













the creditor is a debt collection agency;<sup>25</sup> or (g) falsely representing that the communication is being sent on behalf of the claim, credit, audit or legal department of the collector.<sup>26</sup>

3. Disclosure of name and title of attorney for collector. Whenever an attorney or an employee of an attorney communicates with the debtor or with any other person concerning a consumer debt, the attorney or employee must correctly identify himself or herself, give the name of the client that the attorney is representing, and give his or her title or job capacity.<sup>27</sup> An attorney who signs demand letter (a *dunning letter*) must actually perform the function of attorney -- that is, the attorney must have reviewed the debtor's file, and have some knowledge about the specific alleged debt.<sup>28</sup>

✓ **Action:** If a creditor or debt collection agency fails to disclose the purpose of its initial communication, or refuses to provide its true name, or misrepresents its identity, the debtor should make a written note of the facts, as suggested above. For remedies and practical suggestions, see Part 5.

### **Article 2.3 Debtor's Right to Dispute Debt**

**When a debt collection agency (or its representative) *initially* contacts the debtor, or within *five days* of the initial contact, it must notify the debtor in writing of the debtor's opportunity to dispute the debt and to obtain verification of the debt, and it must provide the debtor with verification if the debtor requests it. It is a violation to fail to provide this notice or to fail to provide the required verification. The following specific rules apply:**

1. Verification notice and rights. A *debt collection agency* must give the debtor a written notice, either with the initial communication or within *five days* after the initial contact, that states all of the following: (a) the amount of the debt that the debtor allegedly owes; (b) the name of the *creditor* to whom the debt is owed; (c) that unless the debtor disputes the validity of the debt, or any portion of the debt, in writing, and does so within 30 days after receiving the notice, the debt collection agency will act on the assumption that the debt is valid; (d) that if the debtor disputes the debt or any portion of it, and so notifies the debt collection agency in writing, within 30 days after being notified of the opportunity to do so, the debt collection agency will obtain and provide the debtor with verification of the debt; and (e) that if the debtor makes such a request, the debt collection agency will send the debtor the name and address of the original creditor.<sup>29</sup> An attorney who represents a debt collection agency in debt collection activities (whether or not a lawsuit is filed) also must give a verification notice.<sup>30</sup>

2. Function and purpose of verification notice. The verification notice informs the debtor of his or her right to launch an informal dispute resolution process, which the debtor can launch if he or she so desires.<sup>31</sup> Some collectors refer to the required notice as a "validation of debt notice" or simply "validation notice," although the debtor's silence does not "validate" a debt that is not valid.<sup>32</sup> The function of the notice is to inform the debtor of his or her opportunity to dispute the

debt, and to require the collector to investigate the debt and provide verification of it.<sup>33</sup> For that reason, this Legal Guide refers to this notice as a “*verification notice*.”

3. The verification notice must communicate effectively. An inconspicuous or otherwise ineffective verification notice does not satisfy the statutory requirement. Courts have ruled that the verification notice must be large enough to be easily read, and sufficiently prominent to be easily noticed, by even the “least sophisticated debtor;” that it must not be overshadowed or contradicted by anything else displayed or said in the document or by the collector; and that it must not be designed or presented in a way that undermines its statutory purpose.<sup>34</sup>

4. The debtor may require verification of the debt’s existence, amount, or anything else. The debtor can require a debt collection agency to verify the existence or amount of a debt that the debtor disputes or may dispute. In order to exercise that right, the debtor must notify the debt collection agency *in writing* and *within 30 days* after the debtor first receives the verification notice. The debtor can either inform the debt collection agency (in writing) that the debtor disputes the debt, or some portion of it, or ask the debt collection agency (in writing) to provide verification of the debt or some aspect of it. The debtor’s communication is not subject to technical requirements, and need only question the demand for payment in some way. For instance, it may consist of (a) an inquiry about the origin or date of the alleged debt, (b) a request to verify its enforceability, (c) an assertion that the amount demanded is incorrect, (d) an assertion that nothing is owing, (e) an assertion that the debt is owing by someone else, (f) a question concerning the fact or amount of any previous payments, or (g) an expression of some other concern or question relating to the debt. All the debtor *must* do is send the collector a letter, or other written communication (such as an e-mail message), that includes the statement, “I dispute the debt,” with the debtor’s name and a description of the alleged debt.

5. The debtor may require verification of the existence or unpaid balance of a judgment. The debtor similarly has a similar right to require a debt collection agency to verify the existence, validity of, or amount owing under, a *court judgment* against the debtor. In order to exercise that right, the debtor must contact the debt collection agency *in writing* and *within 30 days* after the debtor receives the verification notice, inform it that the debtor disputes the existence or validity of the judgment, or the amount demanded, and that the debtor requests verification of the existence, validity or unpaid balance of the judgment debt. The debtor’s communication is not subject to technical requirements, and need only question the demand for payment. For instance, the debtor might question (a) the existence or validity of the judgment, (b) the capacity of the court to issue it, (c) the amount of the original debt, (d) the amount of the judgment debt (the asserted “payoff amount”), (e) the legitimacy or amount of any of its components, (f) the fact or amount of any previous payments or recoveries, (g) the identity of the judgment debtor, or (h) anything else relating to the judgment or the debt that it represents.

6. How the debtor can obtain the name and address of the original creditor. In order to exercise the debtor’s right to require a debt collection agency to provide the debtor with the name and address of the *original creditor*, the debtor must contact the debt collection agency *in writing*, *within 30 days* after the debtor first receives the verification notice, and ask the debt collection



agency to provide the name and address of the original creditor. The debtor may need this to enable the debtor to obtain documents or information relating to the original transaction, or the dates and amounts of payments on the account.

7. Debt collection agency's obligations on receipt of a notice of dispute or verification request. Upon receipt of the debtor's notice of a dispute or request to verify the existence or amount of a debt, or obtain information relating to it, the debt collection agency must stop efforts to collect the debt until it obtains the required verification and provides it to the debtor.<sup>35</sup> The verification that is needed will depend on the character of the dispute, inquiry, or other expression of concern. Unless and until the debt collection agency receives a notice of that kind from the debtor, it may continue informal collection efforts, provided they do not overshadow and are not inconsistent with the disclosure of the debtor's right to dispute the debt.<sup>36</sup> While *informal* (extra-judicial) collection efforts must stop if the collector receives a response to the verification notice, a collector's option to *file a collection lawsuit* is not impaired by receipt of a notice of dispute from the debtor.<sup>37</sup>

8. Obligation of debt collection agency to report dispute to credit reporting agency. Upon receipt of the debtor's notice of a dispute or refusal to pay, the debt collection agency must notify any credit reporting agency to which it has reported adverse credit information that the debtor has registered a dispute, so that the credit reporting agency can investigate the dispute.<sup>38</sup> If the debt collection agency has not already notified a credit reporting agency that the debt has not been paid, it may not report it as delinquent unless it also reports that it is disputed.<sup>39</sup> If the debt collection agency's investigation of the dispute discloses that the alleged debt is not owing, it may not report it to a credit reporting agency, or, if it has previously reported it, must notify the credit reporting agency that it has determined that the asserted debt is not owing.<sup>40</sup>

9. Debtor's notice to a credit reporting agency. If the original creditor or debt collection agency has reported to a credit reporting agency that a debt is delinquent (which the debtor may only know by obtaining and checking his or her credit report), the debtor also may directly inform the credit reporting agency that the debt is disputed -- for instance, is not owing in the amount alleged, or at all. If the debtor's communication to the credit reporting agency is written, it will trigger obligations by both the credit reporting agency,<sup>41</sup> and the creditor or debt collection agency that reported that the debt was delinquent,<sup>42</sup> to investigate the dispute.<sup>43</sup> If a credit reporting agency is notified by a consumer that a debt is disputed, the credit reporting agency must include in all future credit reports relating to that consumer a notation that the debt is disputed.<sup>44</sup>

✓ **Action:** If the debt collection agency does not give the debtor the required written verification notice or does not provide verification of the debt or other information that is required, the debtor should make a written note of the facts, and notify the debt collection agency of its violation. The debtor may also register a complaint with the Federal Trade Commission (FTC). On how to do that, see Part 5.

**Article 2.4**  
**Debtor's Right to Stop Communications**

**The debtor has the right to require a debt collection agency to stop contacting the debtor. The debtor can also require that it direct all of future communications to the debtor's attorney. In general, it is a violation of law for a debt collection agency to fail to halt communications when requested. The following specific rules apply:**

1. The debtor can require a debt collection agency to stop contacting the debtor. The debtor has the right to require a *debt collection agency* to stop communicating with the debtor regarding a debt. The debtor's spouse, parent (if the debtor is a minor), or guardian, also can require that such communications stop. In order to require the debt collection agency to put a stop to communications, it is only necessary that the debtor ask the debt collection agency, *in writing*, to do so.<sup>45</sup> While such a notice halts communications, it does not impair a debt collection agency's option to file a lawsuit.<sup>46</sup> Exceptions: A debt collection agency *may* contact a debtor or other protected party to inform the debtor or other party of any of the following: (a) that no further attempt will be made to collect the debt; or (b) that it or the *original creditor* may use specified remedies which it ordinarily uses, such as filing a collection lawsuit; or (c) that the *debt collection agency* intends to use a specified remedy, such as filing a lawsuit.<sup>47</sup> A letter from the debtor might state as follows:

Address

Date

ABC Collection Agency

Dear Sir or Madam:

I am writing to request that you stop communicating with me about my account (No. 000723) with Amy's Department Store. [The federal Fair Debt Collection Practices Act, 15 USC section 1692c(c), requires that you honor this request.]

[I am making this request because I was laid off from work two months ago and cannot pay this bill at this time. I am enrolled in a training program which I will complete in March, and expect to find work that will enable me to resume payments soon after that. You may expect to receive word from me then. Until then, please do not contact me or anyone in my household for any reason.]

[Thank you for your cooperation.]

