

Debt cowboys riding wild

Treat consumers like cattle, hogtie assets

BY ROBERT GEARTY
DAILY NEWS STAFF WRITER

THE ECONOMIC COLLAPSE has inspired a wave of cowboy debt collectors who harass, intimidate and at times break the law.

Anthony Richardson, a 52-year-old legally blind Manhattan man, knows all about it. His bank account was frozen last fall by Palisades Collection LLC for a \$1,423.32 debt more than six years old.

He agreed to pay \$20 a month to unfreeze the account, and that's when the dunning calls began.

"It was like a loan shark, breaking legs," he said of the calls. "I felt like I was being intimidated."

Stories like Richardson's have become all too common with the surge in debt collection businesses, including firms that buy debt from credit card companies for pennies on the dollar.

To make money, they:

- Intimidate people who've already paid their debt — or didn't owe in the first place.
- Illegally freeze bank accounts that contain money from Social Security checks.
- Masquerade as law enforcement, squeal to neighbors about debts and threaten immigrants with deportation.

Since the economic downturn began in 2007, New York laws protecting consumers in debt collection cases — some of the toughest in the nation — have been tested with increasing frequency.

Complaints against debt collectors have more than doubled in six years, to 832 last fiscal year. For the second year in a row, debt collectors topped the city Consumer Affairs Department's annual complaint list.

Consumer Affairs Commissioner Jonathan Mintz says complaints have risen as debt collectors try to intimidate consumers into paying off debts that aren't even owed.

"A lot of these companies are operating with some limited amount of information," Mintz said. "They are becoming so aggressive in their effort to turn a profit that it's translating into complaints."

Last month, state Attorney General Andrew Cuomo subpoenaed documents from 20 companies in a statewide probe of the debt collection industry.

He also filed criminal charges against a Long Island process server, American Legal Process, and its CEO, claiming the firm never served court papers on people who were then unknowingly hit with thousands of default judgments freezing their assets.

These judgments freeze bank accounts, mess up a consumer's credit and can require hiring a lawyer to undo. Cuomo is now contemplating legal action regarding hundreds of default judgments in New York, sources familiar with the ongoing investigation said.

In Richardson's case, AT&T sold his debt to Palisades Collection. But Richardson was not liable because the debt was more than six years old, said Carolyn Coffey, a lawyer with MFY Legal Services.

She said his bank account should not have been frozen because it contained Social Security disability payments, which are exempt from collection. Eventually, the case was dismissed.

In March 2008, a default judgment for \$10,117 was entered against Roberta Gutterman, a 60-year-old Brooklyn woman who collects Social Security disability while working. She agreed to pay \$25 a month.



Anthony Richardson, who is legally blind, is among scores of elderly or handicapped New Yorkers who have been victims of intimidation tactics by collection agency. Photo by Susana Bates

She was sued by LNVN Funding, a debt buyer, who claimed the complaint was served on a "Mercedes Gallos" on Dec. 7, 2007, at Gutterman's address.

"I live by myself, so there's no one by that name who lives here," Gutterman said. LNVN later dropped the case against her.

Claire Irons, 54, of Far Rockaway, Queens, whose only source of income is Social Security, found herself in a similar predicament after Discover Bank sued her for \$9,777 in old debt on her deceased husband's credit card.

In May 2008, Irons learned that Discover obtained a default judgment. It froze her bank account when she tried to pay her rent and buy blood pressure pills.

"Short of passing out, I was enraged," she said. "I didn't know what I was going to do."

Irons, who has trouble getting around due to a spinal cord injury, had to go to Queens Civil Court to represent herself.

A judge agreed the debt was not her responsibility because the credit card was in her husband's name. He died in 2006.

In May, Irons told an Assembly hearing the experience left her depressed and unable to sleep. "These were some heartless people," she said.

The Assembly later passed bills to license debt collectors, reduce the statute of limitations on collectible debt from six to three years and require collectors to provide consumers with a "debtors bill of rights." The bill is pending in the Senate.

'They would call 3 or 4 times a day'

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GONZALO Echeverri found out the hard way about aggressive debt collectors making harassing phone calls and using abusive language.

Though city law limits debt collection calls to two every seven days, "They would call sometimes three or four times a day," the 54-year-old Queens man said.

They would often curse him and call him a liar, he said.

Echeverri's problem was an old Home Depot credit card. A debt buyer bought the account from a bank that issued the card.

He'd paid off the card and had the receipts to prove it. Still, the calls persisted.

"I have diabetes and every time I got these calls I would get so angry my [blood sugar] would go up," he said.

The Elder Law Clinic at St. John's Law School is trying to help Echeverri resolve the matter.

Betania Zarate had a similar experience. In a 2007 suit, she said she was harassed by a Manhattan firm, D.L. Recovery, whose workers posed as law enforcement officials.

Zarate bought a computer on credit and stopped paying when she lost her job. Collection agents said she owed \$3,500 and threatened to seize her furniture and car and "send immigration to the house."

They contacted her neighbors and boss about her debt, all in violation of the law. The suit was settled out of court, her lawyer said.

In 2008, the Department of Consumer Affairs investigated complaints that D.L. Recovery employees threatened immigrants with deportation. The firm paid a \$40,000 fine. A man who answered the phone at D.L. Recovery told a reporter not to call again.

State Attorney General Andrew Cuomo has set his sights on a far-flung Buffalo collection ring run by ex-cons whose workers posed as law enforcement officials and bullied people into paying by threatening to lock them up.

Cuomo said one of the men who ran the group was Tobias (Bags of Money) Boyland, a former drug dealer who did 13 years in prison for attempted robbery. The operation was shut down and a civil suit is pending.