

# Today Tonight

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### Debt collectors

- Reporter: Helen Wellings
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**It's the last thing we want to find in the letter box, hear over the phone or at the front door - demands from a debt collector who threatens you to pay up or else.**

So how far do they go to get you to hand over, what tactics can they legitimately use, and what rights do you have when you can't pay or don't believe you even owe the money?

If you haven't paid your bills, overdue video fees, loans, council rates, even private school fees - make no mistake, the debt collectors will pounce sooner or later.

Some do it nicely, but firmly. Others are ruthless and unrelenting, even in cases where their target isn't the one that owes the money.

The financial crisis has hit hard. If mortgages can't be renegotiated, banks usually seek orders for repossession, handing them over to sheriffs, bailiffs, sometimes collection agencies. One family home valued at \$325,000 was sold for \$20,000 when the owners fell into arrears on a \$4000 personal loan.

It's increasingly the well-heeled parents of kids at private schools and child-care centres, not able to pay annual fees around \$15,000 to \$20,000 per child, who are the targets.

Roger Mendelson, of Prushka Fast Debt Recovery, says his company collects for 40,000 clients around Australia, including 300 to 400 private schools, chasing debts from \$50 to \$100,000.

"There's been a very substantial increase in unpaid school fees over the last twelve to eighteen months."

With the school year winding up, debt collectors ringing and knocking. Many parents who fail to pay are hit with legal action, some have lost their homes.

"Even the top private schools appear to take a much harder line than they used to," Mendelson said.

Prushka charges 25% of what they recover.

"Our job does involve a certain amount of pressure because we have to get people to do things they don't want to do, which is to pay money but we do that nicely," Mendelson said.

Which debts are the highest priorities for consumers? Top on the list to pay on time is the mortgage, then PayTV, mobile phones, electricity and the internet.

Debts that are the lowest priorities: the home phone, home contents and insurance and personal loans, council rates car insurance, and the least important debt - the gas bill.

Zac Gillam of Victoria's Consumer Action Law Centre says know your rights - there are debt collection guidelines laid down by the Australian Securities and Investment Commission and the ACCC.

"First of all you establish is the debt actually owed. It has to be at least 60 days in arrears before a debt collector can come after you."

"The guidelines set out things like the time of day they can contact you, the number of times they can contact you within a certain period. Three times a week is the most they are entitled to legitimately call you or a face to face, once every fortnight is the limit on that."

Don't ignore debts - you'll be listed as a defaulter with the credit reporting agencies which means it'll be hard to get loans, even rental agreements, for five years. The first things to do: get free financial counselling and contact the company you owe money to come to an agreement about paying off the loan.

"The dangers of a debt getting to court, once the debt enters that kind of legal system, there is the potential that you could have bankruptcy declared against you, involuntary bankruptcy. You can be bankrupted for a debt as low as \$2000," Gillam said