



CREDIT MEDIATION

12 Ways to Deal With Debt Collectors

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Meet Laurence

Credit Mediation Service Pty Ltd are professional negotiators, they specialise in assisting companies and consumers with debt minimization.

Credit Mediation Service were established in 2006 after Australian Bureau of Statistics reporting the increase in Bankruptcy rates in Australia while observing very little

alternative outcomes and services for people.

Over the years, Credit Mediation Service have saved thousands of people and companies from Bankruptcy, and saved over \$68 Million dollars for their clients

Credit Mediation Service primarily assist consumers and companies with Debt Reduction, usually this involves the reduction of their client's debts by 50% or more within 3 weeks of negotiations.



Laurence Hugo is the director of Credit Mediation Service Pty Ltd, he has worked in Debt Negotiations for 25 years and his strong

legal/banking background helped him pioneer the Debt Negotiation Industry in Australia.

Laurence Hugo has also worked with the homeless through Wesley Mission and for 10 years performed suicide/mental health training for new Telephone Counsellors with Sydney Life Line.

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Here's what we're going to be covering in this pocket guide:

In this guide, we are going to
show you **how to deal with
Debt Collectors**

If these principles are applied,
you can look forward to being
stress-free, and in time, **debt
free**

- 01 Frame of mind
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Frame of Mind

Always remember, you are the final decision maker when considering a payment solution with your debts.

As long as your ideal outcome is realistic, you can control communications with the Debt Collector and expect a favourable solution.

People who have reached financial independence live by specific mindsets, that is, don't let today's problem impact on tomorrow's opportunities.

Find a solution today, and tomorrow will reveal new opportunities for you.

02 Take the initiative



Don't feel pressured to increase your maximum offer, if you default you'll have an angry debt collector on the phone.

Read this guide closely, gather as much information as you can.

Work out your minimum and maximum monthly affordable repayment.

Your focus on being prepared before reaching out to the Debt Collector, if you are prepared then there are few surprises and you'll more likely achieve what you want.

Contact the collection agency, make an offer of monthly repayment that you can afford.

Once the agreement is in place, you'll work yourself into a comfortable payment rhythm without being bothered by Debt Collectors

03 Be honest, cooperate, but **don't show all your hand**

Always return their calls. Never lie, if you do and are caught out, they won't trust you again. You may have some tough financial months ahead and you need their trust and flexibility to hold off a payment or two. Debt Collectors will be surprisingly lenient for consumers they empathies with and trust.

This said, don't volunteer too much information, unless specifically asked.

For example, if you disclose you're a property owner, or, you're expecting a financial boost in your income, a more ruthless Debt Collector may leverage this information (threaten legal action) for a higher payment plan.

Your financial information is on a 'need to know' basis. If their willing to accept a payment arrangement without your financial data, great, if not, then answer their questions honestly without providing exaggerated information.

Two examples:

1. Provide income information that does not include overtime, overtime is not guaranteed therefore should not be included in the serviceability assessment.

2. Don't exaggerate your property valuation, provide the lowest valuation amount, or, 'Fire Sale' valuation. This will be the amount the debt collection agency will get for it if they initiated Bankruptcy.

Keep to this theme when providing information to Debt Collectors

04 Budget

Financial problems are usually resolved by examining spending behaviours and tightening the budget. Print out your bank account statements and you'll quickly observe where your money goes, \$20 per day on lunches, \$15 per day on coffees, \$240 per month on Taxi's, \$60 per month on bank fees, \$400 per month on take away dinners, etc. It can be surprising how quickly our money disappears.

There are 5 steps in achieve an income surplus:



1. Observe and note everything you spend of the last 3 months
2. Take out what you can live without
3. Create a new budget
4. Stick to the budget
5. Bank your savings!

Simple as that. The hardest part is sticking to the budget, which can be painful. Yet your 'Budget withdraws' won't last long, especially when you can see how much money you are putting away.

There are loads of Budgeting software you can pick up for free, or simple use Microsoft Excel, or even a piece of paper works.

The important thing to remember is:

I had a client who did this once, he released over \$2,000 every month from unnecessary spending! You might not waist \$2,000 a month, yet this simple exercise can save you many headaches.



Get more information on who your dealing with

It's a good idea to collect information on the debt collection agency that are chasing you. By googling the agency, you can review public comments in Blogs, industry articles, published legal case studies about the agency. A pattern of complaints, tactics they use, and practical counter measures will emerge which will be really useful for you know.

