

DEBT COLLECTOR SCAMS

Debt collection regularly ranks among the top consumer complaints to the Federal Trade Commission (FTC). The agency notes a range of deceptive and abusive tactics used to get debtors to pay up, including repeated phone calls, verbal harangues, and threats to disclose debts to employers and family members.

But many Americans are confronted by a problem even scarier than aggressive debt collectors: aggressive fake debt collectors, who try to bully their targets into paying money they don't owe.

The FTC calls it the "phantom debt collection" scam. You'll get a call from someone claiming to be a debt collector, or an attorney from a law firm with a legitimate-sounding name. The caller will insist you have a delinquent payday loan, credit card balance or some other sort of consumer debt and demand immediate payment of hundreds or thousands of dollars. They may threaten arrest or other legal action, even warning that a police officer or process server is headed at that very moment to your home or workplace.

Occasionally such situations arise from mistaken identity: A legitimate debt collection agency slips up, confusing a consumer with a debtor who has a similar name (an error known as "debt tagging"). Often, though, it's a scammer, combining bits of personal information harvested from sources such as old loan applications and hacked accounts to fabricate bogus debts that consumers might be tricked into thinking are real. Some large-scale operators package these phony liabilities into portfolios and sell them to debt brokers for collection.

In recent years, federal authorities have cracked down on phantom-debt predators, permanently banning close to 180 individuals and collection agencies and hitting some with multimillion-dollar fines. But the problem remains widespread: Attempts to collect a debt that wasn't owed accounted for nearly half of complaints about abuse by collectors fielded by the U.S. Consumer Financial Protection Bureau (CFPB) in 2019.

Warning Signs

- A supposed debt collector threatens to have you arrested, something the CFPB says legitimate collectors should not do.
- The caller demands immediate payment.
- The caller wants you to pay via wire transfer or prepaid debit card. These are methods favored by scammers because they're difficult to trace.

Do's

- Do insist on identification. Ask for the caller's name, company, address, phone number and professional license number, which your state may require.
- Do demand information about the debt. Debt collectors are required by federal law to provide you with a written validation notice specifying how much you owe, the name of the original creditor and how to challenge the claim.
- Do check your credit report after you hear from a suspicious collector — if a debt isn't listed, that may be a sign of a scam. Keep in mind that you are allowed one free credit report every 12 months from each of the three major reporting agencies.
- Do a web search on the caller's phone number. You may find complaints from other consumers that it belongs to a scam collection agency.

Don'ts

- Don't give any personal data to someone who claims to be a debt collector. A legitimate collection agency would have received that information from the creditor.
- Don't discuss the debt with someone who calls out of the blue. Demand that the caller provide the legally required written notice first.
- Don't make a payment you're not sure you owe to get a collector off your back. Insis