Yours very truly,

*The debtor should modify this form.* A debtor should not use this form letter without first changing it to describe his or her own situation, and to request exactly what he or she desires. The language in brackets suggests how the debtor might describe his or her situation, but it is not legally required. If the debtor disputes the debt, or if the debt may not actually be owing (because it is too old, for instance), the debtor should only include the first paragraph and not anything in

brackets. As a general rule, it is desirable for a debtor to be diplomatic, to explain his or her true situation to the collector, and to inform the collector of the true factual and legal basis for the request (which the debt collector may not know). It is also desirable to send requests of this kind by certified mail, so that the debtor can prove that it was delivered. The effect of requiring a collector to stop contacting a debtor will ordinarily be to give the debtor at least temporary relief from the effects of repeated communications, which may be interfering with his or her attempts to deal with the problems that he or she is facing. On the other hand, a request of this kind may result in a *collection lawsuit*, *repossession of property*, or claim against a *co-signer*, that might not otherwise have occurred. For that reason, requiring the collector to stop contacting the debtor may be a dangerous strategy for a debtor.

2. Communications also must stop if the debtor informs the debt collection agency that he or she refuses to pay. A debt collection agency must stop communicating with the debtor if the debtor informs the debt collection agency in writing that he or she *refuses to pay the debt*.<sup>48</sup> A debtor need only notify the debt collection agency in writing that he or she refuses to pay the debt. Ordinarily, this will be because the debtor disputes all or part of the debt. The debtor can also do this if he or she is not able to pay, and does not wish to receive calls until he or she has acquired the funds needed to make payment. Exceptions: After a debt collection agency is informed in writing that the debtor refuses to pay, it may communicate with the debtor to inform the debtor of any of the following: (a) that no further attempt will be made to collect the debt; or (b) that it or the *original creditor* may use specified remedies which it ordinarily uses, such as filing a *collection lawsuit*; or (c) that the debt collection agency intends to use a specified remedy, such as filing a lawsuit.<sup>49</sup> A letter from the debtor to a debt collection agency might state as follows:

Address  
Date

ABC Collection Agency

Dear Sir or Madam:

I am responding to your notice regarding my account (No. 000834) at Amy's Department Store. I refuse to pay the \$\_\_\_\_\_ charged to my account for the purchase on [date].

[I returned the TV I purchased on [date] because it was too large for where I planned to install it. The sales clerk, John, told me I could return it if it didn't fit, and it didn't fit.]

[John did not want to take it back, but I left it with him anyway. Since I returned it, I do not owe Amy's anything. That was our agreement. Please do not contact me further on this.]

[This notice is given under the federal Fair Debt Collection Practices Act, 15 USC section 1692c(c).]

[Thank you for your cooperation.]

Yours very truly,

*The debtor should modify this form.* The debtor should modify the form to describe his or her own unique situation, and to express his or her own requests. The language in brackets is not legally required. In general, it is usually desirable for a debtor to be diplomatic, and inform the collector of the true factual and any known legal basis for a refusal to pay. If the debtor disputes the debt, or part of it, the debtor should inform the debt collection agency that he or she disputes the debt and should explain why. This will also trigger a legal requirement that the collector inform any credit reporting agency to which the collector has reported adverse credit information that the debt is disputed.<sup>50</sup> (Credit reporting agencies should also be notified in writing of any dispute.) If the debtor only disputes part of the debt, the collector can continue to communicate with the debtor regarding the rest of the debt. In that situation, the debtor would need to specifically *request* the debt collection agency to stop communications if that were his or her desire. However, requiring a collector to stop contacting the debtor may be a dangerous strategy. It may only force the collector to file a collection lawsuit, repossess the property (if any) that secures the debt, or make a claim against a co-signer, when it otherwise might not do so. In almost all situations, the debtor's best interests will be served by actively communicating and interacting with the collector.

✓ **Action:** If a debt collection agency does not honor the debtor's request to stop contacting the debtor, or if it contacts the debtor after he or she has notified the collector that he or she refuses to pay the alleged debt, the debtor should inform the collector's management about the violation. If the collector repeats the violation, the debtor may register a complaint with the FTC. See Part 5.

## **Article 2.5 Obligation to Respect Debtor's Privacy**

**A collector has a duty to respect certain defined privacy interests of a debtor. The collector must observe limits on the time and place that contacts can be made; on the content of communications to both the debtor and third persons; on the use of non-private means of communication; on communications to the debtor at work or when represented by an attorney; and on dissemination of defamatory information. The following specific rules apply:**

1. Communications to third parties. In general and with limited exceptions -- such as communications to locate the debtor, and communications with the debtor's spouse, parent (if the debtor is a minor), guardian, executor, or administrator -- a collector may not communicate *any* information to *any* third party in connection with the collection of a debt. (This rule, and its limited exceptions, are discussed in Article 2.11, Communications to Debtor's Employer; Article 2.12, Communications to Family Members; and Article 2.13, Communications to Third Parties, below.)
2. Communicating at unusual or inconvenient times or places. In general, it is unlawful for a collector to communicate with the debtor regarding an unpaid debt at a *time or place* that the collector knows or should know is either *unusual* or *inconvenient to the debtor*. Unless the

debtor has given his or her prior consent, a collector may not communicate with the debtor in connection with the debt at any of the following times or places: (a) at any *time* that is either (i) unusual, or (ii) inconvenient to the debtor (but unless the collector knows otherwise, the collector can assume that anytime between 8:00 a.m. and 9:00 p.m., debtor's local time, is convenient to the debtor); or (b) at any *place* (including the debtor's place of employment) that is either (i) unusual, or (ii) inconvenient to the debtor.<sup>51</sup>

*The debtor can specify what times are ok and are not ok.* Collectors are permitted to act on the assumption that anytime between 8:00 a.m. and 9:00 p.m., debtor's local time, is convenient to the debtor,<sup>52</sup> but a collector *cannot* assume that those times are ok once the debtor notifies the collector that any portion of that period is, in fact, *inconvenient and unsuitable for the debtor*. The debtor can also specify exactly what *places* of contact are, and are not, convenient to the debtor. The debtor, in short, may tell the collector, orally or in writing, what times and places *are acceptable* and what times *are not acceptable*. The prohibition against communicating at an unusual or inconvenient time or place also applies to communications with the debtor's spouse, parent (if the debtor is a minor), guardian, executor, or administrator.<sup>53</sup> Any of these persons can also specify what times and places are, and are not, convenient for that person to receive communications from the collector.

3. Disclosing purpose of written communication to third persons. When communicating with the debtor by mail or telegram, a debt collection agency may not use any language or symbol on the outside of any envelope, other than (a) its address, and (b) its name (*provided* that the collector's name does *not* indicate that it is in the *debt collection* business).<sup>54</sup> It is unlawful for a collector to attempt to collect a debt by means of a written communication that displays or conveys any information about the debt or about the debtor (other than the names and addresses of the collector and the debtor) which is intended both to be seen by others and to embarrass the debtor.<sup>55</sup> For instance, a collector may not use a postcard to communicate with the debtor regarding the debt,<sup>56</sup> since others may see the postcard's contents. Similarly, sending a demand for payment to a debtor by fax may violate this prohibition if anyone else has access to the debtor's fax machine. (Other prohibitions against communicating information about an unpaid debt to third parties are discussed in Article 2.13, Communications to Third Parties, below.)

4. The debtor can require the collector not to contact the debtor at his or her place of employment. An original creditor or debt collection agency is not permitted to contact the debtor at the debtor's place of employment *if* the collector knows that the debtor's employer prohibits its employees from receiving communications from creditors at work.<sup>57</sup> If that is the debtor's employer's policy -- that is, the employer's rules or preferences -- it is important that the debtor inform the creditor or debt collection agency of that fact. In order that the debtor can prove it later, if necessary, it is desirable for a debtor to notify the collector in writing (although this is not legally required). The debtor also can specifically *request* that the collector not contact the debtor at work, even if the debtor's employer does permit its employees to receive such calls (this right is discussed in paragraph 2, above).

5. The debtor can require the collector to address all communications to his or her attorney. The

debtor's attorney may request a creditor or debt collection agency to address all future communications to the debtor's attorney instead of to the debtor.<sup>58</sup> Even if a request of this kind has not been made, a debt collection agency may not contact anyone other than the debtor's attorney if the debt collection agency knows that the debtor is represented by the attorney with regard to the debt, and knows or can readily ascertain the attorney's name and address (but in order for this rule to apply, the attorney must respond to such communication).<sup>59</sup>

6. Advertising existence of debt. It is unlawful for a collector to communicate the fact that someone has failed to pay a debt to any third person other than: (a) a credit reporting agency, or (b) a person to whom a credit reporting agency may lawfully disseminate the information (for example, to a prospective creditor).<sup>60</sup> It is unlawful for a collector to disseminate a list of debtors which discloses the nature or existence of a consumer debt, or to advertise any debt for sale by naming the debtor.<sup>61</sup> A collector may not advertise the sale of a debt for the purpose of coercing its payment.<sup>62</sup>

7. Disseminating defamatory information. A collector may not communicate to *anyone* the fact that the debtor has engaged in conduct (other than failing to pay a debt) that the collector knows or has reason to believe would *defame* the debtor.<sup>63</sup> To "defame" is to harm a person's reputation, as by an allegation of disgraceful conduct or the commission of a crime.<sup>64</sup>

✓ **Action:** If a collector contacts the debtor at a time or place that is unusual or that the collector knows is inconvenient to the debtor, the debtor should make a written note of the facts, and then notify the collector in writing that the debtor objects to its misconduct and why. If the misconduct has serious consequences or is repeated, the debtor may register a complaint with the FTC. See Part 5.

