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Consumer Law – Debt Collection

Debt Collector Pays $1 Million To Settle FTC Charges Of Unlawful Collection Practices Capital Acquisitions and Management Corp. and its affiliated companies (CAMCO) agreed to entry of a $1 million judgment against them to settle Federal Trade Commission charges that their consumer debt collection practices violated the Federal Fair Debt Collection Practices Act. The FTC agreed to deposit the settlement proceeds in a consumer redress fund. In addition, the settlement bars the companies, which were closed in December 2004 by a court-appointed receiver from engaging in debt collection. A previous settlement agreement required eight of the companies' principals, officers and managers to pay an additional $300,000 and also permanently banned them from engaging in debt collection, and in March of this year, the FTC settled with the remaining individual defendant, bringing the case to a close.

The FTC commenced this action in December 2004 in the Northern District of Illinois. The complaint charged the defendants with using abusive and deceptive practices to collect debt that consumers never owed, was discharged in bankruptcy or whose collection was time-barred. According to the complaint, CAMCO purchased consumer debt from large retailers and credit card issuers across the country, claiming to have purchased more than $2 billion of such debt since it went into business in 1997.

The impermissible practices alleged include: (i) threats to sue, garnish wages, attach property or report consumers to credit reporting agencies when CAMCO had no intention of doing so; (ii) making false claims about the legal status of debts, that collectors were government agents or attorneys and that consumers faced arrest or imprisonment; (iii) attempting to collect disputed debt prior to verification; (iv)impermissibly communicating with third-parties for purposes other than locating the consumer; (v) impermissibly communicating with consumers who have directed that communications cease; and (vi) harassing consumers, their neighbors, families and co-workers by telephoning at inconvenient times, using profane language, screaming and leaving threatening messages.

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