

Collection agencies: the new big brother?

By: CARLY WEEKS

It's a phone call that no one wants to answer. And more people have been getting them lately.

Collection agencies, who have seen the number of accounts they have to deal with soar since the start of the economic downturn, are busy calling and sending letters to embattled debtors and, as the economic situation worsens, have begun using tougher and more creative tactics to extract payment, according to debt management and other industry experts.

"I think it's an industry that's always on the cutting edge of information technology," said John Nemo, spokesman for the Association of Credit and

Collection Professionals International, which represents industry members in the U.S., Canada and around the world. "[The industry is] always looking for the newest, latest, greatest ways to track down the right person."

Beyond the usual phone calling, collection agents have also started scouring sites like Facebook and Craigslist to track down people who have failed to pay their bills.

"There's a lot of public information that's put on the Internet," said Bob Richards, executive vice-president and chief operating officer of CBV Collection Services Ltd., which has several offices across Canada. "Every type of open site that you could find information, you want to use that information to try to locate people."

Phone numbers and e-mail addresses on Craigslist, family names and contact info from open Facebook profiles - for the modern collection agent, it's all fair game.

Mr. Richards said the firm only uses information that

is publicly available on the Internet and doesn't use false or misleading means to trick people. Those kinds of deceptive practices are prohibited under regulations that govern the conduct of collection agencies across Canada. While rules differ in each province, debt and collection agencies are generally not allowed to make threats, call clients repeatedly or be overly aggressive.

However, experts who work with indebted Canadians say agents have been making harsh threats and using menacing words as the number of accounts going into collection increases.

"The laws regulating collection in Canada are broken routinely," said Mark Silverthorn, a lawyer who helps consumers negotiate debt settlement. "I get calls virtually every day about consumers complaining about how collection agencies are doing things that are illegal."

Bruce Cran, president of the Consumers' Association of Canada, said he's also seen an increase in complaints from people who say collection agents are being overly aggressive and using strong-arm tactics. For instance, Mr. Cran has heard many stories of collection agents showing up at an individual's home or business to demand payment.

Other common complaints consumers make are that collection agents make repeated phone calls, threaten to sue clients, garnish their wages or inform their employer about their debt issues, Mr. Silverthorn said.

Both Mr. Cran and Mr. Silverthorn said the provinces aren't doing enough to enforce regulations, which means that Canadians in dire financial predicaments are left vulnerable to threats and coercion from the collection industry.

“Complaints don’t appear to be getting an ear from those agencies,” Mr. Cran said. “There’s all sorts of tactics being used [by collection agents] that we haven’t seen for many, many years.”

Few Canadians are aware of their rights when it comes to collection agents, Mr. Silverthorn said, meaning that agents who choose to break the rules may be allowed to get away with it.

“You really don’t have any rights if you don’t know what they are,” he said.

Instead of feeling victimized, Canadians should exercise their rights when a collector comes calling, says Richard Haggins, manager of operations and development, InCharge Debt Solutions, a non-profit credit counselling agency. For instance, a collection agency can’t garnish wages without going to court and bringing the case before a judge, he said. Many agents may also threaten to sue the debtor if they don’t pay, but it’s unlikely the firm will invest the time and money needed unless the size of the debt owed is substantial. If a person has no means to pay their debt and can’t negotiate with the collection agency, the biggest problem they likely face is the damage that will be done to their credit report, not legal action, Mr. Haggins said.

Provinces regulate collection agencies, so they also offer a place where consumers can bring grievances if they feel they are being harassed or threatened in contravention to those rules. Mr. Haggins recommends keeping a detailed record of calls from collection agencies, which can be used if the consumer wishes to lodge a complaint.

Although Mr. Silverthorn said provinces are lax in cracking down on those who bend or break the rules, collection agents tend to back down if they sense a consumer is aware of his or her rights and is prepared to make a complaint.

But unless consumers pay their debts, the calls from collection agents are unlikely to stop. One new trend that’s helping to drive collectors’ effectiveness is the development of statistical models that use historical information in millions of debt collection records, combined with socioeconomic and other demographic information to predict which indebted consumers are more likely to pay their debts. That information helps collection agencies focus their efforts on people who may have the money to repay their debts, a lucrative prospect during a recession.

“There’s a lot of pressure on individual collectors to collect money,” Mr. Silverthorn said.