## Article 2.6 Unfair Collection Practices

**The law prohibits all debt collection practices that are judicially determined to be "unfair."<sup>65</sup> The law also prohibits certain practices that the Legislature has defined as "unfair." The following specific rules apply:**

1. Physical force or criminal means. It is unlawful for a collector to collect a debt by using physical force or any criminal means to cause harm to the person, reputation or property of anyone.<sup>66</sup>

2. Amount or charges lawfully owing. It is unlawful for a collector to collect any amount (including any interest, fee, charge, or expense incidental to the principal amount of the debt) unless such amount is either: (a) expressly authorized by the *agreement* between the debtor and the original creditor, or (b) expressly permitted by *statute*.<sup>67</sup> Attempts to collect "interest," "service charges," "collection charges," "attorney's fees," "legal notice fees" and other fees, charges or penalties, result in a violation *unless* the charge is expressly authorized by a statute or a valid agreement between the parties.<sup>68</sup> It is also a violation to misrepresent a debt's character,

amount or legal status.<sup>69</sup> For example, it is a violation to attempt to collect a claim that is too old to be enforceable.<sup>70</sup> Charges of the following kinds are sometimes asserted against debtors when the required factual or legal *prerequisites* do not exist:

- Prejudgment interest. Prejudgment interest is an element of damages that is subject to and limited by legal rules. For instance, if the prejudgment interest rate is not specified by contract, a debt arising from a loan of money bears interest at the rate of 10 percent per year after breach,<sup>71</sup> and no more.

- Statutory penalty. The general rule is that private parties may not impose penalties. Traditionally, only governments could impose penalties. Now, statutes sometimes allow private parties (such as credit card issuers) to impose penalties, but unless specifically authorized by statute, a penalty (such as an extra charge for doing or failing to do something) is not lawful or recoverable.<sup>72</sup> If a statute authorizes a penalty, a demand for it is unlawful unless *all* of the statutory *prerequisites* to the particular charge have already been met.<sup>73</sup>

- Attorney's fees. Unless specifically authorized by statute or an agreement between the debtor and the original creditor, attorney's fees are not recoverable.<sup>74</sup> Courts scrutinize attorney's fee claims, where permitted, carefully before allowing them, in order to assure that they are authorized by statute or contract, and are reasonable in amount.<sup>75</sup> Some courts promulgate charts that define "reasonable" attorney's fees for different amounts claimed.

- Collection expenses. The collection of all or part of a collector's fee or charge is prohibited "except as permitted by law."<sup>76</sup> A contract term that obligates a debtor to pay "collection expenses" is enforceable only if it meets rigorous and usually insurmountable rules on both "liquidated damages" and unfair business practices.<sup>77</sup>

3. Identity theft. A debt incurred in a consumer's name by another person without the consumer's authorization is ordinarily not a debt owing by the consumer. Once a collector is informed that a debt was incurred by an identify thief, a statement by the collector that the consumer is nonetheless obligated to pay the debt may constitute an unlawful misrepresentation.<sup>78</sup> (See Article 2.7, Misrepresentations, and Credit Identity Theft: Tips to Avoid and Resolve Problems, Legal Guide P-3.)

4. Application of payment. If the debtor owes multiple debts, the collector may not apply a payment to a disputed debt, and must follow the debtor's instructions, if any, on allocation of payments to one particular debt (such as a secured debt, or a high-interest-bearing debt) instead of another.<sup>79</sup>

5. Postdated checks. It is unlawful for a collector to: (a) accept or deposit a check that is postdated by more than five days, *unless* the collector gives written notice to the person giving the check, at least three but not more than ten business days before deposit, of its intention to deposit the check;<sup>80</sup> or (b) solicit a postdated check or other postdated instrument for the purpose of threatening or instituting criminal prosecution;<sup>81</sup> or (c) deposit a postdated check or other

instrument prior to the date on the check or instrument.<sup>82</sup>

6. Inconvenient venue. It is unlawful for a collector to enforce payment of a consumer debt by filing a lawsuit in a county other than: (a) where the debtor incurred the debt, or (b) where the debtor resided when the lawsuit was filed, or (c) where the debtor resided when the debt was incurred.<sup>83</sup> If a collector files a lawsuit to enforce a security interest in *real property*, the lawsuit must be filed where the real property is located.<sup>84</sup>

7. Defective service of process. It is unlawful for a collector to collect a debt through a lawsuit if the collector knows that the summons and complaint were not legally served.<sup>85</sup>

8. Reaffirmation of discharged debt. It is unlawful for a collector to obtain a reaffirmation of a debt discharged in the debtor's bankruptcy, *unless* the collector discloses to the debtor in writing, before the affirmation of the debt is sought, that the debtor is not legally obligated to affirm the discharged debt.<sup>86</sup>

9. Other unconscionable or unfair means. It is unlawful for a collector to use *any* unfair or unconscionable means to collect or attempt to collect a debt.<sup>87</sup> Companies that compose and sell debt collection forms and letters (other than attorneys) are also subject to the prohibition against unfair practices.<sup>88</sup> This means that any conduct by an original creditor, debt collection agency or forms supplier that is unconscionable or unfair violates the federal statute, even if the particular conduct is not expressly prohibited by the statute.<sup>89</sup> (On what constitutes "unfair" conduct under California's unfair competition law, see California's Unfair Competition Law, Legal Guide U-8.)

✓ **Action:** If a collector employs an unfair or unconscionable practice, the debtor should make a written note of the facts, and then inform the collector in writing that the debtor objects to its apparent misconduct and why. If the misconduct has serious consequences or is repeated, the debtor may register a complaint with the FTC. See Part 5.

## **Article 2.7 Misrepresentations**

**A collector may not pretend to be a court, government agency, or anything that it isn't, or make any other kind of false or deceptive representation. The following specific rules apply:**

1. Misrepresentation of identity. It is unlawful for a collector to use any name other than its true name, or to otherwise misrepresent its identity or function. This rule is discussed in Article 2.2, Disclosure of Identity, pages 3-4, above.

2. Deceptive simulation. It is unlawful for a collector to: (a) use any form of demand for payment or other written communication that simulates or is falsely represented to be a document authorized, issued, or approved by any court, official, or agency of the United States or any state;<sup>90</sup> (b) use any form of demand for payment or other written communication that creates a



false impression as to its source, authorization, or approval;<sup>91</sup> (c) use stationery bearing an attorney's name, or give a communication the appearance of being authorized or approved by an attorney, unless the communication is by or has been approved by that attorney;<sup>92</sup> (d) make any communication that gives the appearance of being authorized, issued or approved by a government agency;<sup>93</sup> or (d) make any communication that simulates legal process.<sup>94</sup>

3. Pretending to be a collection agency. It is unlawful for a *creditor* to use (and for anyone to design, produce or furnish) a demand letter or form that falsely represents or implies that a *debt collection agency* or *some other third party* is participating in the collection of a debt.<sup>95</sup> This prohibits what is known as 'flat-rating,' in which an individual sends a delinquency letter to the debtor portraying himself as a debt collector, when in fact he has no real involvement in the debt collection effort.<sup>96</sup> In that situation, the creditor is considered a debt collection agency for purposes of the federal statute and its standards and penalties.<sup>97</sup>

4. Affiliation with another entity. A collector may not collect or attempt to collect a debt by making misrepresentations of any of the following kinds: (a) misrepresenting that the collector is vouched for bonded by, or affiliated with the United States or any state government;<sup>98</sup> (b) misrepresenting or falsely implying that any person is an attorney or that any communication is from an attorney;<sup>99</sup> or (c) misrepresenting or falsely implying that the collector is, or is employed by, a credit reporting agency.<sup>100</sup>

5. Character, amount or status of debt. It is unlawful for a collector to: (a) falsely represent the character, amount, or legal status of the debt,<sup>101</sup> or (b) falsely represent any services rendered, or any compensation recoverable, for the collection of a debt.<sup>102</sup> (These are also considered "unfair collection practices," which are discussed more fully in "Amount or charges lawfully owing," in Unfair Collection Practices, Article 2.6, page 14.)

6. Legal right to assert claim. The collector must have the *legal right* to collect the particular debt.<sup>103</sup> It is unlawful for a debt collection agency to falsely represent the legal status of the debt as one that has been assigned to it.<sup>104</sup>

7. Past or intended future action. A collector may not attempt to collect a debt by means of any of the following false representations of past or intended future action: (a) that information concerning nonpayment has been or is about to be furnished to a consumer reporting agency;<sup>105</sup> or (b) that a lawsuit has been, is about to be, or will be, filed if payment is not made.<sup>106</sup> Representations of these kinds are unlawful if they are not factually true.

8. Legal procedure. It is unlawful for a collector to make any of the following misrepresentations regarding legal procedures: (a) to falsely represent or imply that a document constitutes legal process;<sup>107</sup> (b) to falsely represent or imply that a document *does not* constitute legal process;<sup>108</sup> (c) to falsely represent or imply that a document does not require action by the debtor;<sup>109</sup> or (d) to represent that nonpayment will result in the arrest or imprisonment of any person, or the seizure, garnishment, attachment, or sale of the property or wages of any person, *unless* (i) such action is lawful, and (ii) the collector actually intends to take such action.<sup>110</sup>

9. Effect of nonpayment. It is unlawful for a collector to misrepresent the effect of nonpayment by falsely representing or implying: (a) that a debt has been transferred to an innocent purchaser for value;<sup>111</sup> (b) that a sale, assignment or other transfer of a debt will cause the debtor to lose any claim or defense to payment;<sup>112</sup> or (c) that a sale, referral or other transfer of a debt will subject the debtor to any debt collection activity of a kind prohibited by statute.<sup>113</sup>

10. Ruse to obtain information. It is unlawful for a collector to use any false representation or deceptive means to obtain information concerning a debtor.<sup>114</sup>

11. Use of any other false representation or deceptive means. It is unlawful for a collector to use *any* kind of false representation or deceptive means to collect or attempt to collect any debt.<sup>115</sup> Companies that compose and sell debt collection forms and letters are also subject to this rule.<sup>116</sup> Deceptive methods of debt collection that are not expressly identified and prohibited by statute, whether engaged in by an original creditor, debt collection agency or forms supplier, may therefore be unlawful.<sup>117</sup> Representations are judged by how they are perceived by unsophisticated consumers.<sup>118</sup>

✓ **Action:** If a collector makes any false or deceptive representation in its attempt to collect a debt, the debtor should make a written note of the facts, and then inform the collector that he or she objects to its misrepresentation and why. If a misrepresentation has serious consequences or is repeated, the debtor may register a complaint with the FTC. See Part 5.

