



# Phony Debt Collection Scams

From the Office of Minnesota Attorney General Lori Swanson

Some debt collection scammers try to defraud Minnesotans out of money they do not even owe, making a difficult financial situation even worse. Many of the phony debt collection scams that are currently operating pretend to be collecting money in connection with a short-term, “payday” loan that the consumer never even took out.

**How the Scam Works.** Some Minnesotans have reported that fraudsters pretending to be debt collectors have contacted them to demand payment for an Internet payday loan or other financial obligation that the consumer never made, or another debt to a creditor that *the person does not owe*. The fraudsters typically contact the citizen over the telephone, but may also send an official-looking letter. In today’s age of technology, fraudsters use throw-away cell phones to evade detection and make it difficult to track the phone number to a location. They also sometimes use new technology to copy logos to impersonate real companies or the government. The fraudulent operators may use illegal threats of legal action, arrest, or contacting a person’s place of employment to try to bully the victim into immediately disclosing their credit card number or banking information.

**Fraudulent Threats of Legal Action.** Phony collection scammers can be extremely aggressive and sometimes threaten to send the sheriff to have a person arrested if they do not pay immediately. The fraudsters have also threatened to garnish a person’s pay check or bank account, submit affidavits to the court against the person, or send an official to serve the person with a summons. Do not be intimidated into paying money you don’t owe or disclosing your personal financial information in the face of such scare tactics--these types of threats are illegal. Under the law, collectors cannot use any false, deceptive, or misleading statements when trying to collect a debt. Specifically, they cannot imply that nonpayment will lead to your arrest or garnishment, imply that they are government representatives, misrepresent the amount

you owe, make a letter look as though it is from the government or the court, or threaten to disclose false information about you to the credit bureaus.

**Is the Company Licensed?** Debt collection companies operating in Minnesota must obtain a license with the Department of Commerce. *If a company that calls you is not registered, that means it is a scam or acting illegally!* Report the problem immediately by contacting the Department of Commerce as follows:

**Minnesota Department of Commerce**  
Market Assurance Division  
85 East Seventh Place, Suite 500  
St. Paul, MN 55101  
651-539-1500

The Federal Trade Commission (FTC) enforces the federal debt collection laws. You should report violations to the FTC as follows:

**Federal Trade Commission**  
Consumer Response Center  
600 Pennsylvania Avenue NW  
Washington, DC 20580  
Toll-free helpline: 877-382-4357  
<https://www.ftccomplaintassistant.gov>

**What Are My Rights?** Under the federal Fair Debt Collection Practices Act (FDCPA) and other state laws:

- Collectors cannot harass, oppress, or abuse you or any other person they contact. Specifically, they can not swear at you, threaten to harm you, call you repeatedly in an attempt to annoy you, call you without disclosing their identity, or publicize your name as someone who refuses to pay debts.
- Creditors cannot threaten to have you arrested or

charged with a crime if you don't pay a bill.

- Within five (5) days after the debt collector's initial contact, the collector must send you a statement of the total amount owed to the creditor. In that written correspondence, the collector must inform you what action you can take if you dispute owing the money.
- If you send a letter within 30 days disputing that you owe the money, the debt collector cannot make further collection efforts until you receive proof of the debt. If you cannot obtain an address by which to contact the collection agency in writing, you may be the target of a scam. Remember, scam operators do not think twice about violating the law, so if you send such a letter and the organization continues to call you, it is likely a phony collection scam.
- The debt collector cannot collect for any debt that cannot be verified. The FDCPA also restricts debt collectors from trying to collect any debt in dispute.
- Contact the Department of Commerce, the Federal Trade Commission, and the Minnesota Attorney General's Office at the first sign of a violation of your rights.

**Red Flags.** The following conduct by a "debt collector" may be red flags that you are being targeted by a phony collection scam:

- Threatens to have you arrested, send law enforcement officials to your home, or makes other threats of immediate legal action.
- Repeatedly calls you over the phone and won't provide anything in writing.
- Refuses to give you the accurate name of its agency or mailing address, or gives you inaccurate or non-functioning telephone numbers.
- Demands that you give your credit card number or banking information immediately to avoid arrest or to capitalize on a settlement offer.
- The supposed "debt" that the caller references is not on any of your credit reports.

**Personal Information.** In this age of technology, scam artists are sometimes able to obtain detailed personal information about a person, including banking information, and even the last four digits of a Social Security number. Do not be taken in by a phony collection scam simply because the fraudster provides some accurate personal information about you. Do not respond to any requests that you "verify" such information for the caller either. Remember, scam artists do not follow the law and verifying or disclosing any such information could make you more vulnerable to identity theft. Contact the Department of Commerce immediately to determine if the company is a licensed debt collector and contact the company in writing to dispute debts that you don't owe or can't be verified. If you believe you are the target of a scam, file a complaint with the Commerce Department, the Federal Trade Commission, and the Attorney General's Office.

For additional information, or to file a complaint, please contact the Minnesota Attorney General's Office as follows:

**Office of Minnesota Attorney General  
Lori Swanson**

1400 Bremer Tower, 445 Minnesota Street  
St. Paul, MN 55101

651-296-3353 or 800-657-3787

TTY: 651-297-7206 or TTY: 800-366-4812

[www.ag.state.mn.us](http://www.ag.state.mn.us)