the consumer owes the debt."

Another "major concern" for the FTC is the conduct of some debt buyers in collecting, threatening to sue, or suing on debt that is time-barred.

The FTC explains that protection offered by the statute of limitation is not automatic, and that in "most states, the expiration of the statute of limitations on a debt does not extinguish the debt. Instead, the running of the statute of limitations is an affirmative defense that consumers themselves must raise and prove before courts will dismiss actions to collect on their debts."

But because 90 percent of consumers sued for debt collection don't appear in court to defend themselves, the FTC found, "filing these actions creates a risk that consumers will be subject to a default judgment on a time-barred debt." The agency recommended that states change their laws to require collectors to prove that debts are not time-barred.

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