## **Article 2.8 Unlawful Threats**

**It is unlawful for a collector to make certain threats (expressions of intention to inflict harm). In general, a collector is prohibited from threatening the debtor physically, threatening to harm the debtor's reputation, or threatening to damage the debtor's property, in order to collect a debt. The following specific kinds of threats are prohibited:**

1. Threatening physical force or criminal action. A collector may not: (a) threaten to use physical force or violence;<sup>119</sup> (b) threaten to use any criminal means to cause harm to the person, reputation or property of anyone;<sup>120</sup> (c) threaten to accuse the debtor of the commission of a criminal offense if the debt is not paid, where the accusation, if made, would be false;<sup>121</sup> or (d) threaten to use violence or other criminal means to harm the physical person, reputation or property of any person.<sup>122</sup>

2. Threatening to increase charges. A collector may not collect or attempt to collect a debt by threatening that the debt may be *increased* by the addition of attorney's fees, investigation fees, service fees, finance charges, or other charges, *unless* the additional charges can lawfully be imposed.<sup>123</sup>

3. Threatening action not intended or permitted. A collector may not state that it intends to: (a) take action that it does not actually intend to take;<sup>124</sup> (b) take action that it cannot lawfully take;<sup>125</sup> (c) assign the debt to a third person, accompanied by a false representation that the assignment would cut off a defense;<sup>126</sup> (d) file suit if it does not intend to do so,<sup>127</sup> (e) garnish wages, seize property, or arrest anyone, unless the action is lawful and is in fact contemplated;<sup>128</sup> or (f) take possession of property without a court order, if either (i) the collector does not intend to take possession, or (ii) there is no enforceable security interest in the property, or (iii) the property is exempt by law from such taking.<sup>129</sup>

4. Action only conditionally permitted. A threat to do things that are only lawful if some triggering event has occurred is an unlawful threat if the triggering event has not yet occurred. For example, it is unlawful to communicate with third parties regarding an alleged debt except in certain situations. (See Communications to Debtor's Employer, Communications to Family Members, and Communications to Third Parties, below.) Only in those situations is the third-party contact lawful. A collector's threat to contact a judgment debtor's employer to effectuate a post-judgment remedy -- a contact permitted by the federal statute<sup>130</sup> -- would be lawful, for instance, only if the creditor genuinely lacked information that only the employer could provide.

5. Threatening to communicate defamatory information. A collector may not threaten to communicate to anyone information (other than nonpayment of the debt) that will defame the debtor.<sup>131</sup> To "defame" is to harm a person's reputation, as by an untrue allegation of disgraceful conduct or the commission of a crime.<sup>132</sup>

6. Threatening to communicate false credit information. A collector may not threaten to communicate to any person (including a *credit reporting agency*) credit information that the debtor knows or should know to be false.<sup>133</sup>

✓ **Action:** If a collector makes any kind of a prohibited threat, the debtor should make a written note of the facts, including the date, time and place, what was said, and the names of any witnesses, and then inform the collector in writing that he or she objects to the collector's misconduct and why. If the misconduct has serious consequences or is repeated, the debtor may register a complaint with the FTC. See Part 5.

## **Article 2.9 Harassment or Abuse**

**It is a violation to harass or abuse a debtor or any person in order to cause payment of a debt. For example, a debtor may not vex, trouble or annoy the debtor or anyone continually or chronically, as by repeated telephone calls, in order to induce payment. The following specific rules apply:**

1. Harassment or abuse by telephone. A collector may not make the following uses of the telephone to collect a consumer debt: (a) to cause the debtor's or anyone's telephone to ring, or to engage the debtor or any person in telephone conversation, repeatedly or continuously for the

purpose of annoying the person called;<sup>134</sup> (b) to call the debtor or anyone with a frequency that is unreasonable and that constitutes harassment;<sup>135</sup> (c) to cause the debtor or anyone expenses for long-distance telephone charges, telegram fees, or charges for other similar communications, by concealing or misrepresenting the purpose of the call;<sup>136</sup> or (d) to call the debtor or anyone without disclosing the caller's identity.<sup>137</sup>

2. Other forms of harassment. A collector may not engage in any conduct in connection with the collection of a debt whose natural effect is to harass, oppress, or abuse the debtor or any other person.<sup>138</sup> ("Natural" means how an ordinary person would ordinarily feel; the term "harass" has no statutory definition, but probably includes rude, nasty or other un-civil or unreasonable behavior.) Conduct that is similar in purpose and effect to the conduct described at paragraph 1, but is accomplished by some means other than a telephone (for example, publication on the Internet or by e-mail), is probably unlawful.<sup>139</sup>

✓ **Action:** If the debtor or someone in the debtor's household receives and is harassed by repeated telephone calls or by any other repeated acts by a collector or any of its employees, the debtor should make a written note of the facts, and then send the collector a letter notifying it of the misconduct. If the misconduct has serious consequences or is repeated, the debtor may register a complaint with the FTC. See Part 5.

## **Article 2.10** **Profane, Obscene or Abusive Language**

**A collector may not use language that is profane, obscene, vulgar or abusive in order to induce payment of a debt, whether in communications with a debtor a member of his or her family, or any other person. The following specific rules apply:**

1. Profane or obscene language. A collector may not use language that is obscene or profane in connection with the collection of a debt.<sup>140</sup>

2. Language whose effect is to abuse. A collector may not use any kind of language in connection with the collection of a debt whose *natural effect* is to abuse the debtor.<sup>141</sup>

3. Allegations of disgraceful conduct. A collector may not use language that states or implies that the debtor has engaged in disgraceful conduct, such as the commission of a crime.<sup>142</sup>

✓ **Action:** If the debtor receives a communication that is abusive in any of these ways, the debtor should make a written note of the facts, and then send the collector a letter informing it of the misconduct. If the misconduct has serious consequences or is repeated, the debtor may register a complaint with the FTC. See Part 5.

## Article 2.11 Communications to Debtor's Employer

**A collector may communicate with a debtor's employer, *but only* to verify the debtor's employment, to locate the debtor, or to garnish the debtor's wages. In the case of a medical debt, the collector may call to discover the existence of medical insurance. The following specific rules apply:**

1. Purposes limited. A collector may communicate with a debtor's employer only for the following purposes: (a) to verify the debtor's employment; (b) to locate the debtor; (c) to garnish the debtor's wages; or (d) in the case of a medical debt, to discover the existence of medical insurance.<sup>143</sup> The call must be genuinely for one of these purposes. No other communication to the debtor's employer is permitted.<sup>144</sup>
2. Limits on what is said. If the purpose is to locate the debtor, or to verify whether the debtor is employed there, there are limits on what can be said. The caller must give his or her name, must state that he or she is confirming or correcting information about the debtor's location, and, *only* if expressly requested, must give the collector's true name. The caller may not state that the debtor owes any debt. (See "Communications to locate debtor" in Article 2.13, page 23, below.)
3. No more contacts than necessary. Communications to a debtor's employer for an authorized purpose can be made *only as many times as are really necessary for the authorized purpose.*<sup>145</sup> If the purpose of the call is to locate the debtor or verify employment, only a single call is permitted.<sup>146</sup> Any further communication is unlawful.<sup>147</sup>
4. Most communications must be in writing. All communications to the debtor's employer must be in writing, *except* that: (a) one oral communication may be made solely for the purpose of verifying the debtor's employment; (b) a health care provider or agent may communicate orally for the purpose of discovering the existence of medical insurance; and (c) a collector may communicate orally if no response to a written communication is received within 15 days.<sup>148</sup>
5. Abusive or other improper language prohibited. Communications to the debtor's employer may not contain language that would be improper if the communication were made to the debtor.<sup>149</sup> (See Articles 2.7, 2.8, 2.9 and 2.10, above.)

✓ **Action:** If a collector engages in any unlawful communication, the debtor should make a written note of the facts, and then notify the collector in writing that the debtor objects to its misconduct. If the misconduct has serious consequences or is repeated, the debtor may register a complaint with the FTC. See Part 5.

## Article 2.12 Communications to Family Members

**A collector is prohibited, with certain exceptions, from attempting to collect a debt by**

**communicating information regarding the debt to any member of the debtor's family.  
The following specific rules apply:**

1. Purposes limited. With certain exceptions, a collector may not attempt to collect a debt by communicating information regarding the debt to *any member* of the debtor's family.<sup>150</sup>

Exceptions: A collector *can*: (a) communicate with the debtor's spouse; (b) contact any family member to *locate* the debtor; (c) contact any family member if the debtor or the debtor's attorney has previously *consented in writing* to the communication; or (d) contact the debtor's parents or guardians, if the debtor is a *minor* or *resides* with them in the same household.<sup>151</sup> The California statute's prohibition against contacting family members no longer applies once the debt becomes a judgment.<sup>152</sup>

2. Restrictions on permitted communications. Communications to any of the persons to whom communications may be made are subject to the same restrictions on time, place and content that apply to communications made directly to the debtor. (See Articles 2.7, 2.8, 2.9 and 2.10, above.) While both the federal and the California statute allows a collector to communicate with the debtor's unobligated spouse, the collector may not make false or deceptive representations to the spouse, harass or annoy him or her, or threaten unlawful action. Also, if a collector does not have a legitimate purpose in communicating with the spouse -- for instance, seeks to obtain payment by contacts intended primarily to interfere with the marital relationship, rather than simply communicate or receive information that reasonably must be communicated or received -- the collector may incur tort liability. (See Debt Collector's Wrongful Conduct: Some Tort Remedies for Debtors, Legal Guide DC-3.)

