

# Debt Collector Scam

Consumers are forking over hundreds, even thousands, of dollars to debt collection scammers. Our reader Ashley wrote:

“They told me that my loan had gone into default and if I did not pay the \$398 they would send a sheriff to my job or home to serve me with court papers and I would be ‘behind bars’ for 6 months. I got scared ... They told me to go to Walgreens and get a Vanilla reload network card and call them and give them the 10-digit number on the back. So ... I did it.”

Ashley was scammed, just like thousands of consumers across the country have been. Don’t let it happen to you. Here are nine tip-offs that you are dealing with a debt collection scammer.

1. He claims to be calling from a courthouse or threatens a lawsuit.

If you are actually sued for a debt, you won’t get a call. Instead, you will be served with a legal notice (typically a complaint and summons) that contains instructions for responding. A variation on this scam is when someone calls and says that a lawsuit will be filed immediately if you don’t pay. That can also be a red flag: Under the federal Fair Debt Collection Practices Act, collectors can’t threaten to take action they can’t legally take or don’t intend to take. If you are sued, you must be given time to respond.

2. She says you’ll be arrested, prosecuted for check fraud or even jailed.

You can’t be arrested simply because you can’t pay a debt. (There are times when consumers are arrested in conjunction with debts, but it is because they failed to appear in court when summoned, or failed to pay legal fines.) As the Better Business Bureau’s Kathleen Calligan notes, “A bad debt is not a criminal matter — it’s a civil matter.”

3. He impersonates law enforcement.

The caller may even offer to give you his or her “badge number.” This is almost a certain sign of a scam: Local law enforcement is not going to call you to try to collect a personal debt, and the FBI certainly won’t. If they claim to work with the sheriff’s office or FBI, tell them you will call them back at the published number for that agency. No doubt you’ll find out they were lying.

4. She has a heavy accent.

While an accent isn’t by itself a sign that you are (or aren’t) talking to a collection scammer, many are based overseas. The phone number that appears on caller ID may make it seem that they are calling from the United States, but that’s because that number is spoofed (faked). One commenter on our blog, who worked briefly for one of these outfits in India, suggested asking the caller to hum a few bars of our national anthem.

5. He is collecting an old payday loan you aren’t sure you owe.

Just applying for a payday loan online puts you at risk because some of these sites are designed to collect personal information for identity theft purposes. Because these scammers have such detailed information from the borrower — including Social Security number, place of employment, etc. — it’s easy to think the debt is legitimate. But that doesn’t mean it is.

6. She says she’ll tell your friends, relatives or employers about your debt.

These crooks are hoping to either embarrass you or scare your relatives into paying the debt for you. But federal law forbids collectors from discussing personal debts with anyone other than a co-signer or spouse. They can call other people only to locate a debtor; once the debtor has been found, those calls are supposed to stop.

7. He insists you pay immediately via Western Union or a prepaid card.

These are favored payment methods of scammers because they can't be easily traced and the funds are available almost immediately. There's no opportunity for the debtor to stop payment, as there would be with a check, for example.

8. She stonewalls when you request information.

Ask for the debt collection agency's name, address and phone number. If the caller provides it, check to see if the information is legitimate. If in doubt, contact your state attorney general's office to find out if the firm must be licensed to collect debts in your state, and if so, whether it is. If the caller won't provide you with contact information, the conversation should end there.

9. He refuses to send you written notice of the debt by postal mail.

This is a key thing to look out for. Federal law requires that a collector to notify you in writing of the debt within five days of contacting you the first time. If the collector hasn't sent you anything by mail, ask them to do so. Email is not an acceptable substitute; insist on this written notice. Once you've received it, you have 30 days to dispute the debt and request verification.

A number of readers of the Credit.com blog have experienced more than one of the tactics from this list. Ron wrote:

I have just had this happen and they got my work phone # through my company cell phone. He (the Law enforcement official) as he represented himself, would not give his company info or address. When I asked for written verification, he refused and said the police were on the way to get me. He had a similar conversation with my boss the night before... I am a criminal justice major and I have to say that it shook me up.

If you encounter a collector who engages in any of these tactics, take time to investigate whether the caller is for real. If you let yourself be pressured or rushed into paying, you may wind up paying a crook.