3. Termination of communications to family members. All of the prohibitions against communicating with the debtor after the debtor requests that communications stop, or expresses a refusal to pay, or who is known to be represented by an attorney, also apply to communications to the debtor's family members. In particular:

- Denial of liability or request to stop. With certain limited exceptions, debt collection agency may not communicate with the debtor's spouse, or parent (if the debtor is a minor), regarding the debt, anytime after the debtor or family member has notified it in writing that: (a) the debtor or family member requests the collector to stop communicating, or (b) the debtor refuses to pay the debt.<sup>153</sup> For sample letters, see Article 2.4 above. Exceptions: The collector may communicate with the debtor or a family member to inform him or her that (a) no further attempt will be made to collect the debt;<sup>154</sup> or (b) the collector may employ specified remedies, which the collector ordinarily uses;<sup>155</sup> or (c) the collector intends to employ a specified remedy.<sup>156</sup>

- When debtor is represented by an attorney. A collector may not communicate with the debtor, the debtor's spouse, or the debtor's parent (if the debtor is a minor), regarding the debt, if: (a) the debtor is represented by an attorney with regard to the debt; (b) the collector knows this; and (c) the collector knows the attorney's name and address or can readily ascertain it. However, the prohibition no longer applies if the attorney fails to respond within a reasonable time to communications from the collector.<sup>157</sup> (See also Article 2.5, Obligation to Respect

Debtor's Privacy, paragraph 5.)

3. Communications to family member's employer. A collector may not communicate with the debtor's spouse, or his or her parent (if the debtor is a minor), regarding the debt, at the family member's place of employment, *if* the collector knows or has reason to know that the family member's employer prohibits its employees from receiving communications from creditors at work.<sup>158</sup> (See also Article 2.5, Obligation to Respect Debtor's Privacy, paragraph 4.)

4. Inconvenient time or place. Unless the person gives his or her prior consent, a collector may not communicate with the debtor's spouse, the debtor's parent (if the debtor is a minor), or guardian, in connection with the debt, at any *time* that the collector knows or has reason to believe is either unusual or inconvenient to that person, or at any *place* that is either unusual or inconvenient to that person.<sup>159</sup> Unless the collector knows otherwise, it can act on the assumption that anytime between 8:00 a.m. and 9:00 p.m. (debtor's local time) is convenient.<sup>160</sup>

✓ **Action:** It is important that a protected party inform the collector in writing of any particular period of time, or place, that is *not* convenient for receiving communications concerning a debt. If a collector engages in any prohibited communication, the protected party should make a written note of the facts, and then notify the collector in writing that he or she objects to its misconduct and why, and (where appropriate) request that communications stop. If the misconduct has serious consequences or is repeated, the party may register a complaint with the FTC.

### **Article 2.13 Communications to Third Parties**

**Communications regarding a debt made by a collector to someone other than the debtor, the debtor's spouse, or the debtor's parents (if the debtor is a minor), are rigorously limited. The following rules apply:**

1. General prohibition. With several limited exceptions, a collector may not communicate *any* information to *any* third person in connection with the collection of a debt.<sup>161</sup> This also means that a collector may not communicate with a debtor using a method (such as a postcard) that informs third parties that the communication is from a debt collection agency. (For statutory provisions that protect debtors' privacy, see Article 2.5, Obligation to Respect Debtor's Privacy, above.) Exceptions: A collector *may* communicate with a third person in connection with the collection of a debt: (a) where the communication is needed to locate the debtor (subject to stringent limitations, see "Communications to locate debtor" in paragraph 2, below);<sup>162</sup> (b) if the communication is to the debtor's spouse, parent (if the debtor is a minor), guardian, executor or administrator;<sup>163</sup> (c) if the debtor has given his or her prior consent directly to the collector;<sup>164</sup> (d) if the communication is authorized by a court of competent jurisdiction;<sup>165</sup> (e) if the communication is reasonably necessary to carry out a post-judgment judicial remedy;<sup>166</sup> or (f) communications to a *credit reporting agency* or other person with a legitimate business need for the information.<sup>167</sup> (See Communication of credit information," paragraph 6, below.)

2. Communications to locate debtor. When a collector communicates with a third person for the purpose of locating the debtor, the person representing the collector must: (a) identify himself or herself, (b) state that the caller is confirming or correcting information about the debtor's location, and (c) *only* if expressly requested, identify the collector by name.<sup>168</sup> In making such contacts, however, the collector's representative may not: (a) state that the debtor owes any debt;<sup>169</sup> (b) contact the third person more than once, *unless* (i) requested to do so by that person, or (ii) the caller reasonably believes that the earlier response was in error and that the third person now has correct or complete location information;<sup>170</sup> (c) communicate by postcard;<sup>171</sup> or (d) use any language or symbol on any envelope or in the contents of any mailed communication or telegram indicating that the sender is a debt collection agency or that the communication relates to the collection of a debt.<sup>172</sup>

3. Communications with debtor's attorney. A collector may not communicate with a debtor regarding a debt at any time after the debtor or the debtor's attorney has made a written request to the collector to direct all future communications to the attorney, provided that the attorney's name and address are provided. However, this prohibition no longer applies if the attorney authorizes the collector to contact the debtor, or to the extent that the debtor initiates communications with the collector.<sup>173</sup> Even if such a written request has not been made, a collector may not communicate with the debtor or any other person regarding the debt if: (a) the debtor is represented by an attorney with regard to the debt, *and* (b) the collector knows this, *and* (c) the collector knows the attorney's name and address or can readily ascertain it. However, this prohibition no longer applies if the attorney fails to respond within a reasonable time to communications from the collector.<sup>174</sup>

4. Communication of credit information. The limits on communications to third parties (summarized in paragraphs 1-3, above) do not prohibit a collector from communicating information that relates to a consumer debt or to the debtor to a *credit reporting agency*.<sup>175</sup> Exceptions and qualifications: It is unlawful for a collector, when communicating credit information to a credit reporting agency, to do either of the following: (a) to communicate information which the collector knows or should know is *false*;<sup>176</sup> or (b) if the collector knows that the debtor disputes the debt, to fail to communicate that the debt is *disputed*.<sup>177</sup> To help assure that a collector will notify its credit reporting agency or agencies that a debt is disputed, the debtor should inform the collector in writing that the debt is disputed, and also explain why the debtor disputes it. If the debt is listed in the debtor's credit report as delinquent, the debtor also should notify the credit reporting agency that the debt is disputed and why. These notices will trigger obligations on the part of both the collector<sup>178</sup> and the credit reporting agency,<sup>179</sup> to investigate the dispute. For an example of a letter of this kind, see Article 2.3.<sup>180</sup>

✓ **Action:** If a collector makes any prohibited communication (even a contacting a relative or friend not specifically authorized), or if a collector reports the debt to a credit reporting agency without reporting that it is disputed (if the collector knows that), the debtor should record the facts, ask the party who was contacted to also record what happened, and then notify the collector in writing that the debtor objects to its conduct and why. If the misconduct has serious consequences or is repeated, the debtor may register a complaint



with the FTC. See Part 5.

### **PART 3 WHAT COLLECTORS AND DEBTS ARE COVERED?**

Not all collectors, and not all kinds of debts, are covered by the California and federal fair debt collection practices statutes. The scope of the California statute is discussed in Article 3.1, below. The scope the federal statute is discussed in Article 3.2, below.

#### **Article 3.1 California Debt Collection Practices Act**

The California Fair Debt Collection Practices Act, adopted by the California Legislature in 1977, regulates the form and content of communications by a collector to the debtor and others, and prohibits a variety of dishonest, deceptive, unreasonable and unfair debt collection practices.<sup>181</sup> The scope of the California statute includes the debt collection practices of both *original creditors* and *debt collection agencies*.

1. Debt collectors subject to California statute. The California statute regulates persons and legal entities that are “debt collectors.” A “debt collector” is “any person who, in the ordinary course of business, regularly, on behalf of himself or others, engages in debt collection.”<sup>182</sup> Hence, the statute only covers those collectors that *regularly* engage in the collection of debts, including both *original creditors* and *debt collection agencies*. (By contrast, the federal statute, discussed in Article 3.2 below, generally applies only to *debt collection agencies*.) The California statute also applies to persons who compose and sell, or offer to compose and sell, forms, letters and other collection materials used or intended to be used for debt collection.<sup>183</sup> The California statute does not apply to attorneys engaged in debt collection,<sup>184</sup> but another California law requires attorneys to comply with those standards. (See Article 3.4, page 27, below.) Directors and officers of a corporation are not personally merely because of their position, but may be liable if they directly order, authorize or participate in the unlawful conduct.<sup>185</sup>

2. Debts subject to California statute. The California statute only applies to “debt collection,” which is “any act or practice in connection with the collection of consumer debts.”<sup>186</sup> A “consumer debt” is a debt incurred by a natural person in exchange for property, services, or money acquired on credit for personal, family, or household purposes<sup>187</sup> -- that is, a claim arising from a *consumer marketplace transaction*.<sup>188</sup> Hence, a debt allegedly owing by a business is not covered (even one incurred by a sole proprietor). A debt resulting from a non-marketplace event such as an automobile accident or marriage dissolution, also is not covered. The statute does not define “credit,” which probably includes both regular credit as well as debts arising from an express or implied promises to pay for consumer goods or services. The statute only applies to debts owing by “natural persons.”<sup>189</sup> Hence, its protections do not apply with respect to debts owing by corporations or other legal entities (such as limited liability companies or partnerships), regardless of the nature of the debt.

3. What rules apply -- California or federal? Creditors and debt collection agencies that are subject to the California statute are also potentially subject to both the California and the federal standards. Before January 1, 2000, the standards in the federal statute only applied to *debt collection agencies*, with the result that *original creditors* were generally not subject to the federal statute's standards or remedies. However, an amendment to the *California* statute effective January 1, 2000, made most of the *federal* standards and remedies that are applicable to debt collection agencies also applicable to the debt collection activities of *all creditors subject to the California statute, including both debt collection agencies and original creditors*.<sup>190</sup> As a result, most of the standards described in Part 2 (pages 5-24) apply to the debt collection activities of both *original creditors* and *debt collection agencies* (referred to collectively as "collectors"). (Where a standard only applies to debt collection agencies, the text of Part 2 of this Legal Guide uses the term "debt collection agency" instead of "collector" to describe who must comply.)

### **Article 3.2 Federal Debt Collection Practices Act**

The federal Fair Debt Collection Practices Act, adopted by Congress in 1977, regulates the form and content of communications by debt collection agencies to debtors and others; mandates certain affirmative disclosures and activities; prohibits a variety of deceptive and unfair debt collection practices; and grants consumers specific rights, including the right to cut off contacts by the collector, to specify times and places that contacts may not be made, and to dispute the debt and obtain verification of its existence and amount. In contrast to the California statute, whose reach extends to the debt collection practices of both *original creditors* and *debt collection agencies* or other assignees, the federal statute and its remedies are written to apply only to debt collection agencies.<sup>191</sup>

1. Debt collectors subject to federal statute. The federal statute applies to "debt collectors," and it generally excludes original creditors from its coverage. A "debt collector" is there defined as a person *either* "who uses any instrumentality of interstate commerce or the mails in any business the *principal* purpose of which is the collection of any debts, *or* who regularly collects or attempts to collect ... debts owed or due or asserted to be owed or due *another*."<sup>192</sup> The federal statute also applies to original creditors who, in collecting debts that are owing to them, use a name that implies that a third person is attempting to collect the debt.<sup>193</sup> The federal statute's remedies are also recoverable against a debt collection agency's actively participating managers and employees who personally violate the statute.<sup>194</sup> A violation by an attorney may give rise to remedies against its collector client.<sup>195</sup>

- The federal statute generally includes: debt collection agencies; creditors that pretend to be a debt collection agency; creditors collecting for some other person; repossession companies; attorneys; suppliers or designers of deceptive forms; for-profit debt poolers; and check guarantee services. The federal statute also covers third parties who regularly collect consumer debts for others, including but not limited to attorneys, and employees of attorneys, who are employed by or represent debt collection agencies. A company's activities rather than its form of organization

or label determines whether the activities are covered by the federal statute.<sup>196</sup>

- The federal statute generally excludes: creditors (when collecting their own debts), including retail stores, banks and finance companies; assignees (when the debt is assigned before default); government employees; business credit collectors; persons who collect a debt for another person in an isolated instance; and nonprofit credit counseling services.<sup>197</sup> The federal statute also excludes repossessors, except insofar as they violate its specific rules on the conduct of repossessions.<sup>198</sup> The federal statute once excluded attorneys, but it now expressly includes the debt collection activities of attorneys.<sup>199</sup>

2. Debts subject to federal statute. The federal statute only covers debts arising from “transactions,” and then only if “the money, property, insurance, or services ... are *primarily for personal, family or household purposes*.”<sup>200</sup> In general, therefore, only debts arising from *consumer marketplace transactions* are covered. A business debt is therefore not covered (even if incurred by a sole proprietor), and a claim arising from an automobile accident is also not covered, unless the claim is based on a contract to pay the resulting damages. Nor are claims for taxes, fines, alimony or child support covered.<sup>201</sup> The scope of the federal statute is not limited to debts arising from “credit” transactions, and includes claims for the unpaid purchase price of consumer goods or services, as well as claims based on dishonored checks given in consumer marketplace transactions.<sup>202</sup>

### **Article 3.3**

#### **What Rules Apply -- California or Federal?**

The federal statute and its remedies are written to apply only to the conduct of *debt collection agencies* and not that of *original creditors*. However, as a result of a California law that became effective on January 1, 2000, creditors that are subject to the California statute are also subject to most of the provisions of the federal statute.<sup>203</sup> Hence, as a general rule, any original creditor or debt collection agency that is subject to the *California* statute is now subject to substantive standards and remedies in both the *California* statute and the *federal* statute. Where a rule only applies to debt collection agencies, the text in Part 2 uses the term “debt collection agency” instead of “collector” to describe who must comply.

### **Article 3.4**

#### **Coverage of Attorneys**

Attorneys and employees of attorneys who are employed primarily to assist in the collection of consumer debts, or who regularly collect or attempt to collect consumer debts, are subject to the federal statute.<sup>204</sup> They are exempt from the California Fair Debt Collection Practices Act,<sup>205</sup> but are subject to professional standards expressed in California’s Business & Professions Code,<sup>206</sup> which require attorneys to comply with the standards expressed in the California Fair Debt Collection Practices Act.<sup>207</sup> As a result, attorneys and their employees are subject to both the federal and state fair debt collection statutes, as well as California’s professional standards for attorneys.

California's professional standards for attorneys also provide that whenever an attorney or an employee of an attorney communicates with either the debtor or any other person concerning a consumer debt, the attorney or employee must identify himself or herself, state by whom he or she is employed, and give his or her title or job capacity.<sup>208</sup>

Attorneys who wilfully violate the professional standards are subject to disciplinary action by the State Bar of California.<sup>209</sup>

## **PART 4 DEBTOR'S RESPONSIBILITIES**

The California statute imposes some legal duties on the consumer debtor.

It is a violation of the California statute for a consumer debtor to do any of the following, provided that the creditor has previously disclosed the prohibition to the debtor both clearly and conspicuously: (a) to apply for credit without intending to repay it;<sup>210</sup> (b) to apply for credit with knowledge that there is no reasonable probability of being able to repay it;<sup>211</sup> (c) to knowingly submit false or inaccurate credit information;<sup>212</sup> (d) to willfully conceal adverse credit information;<sup>213</sup> or (e) to incur obligations on an account after the option to do so has been terminated.<sup>214</sup>

The California statute also requires a consumer debtor to notify the creditor of any change in the person's name, address, or employment,<sup>215</sup> and to notify the creditor of a loss or theft of a credit card or other instrument within a reasonable time after discovery.<sup>216</sup>

Any intentional violation by a debtor of any of the debtor's statutory duties may be raised as a defense by the collector if the violation is relevant to the debtor's claim against the creditor.<sup>217</sup>

## **PART 5 DEBTOR'S REMEDIES FOR A VIOLATION**

### **Article 5.1 Non-Judicial Remedies and Options**

1. Private mediation. A debtor may owe all or part of an alleged debt, *and* the collector may have some liability to the debtor because of a violation. If there are two or more conflicting claims, all of the claims can be taken into account in calculating the *net* amount owing. Especially in that situation, the interests of both the debtor and the collector may be served by having a neutral third party *mediate* and attempt to resolve the dispute. Mediation can also be used if the dispute only involves the amount that is asserted to be owing by one party to the other, such as a penalty, or the validity or amount of the debt.

2. Complaint to government agency

- California government agencies. The California state agency that regulated debt collection agencies was abolished by the California Legislature in 1992. Now, district attorneys as well as the Attorney General can enforce the debt collection rules under their general law enforcement authority. These agencies operate on limited resources, and there are practical limits on what they can do. The district attorney's address and telephone number can be found in the introduction to the white pages of the telephone directory under County Government. Complaints to the Attorney General can be addressed to the Public Inquiry Unit at 1-800-952-5225, and at [www.caag.state.ca.us](http://www.caag.state.ca.us). Referral services and information are available from the Department of Consumer Affairs at 1-800-952-5210, TDD 1-800-326-2297, [www.dca.ca.gov](http://www.dca.ca.gov).

- Federal government agencies. The FTC enforces the federal statute with respect to debt collection agencies; the Comptroller of the Currency enforces compliance by national banks; the Federal Reserve Board enforces compliance by its member banks; the FDIC enforces compliance by its insured banks; and the National Credit Union Administration enforces compliance by federal credit unions. Complaints involving debt collection agencies can be telephoned to the FTC's Consumer Response Center at 1-877-382-4357 (1-877-FTC-HELP) (TDD 1-202-326-2502). Complaints can also be mailed to the Consumer Response Center, Federal Trade Commission, Washington, D.C. 20580-0001. Information is available on the FTC's website at [www.ftc.gov](http://www.ftc.gov). Since a violation of the federal statute is also a violation of the FTC Act,<sup>218</sup> the FTC has broad administrative enforcement authority. Although the FTC does not ordinarily intervene in individual disputes, it uses information submitted by consumers to identify patterns of law violations requiring enforcement action by the FTC.

3. Enforcement lawsuit by debtor. Both of the fair debt collection practices statutes create a private right of action for violations. Both statutes give a debtor power to file a court action to recover a penalty and any resulting damages from a collector that violates the statute. The claim must be filed within one year after the date of the violation. The California remedies can be asserted against the creditor or debt collection agency that committed the violation. The federal remedies can be asserted against a debt collection agency, but not ordinarily against an original creditor (unless the original creditor is subject to the California statute). Forms suppliers and attorneys may also be subject to suit. In some situations, a court will deduct from the amount that a debtor owes to the creditor any damages or penalty that the debtor is entitled to recover from the collector because of the violation. Ordinarily, a lawyer is needed to successfully prosecute an enforcement lawsuit. The debtor may also seek recovery of a penalty and any damages in small claims court. If a lawsuit is not filed in *good faith* -- that is, without a factual and legal basis -- a debtor may be liable to pay the attorney's fees incurred by the collector in defending the lawsuit.

## **Article 5.2**

### **Overview of California Legal Remedies**

1. Lawsuit by debtor. The California statute gives a debtor the right to file a lawsuit and obtain certain relief for violations of its provisions. Recovery is subject to a *one-year statute of limitation*, and can be sought "only in an individual action."<sup>219</sup> The action can be filed in any California court of general jurisdiction, including small claims court.<sup>220</sup> The following kinds of

awards are allowed:

- Damages: A creditor or debt collection agency that violates the California statute is liable to the debtor, in an individual action (that is, not a class action), for the actual damages sustained by the debtor as a result of the violation.<sup>221</sup> Companies that compose and sell debt collection forms and letters (other than attorneys) are liable for damages resulting from their misrepresentations and other prohibited acts.<sup>222</sup>

- Civil penalty: If the court determines that the violation of law was willful and knowing, the creditor or debt collection agency is also liable, in an individual (non-class) action only, for a penalty (sometimes referred to as statutory damages) of not less than \$100 nor more than \$1,000, in an amount determined by the court.<sup>223</sup>

- Attorney's fees: If the debtor prevails, the debtor is entitled to recover a reasonable attorney's fee from the collector that committed the violation.<sup>224</sup> A prevailing *collector* is entitled to recover reasonable attorney's fees from the *debtor* if the court finds that the debtor's prosecution or defense of a claim was not in *good faith*.<sup>225</sup>

2. Defenses by collector. A collector can assert any one of three kinds of defenses to a claim for damages or penalties for violation. A collector may have a defense if it can demonstrate that: (a) it notified the debtor of the violation and corrected the violation within 15 days after either discovering it or receiving written notice of it,<sup>226</sup> or (b) it had established procedures designed to avoid the violation, and the violation was unintentional,<sup>227</sup> or (c) the debtor intentionally failed to perform a statutory obligation of the debtor which was pertinent or relevant to the debtor's claim.<sup>228</sup> (The debtor's responsibilities are summarized in Part 4, pages 17-18.)

3. Remedies for violation of other laws. The California statute states that its remedies "are intended to be cumulative and ... in addition to any other procedures, rights, or remedies under any other provision of law."<sup>229</sup> Conduct that also violates the federal statute therefore may result in remedies under both statutes.<sup>230</sup> If the debtor disputes all or part of an alleged debt, and notifies the collector of that fact, the collector has obligations under the Fair Credit Reporting Act that may result in liability if not performed.<sup>231</sup> The rule barring recovery of duplicative items of damage bars multiple recoveries of actual damages.<sup>232</sup>

4. Administrative enforcement. The California Legislature repealed the state's Collection Agency Act<sup>233</sup> and its regulations<sup>234</sup> in 1992.<sup>235</sup> While there is no longer any state agency that is funded and staffed to enforce the statute, the FTC enforces the *federal* act. For addresses, see paragraph 2 of Article 5.1, above.

### **Article 5.3 Overview of Federal Legal Remedies**

1. Lawsuit by debtor. Like the California statute, the federal Fair Debt Collection Practices Act gives debtors the right to file a lawsuit and obtain certain relief for violations of its provisions,

subject to a *one-year statute of limitation*.<sup>236</sup> Action can be filed in any federal district court, *or* in any other state court of competent jurisdiction, including small claims court.<sup>237</sup> If the collector has violated the statute “with respect to” someone other than the debtor -- for instance, has harassed or abused the debtor’s spouse, or has failed to observe that person’s request to stop communications -- that person too has a federal right to sue.<sup>238</sup> Under the federal statute, the lawsuit can be filed against a debt collection agency that violates the federal standards, but not against an original creditor unless the original creditor represented that it was a debt collection agency.<sup>239</sup> An officer or employee of a collector, when collecting debts for that collector, is not generally liable for violations,<sup>240</sup> but when the conduct of a manager or other employee meets the criteria for “debt collector” he or she may incur personal liability for the violation. The federal remedies are:

- Damages: A debt collection agency that fails to comply with any requirement of the federal statute is liable for any actual damages sustained by the debtor or other protected party as a result of the violation.<sup>241</sup>

- Civil penalty: The court in such a lawsuit may also award a civil penalty (statutory damages) not exceeding \$1,000 if the lawsuit is an individual action. In a class action, the court may award civil penalties not exceeding (a) \$1,000 for each named plaintiff, and (b) for all other class members, an aggregate amount not exceeding \$500,000 or one percent of the collector’s net worth.<sup>242</sup>

- Attorney’s fees: The court may award reasonable attorney’s fees to the prevailing plaintiff. If the court finds that the debtor’s prosecution or defense of a claim was not in *good faith*, a prevailing *party* is entitled to recover reasonable attorney’s fees from the *debtor*.<sup>243</sup>

2. Defenses by debt collection agency. A debt collection agency can defend against a claim for a violation of the federal statute on either of the following grounds: (a) if it demonstrates that (i) it established procedures to avoid the error and (ii) the violation was not intentional and resulted from a bona fide error,<sup>244</sup> *or* (b) if it demonstrates that the challenged act or conduct was done or omitted in *good faith* in conformity with an advisory opinion of the Federal Trade Commission.<sup>245</sup>

3. Class actions. While the private right of action for actual damages and penalties created by the California statute can be asserted “only in an individual action,”<sup>246</sup> the federal statute allows use of a class action to recover both actual damages and penalties.<sup>247</sup>

4. Administrative enforcement. The FTC enforces the federal statute against most debt collection agencies,<sup>248</sup> but certain other federal administrative agencies enforce it against the entities that they regulate.<sup>249</sup> For their telephone numbers and addresses, see paragraph 2(b) of Article 5.1, above.

5. Federal preemption of state law. The federal statute states that its provisions do not displace state law, excepting state law provisions that are inconsistent with federal law. These are preempted, unless they provide consumers with greater protection.<sup>250</sup>

### Article 5.3 Creditors Subject to Federal Remedies

The California statute expressly applies to debt collection by both *original creditors and debt collection agencies*, while the federal statute, by its terms, generally applies only to the activities of debt collection agencies, not the activities of original creditors. (See Article 3.3, page 17, above.)

While the federal statute states that it only covers the activities of debt collection agencies and not original creditors,<sup>251</sup> the practical impact of the federal statute in California changed on January 1, 2000. From and after January 1, 2000, collectors subject to the *California* statute (both original creditors and debt collection agencies) have been required to “comply with the provisions of Sections 1692b to 1692j, inclusive, of, and be subject to the remedies in Section 1692k of” the federal statute.<sup>252</sup> The result is that a debtor who sustains a violation of the federal standards by a creditor who is subject to the California statute can assert the federal remedies against that creditor.

This legislation expressly required collectors to comply with the version of the federal statute that existed on January 1, 2000. The California statute was amended in 2000, to change that date to January 1, 2001.<sup>253</sup>

### PART 6 GLOSSARY (Terms Used in This Legal Guide)

**acknowledgment of satisfaction of judgment** – a form signed by the *judgment creditor* that states that the debtor (the debtor) have paid the *judgment debt* in full

**agree** – to reach and express a mutual agreement and understanding about something

**allege (or assert)** – to claim or maintain that something is true (for instance, that the debtor signed something)

**agreement** – the result of an expression of mutual understanding, including what was agreed to

**assign** – to transfer a claim from the *original creditor* to a *debt collection agency* for collection

**attorney (or lawyer)** – a person who has special knowledge about the law and is licensed to give legal advice

**attorney’s fees** – fees paid to an attorney, sometimes included as part of a court *judgment*

**bankruptcy** – a federal court process that wipes out most of a debtor’s debts in exchange for the debtor’s non-exempt property; see also *wage earner plan*

**bargaining power** – control over the situation, sufficient to affect the results

**barred** – prevented; for example, a *statute of limitation* may bar (prevent) the filing of an old claim

**bill** – a written notice from a creditor to a debtor stating a particular amount of money that is owing

**cancel** – to back out of, rescind, extinguish, terminate; a debtor might seek to cancel (rescind) a



*contract*

**case** – the reasons and arguments why a party should win a dispute; that party’s “side of the dispute”

**charges** – any amount added to a debt, such as *interest, court costs, attorney’s fees, or collection fees*

**claim** (or **amount claimed**) – the amount that a collector believes (whether rightly or wrongly) is owing

**claim** (or **assert**) – to demand payment of an alleged debt, or to assert a defense to an alleged debt

**collateral** – property given by the debtor to the creditor to secure payment of the debt (see *secured debt*)

**collect** – to receive and/or enforce payment of a debt

**collection fees** – fees that a debt collector might try to add to the debt to cover the expenses of collecting it

**collector** – a business or person who attempts to collect a debt; may be a *creditor* or a *debt collection agency*

**complete defense** – where the person against whom a claim is made has no legal *obligation* to pay anything

**compromise** – an *agreement* to settle a dispute by giving up something, as by “splitting the difference”

**consumer debt** – a debt incurred by a natural person, in a marketplace transaction, for personal, family, or household purposes

**contract** – a legally enforceable *agreement*

**corroborating evidence** – facts or documents that help to support a party’s side of the dispute (*case*)

**co-signer** – someone other than the debtor who has promised to pay the debt if the debtor does not

**court costs** – certain kinds of court-related expenses of the winning party, which the court may add to the debt

**court judgment** – see Judgment.

**credibility** – reputation for honesty

**credit** – the right to incur a debt, or the right to delay repayment of a debt

**credit counselor** – a professional person who is an expert in personal finance and financial problem solving

**credit record** – a history of one’s use and repayment of credit, including any delays in payment, compiled by a *credit reporting agency*

**credit report** – a summary of a person’s *credit record* prepared by a *credit reporting agency* and sold to prospective creditors and others

**credit reporting agency** – a business (sometimes called a credit bureau) that compiles and sells people’s *credit reports* to other businesses

**credit standing** – a person’s reputation for the payment of debts, as documented in his or her *credit record*

**creditor** – a business or individual who extends credit, or to whom a debt is owed (in this Legal

Guide, it usually means the *original creditor*).

**debt** – a legal obligation to pay money, often resulting from a purchase on credit or a loan of money; in this Legal Guide, “debt” means an obligation arising from a consumer transaction

**debt collection** – activity that results in payment of debts

**debt collection agency** – a business that collects debts that were originally owing to some other creditor -- also called “debt collector”

**debt counselor** – a professional person who is an expert in personal finance and financial problem solving

**debt management service** – an organization or office that helps debtors work out their financial difficulties

**debtor** – a person who has a legal duty to pay money to someone else

**defame** – to harm someone’s reputation

**defense** – where all or part of a claim is not legally *enforceable* (a *partial defense* or *complete defense*)

**demand for payment** – a creditor’s or debt collection agency’s request for payment of an alleged debt

**dispute** – to assert that one does not owe the amount claimed (or when used as a noun, a controversy)

**dunning letter** – a letter from a creditor or debt collection agency that demands payment of a debt

**enforceable** – where a court would find the claimed debt to be lawfully owed to another, and would issue a court *judgment* that declares that the debtor owes it

**evidence** – an oral or written statement, or a document, photograph or drawing (etc.), that is offered to show that a fact is or is not so

**execution** – the enforcement of a *judgment* by a *sheriff*, pursuant to a *writ of execution*, against the debtor’s earnings, bank account, or other property

**exempt** – earnings or property that is protected by law against being taken to satisfy a *judgment*

**fraud** – one example is a false statement that is made knowingly, intended to be relied upon, and relied upon justifiably by another, with resulting loss

**garnishment of earnings** – a *levy of execution* by a court officer on someone’s earnings, a portion being taken each pay period to pay off the *judgment*

**good faith** – honestly, based on a reasonable belief that something is authorized and legitimate

**grace period** – the number of days after a due date within which the debtor can pay without paying a penalty

**indebtedness** – the total of the debts the debtor owe

**installment** or **installment payments** – monthly or weekly payments to a creditor or debt collector

**interest** – a charge for using or delaying repayment of money (amount x rate x time = interest charge)

**judgment** – a court document that states the amount that the court has determined that a debtor owes

**judgment creditor** – a party to a *lawsuit*, who was awarded a court *judgment* against another party

**judgment debt** – the total amount that will pay off the *judgment*, including: (a) the original debt; (b) *and* pre-judgment *interest, court costs* and other *charges*; *and* (c) any interest and court costs after judgment

**judgment debtor** – a party to a *lawsuit*, against whom another party was awarded a *judgment*

**judgment lien** – a security interest in real property, which prevents its sale until the *judgement debt* is paid

**judgment-proof** – where, since the debtor has no income or property, a court judgment is worthless

**harass** – to vex, trouble, or annoy someone continually or chronically

**lawsuit** – a court action or proceeding, as where one person or business goes to court to seek money or other relief from another person

**legitimate** – lawful, authorized, honest, genuine

**levy of execution** – action taken by a court officer to enforce a *judgment* against a debtor’s earnings, bank account or property, pursuant to a *writ of execution*

**lump sum payment** – payment (usually in full) by a single check, money order, or cash payment

**mediate** – to help the parties to a dispute to reach a voluntary *settlement* of the dispute

**negative item** – an entry in a person’s *credit record* (maintained by a *credit reporting agency*) that is adverse to that person

**negotiate** – interact with someone (as by talking with that person), in an attempt to reach an *agreement*

**obligation** – a legal duty owed to another person

**original creditor** – the business to which the debtor first owed the debt, before the business assigned it to the debt collection agency for purposes of collection

**owe** – to be legally obligated to pay

**partial defense** – where the person against whom a claim is made has a legal *obligation* to pay part of a claim, but not all of the claim

**payout agreement** – a written agreement between a debtor and collector that expresses the promises of both of them regarding the payment of a debt

**preponderance of evidence** – evidence that is at least a bit more persuasive than the contrary evidence

**prerequisite** – a requirement that must be met before a claim is legally owing, or before some other right exists

**principal amount** – the amount owed, before adding *interest* or other *charges*

**privacy** – a person’s interest in being left alone, or in not having others know things they have no right to know

**remedy** – a legal method of enforcing the payment of a debt, or of enforcing some other right, as by filing a *lawsuit*, or by arranging for a *levy of execution* to enforce the *judgment* of a court

**repossess** – to take possession of property (such as a car) that secures repayment of a *secured debt* that had not been paid

**right** – an interest protected by law, such as a right to possess property, enforce a contract, recover money, receive information, or enjoy privacy

**right to cancel** – a legal right to back out of, rescind, extinguish, or terminate, a *contract*

**secured debt** – where the debtor has given the creditor a legal right to take certain described

property of the debtor (such as the debtor's car or home), using proper procedures, if the secured debt is not paid

**settlement** – an agreed solution to a problem, usually including payment of money, and release of claims

**settlement offer** – an offer to the other party to resolve a dispute by some kind of a *compromise*

**sheriff** – a court officer whose job it is to enforce court *judgments*, as by a *levy of execution* on earnings

**standards** – rules of conduct, often set by law -- for example, the fair debt collection practices statutes described in this Legal Guide

**statute** – a rule adopted by a legislative body, such as a law that regulates debt collection activities

**statute of limitation** – a *statute* that limits the time within which a *lawsuit* can be filed to enforce a claim

**subprime lender** – a lender who charges very high interest rates to homeowners with poor credit

**substantiate** – to provide substantial evidence that proves or verifies the truth of something

**transaction** – the entire *contract*, including all *agreements* that are related to its subject or purpose

**unsecured debt** – where the debt is not backed by *collateral*, and the creditor therefore has no right to take the debtor's property if the debt is not paid

**verification notice** – a written communication from a collector to a debtor that invites the debtor to inform the collector of any *defense* to a claim (sometimes called "validation notice")

**voidable** – subject to *cancellation* (rescission) at the election of a party; if a contract is "void," it is altogether invalid

**wage earner plan** – an arrangement for the repayment of creditors under bankruptcy court protection

**waive** – to forgive something, such as *interest*, *court costs*, part of a claim, or a deadline for payment

**writ of execution** – a court order to the sheriff to *levy execution* on the debtor's earnings and property

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**NOTICE: We attempt to make our Legal Guides accurate as of the date of publication, but they are only guidelines and not definitive statements of the law. Questions about the law's application to particular cases should be directed to a specialist.**

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226. Civil Code § 1788.30(d).
227. Civil Code § 1788.30(e).
228. Civil Code § 1788.30(g).
229. Civil Code § 1788.32.
230. Civil Code § 1788.17 states that original creditors and debt collection agencies that (a) are subject to the California statute and (b) violate either statutes are subject to both the standards and the remedies of the federal statute. Civil Code § 1788.17 does not state whether the federal remedies can be awarded for violations of both statutes, or just the federal statute. It can be inferred from the statutory language that the federal remedies were incorporated and are available for the purpose of enforcing the federal standards.
231. If the debtor sends a written inquiry by certified mail, the collector must give the debtor a “timely response” in writing. If a response is not mailed within 60 days of the debtor’s written inquiry, the collector is not entitled to interest, financing charges, services charges, or any similar charges on the disputed amount from and after the date of the written inquiry. (Civil Code § 1720.)
232. 6 Witkin, Sum. of Cal. Law (9th ed. 1988) Torts, § 1322; see *Greater Westchester Homeowners Assn. v. Los Angeles* (1979) 26 Cal.3d 86, 103 [160 Cal.Rptr. 733, 741]. Were it not for Civil Code § 1788.32, the rule would apply that “when a new right has been created by statute, and a statutory remedy for its infringement is provided, the statutory remedy is exclusive and no other remedy will be allowed.” 3 Witkin, Cal. Proc. (4th ed. 1996) Actions, § 7.
233. Business and Professions Code §§ 6850-6956.
234. 16 Code of California Regulations §§ 600-641
235. Stats. 1988, ch. 338.
236. 15 USC § 1692k. See, generally, Fair Debt Collection, 4<sup>th</sup> ed. (National Consumer Law Center 2000), ch. 6; Pridgen, Consumer Credit and the Law (Clark Boardman Callaghan, 1990, (2000 Supp.)), § 1329; Debt Collection Practice in California, 2d ed. (Cal.CEB 1999), ch. 2.
237. 15 USC § 1692k(d); *Miller v. Municipal Court* (1943) 22 Cal.2d 818, 851 [142 P.2d 297]; *Lackey v. Lackey* (143 Cal.App.3d 698, 704 [191 Cal.Rptr. 309, 313]; 2 Witkin, California Procedure (4<sup>th</sup> ed. 1996), Courts § 287.
238. 15 USC § 1692k(a); see also 15 USC §§ 1692b, 1692d, 1692e, 1692f. On recovery by protected persons other than the debtor, see Fair Debt Collection, 4<sup>th</sup> ed. (National Consumer Law Center 2000), 6.3.
239. 15 USC § 1692j.
240. 15 USC § 1692a(4); see Fair Debt Collection, 4<sup>th</sup> ed. (National Consumer Law Center 2000), 4.3.1.
241. 15 USC § 1692k(a)(1); Fair Debt Collection, 4<sup>th</sup> ed. (National Consumer Law Center 2000), 6.3. See *Wright v. Financial Services of Norwalk, Inc.* (6<sup>th</sup> Cir. 1994) 22 F.3d 647.
242. 15 USC § 1692k(a)(2); Fair Debt Collection, 4<sup>th</sup> ed. (National Consumer Law Center 2000), § 6.4. In determining the amount of the penalty, the court must consider relevant factors such as the frequency and persistence of non-compliance, and in a class action, the number of persons affected. (15 USC § 1692k(b).) An award of actual damages is not a prerequisite to the recovery of statutory damages. *Baker v. G.C. Service Corp.* (9<sup>th</sup> Cir. 1982) 677 F.2d 775.
243. 15 USC § 1692k(a)(3); Fair Debt Collection, 4<sup>th</sup> ed. (National Consumer Law Center 2000), § 6.8. See *Tolention v. Freidman* (7<sup>th</sup> Cir. 1995) 46 F.3d 645.) The debtor’s attorney has a duty to make “reasonable inquiry” into the factual and legal basis for a claim of violation, and may be liable for a portion of the creditor’s attorney’s fees under this section for failure to do so. *Terran v. Kaplan* (9<sup>th</sup> Cir. 1997) 109 F.3d 1428.
244. 15 USC § 1692k(c). See *Fox v. Citicorp Credit Services, Inc.* (9<sup>th</sup> Cir. 1994) 15 F.3d 1507; Fair Debt Collection, 4<sup>th</sup> ed. (National Consumer Law Center 2000), § 7.4.
245. 15 USC § 1692k(e); Fair Debt Collection, 4<sup>th</sup> ed. (National Consumer Law Center 2000), § 7.6.
246. Civil Code § 1788.30(a), (b).
247. 15 USC § 1692k(a), (b).