Recently a colleague researched one large Australian agency to find they were being sanctioned by ASIC for making false statements, threatening consumers with legal action when they had no intention to pursue this action.

This was useful for her to know if she was threatened.

So, upon initial discussion with this agency, sure enough, she was threatened. She was then able to leverage this breach of Codes for greater payment concessions by advising a complaint will be lodged with the Ombudsman. It never went that far, the agency complied with her request and the matter was settled.

06 Get more information on your rights

Case Study

Geraldine is a pensioner and had not paid her bank loan for 2 years.

She received a letter from a Debt Collector warning of impending recovery action.

Geraldine found section 72 of the National Credit Codes gave her a Hardship option, that is to pay the debt at a bare minimal amount. She quoted this to the Debt Collector and successfully applied for Hardship protection.

Take some time to understand some of the key legislation that governs debt collectors, a quick scan through highlights can provide you a wealth of information.

Having this information will immensely strengthen your hand when dealing with a Debt Collector.

Two important documents to research will be s72- s75 of the NCC, and the Debt Collection Guidelines. Also, ASIC's website has valuable insights on how to deal with debt collectors.

It's good to remember these basic principles:

1. If you feel threatened, intimidated or bullied, the agency may be under breach of Codes
2. With some exceptions, under consumer law, you cannot be forced to pay more than what you can afford to pay

07

Record conversations with the debt collector

When you deal with Debt Collectors in Debt Recovery Agencies, whenever possible, record the conversation through your smart phone or simply take notes on what the Debt Collector says to you. This is important.

Debt Collectors are under enormous pressure to reach their KPI's (Key Performance Indicators) and some, with less scruples, could engage in heavy handed language to twist your arm into an agreement.

There are very specific areas Debt Collectors cannot go, if they do, you can lodge a complaint with their External Dispute Resolution body (Ombudsman) and use this information to leverage a better deal.

Always:

- ▶ Keep all correspondence from the Debt Collector
- ▶ Keep records of every time they call
- ▶ Ensure you have a record or receipts of all payments made to the loan
- ▶ Seek written confirmation from the Debt Collector for every agreement you make

08

Don't be bullied

Never agree to a payment arrangement if you feel bullied or intimidated into it. Any agreement must be made on the basis of thoughtful consideration around your budget, not to avoid conflict or give in to an aggressive Debt Collector. For example, when you first speak with an Agencies Debt Collector, it will nearly always look like this:

"Mr Smith, you owe \$6,255.00, can you please pay this today" Upon hearing a "No" from you,

"Ok, I can give you two weeks or a month to pay \$6,255.00, which would you prefer?"

When they hear "Neither" from you then,

"Alright, I can talk to my boss about \$3,000.00 now and an arrangement of \$1,000.00 per month" You say "I cannot afford this".

"Well, I'll be in strife with my boss if I do this, how about \$1,000.00 per month?" Your response is again, "no".

This will go on until the Debt Collector agrees to \$50 per month arrangement. Debt Collectors, as their first priority, are trying to meet budget KPI's, not your welfare.

However, the Debt Collector has processes in place that establishes your ability to pay and how much you should commit.

If you feel communication is breaking down, insist on speaking with the supervisor or manager.

You can also lodge a complaint with their IDR (Internal Dispute Resolution team) or EDR (External Dispute Resolution Scheme).

Seek Interest-free concessions

The debt collector wants one thing from you, to pay your debt. You can condition a higher and consistent payment plan with an agreement to indefinitely freeze your interest.

Using this method will pay your debt off sooner and could save you thousands. Its best to ask, not demand, position it this way

“I know I will be more motivated to pay you an increased payment plan to you if there is an interest freeze”

Case Study

Alan had an old \$26,000 debt with a Debt Collection Agency, life circumstances prohibited him from paying it.

When Alan was in a better position to pay the loan, he negotiated with the Agency to waive \$5,000 interest component and place an interest freeze on the debt, on condition of a higher payment plan.

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Seek Hardship Concessions

Debt collectors are governed by the National Consumer Credit Act, in this act there is a provision for consumers who are experiencing financial hardship to seek concessions with their repayments (s72 -s75 of the NCC).



Under this legislation you may qualify for the following concessions:

1. A 3-month payment moratorium (Payment Holiday)
2. Loan re-write to extend your contract term, thus reducing your monthly repayments
3. Both

If you feel you cannot afford to pay what the Debt Collectors demands, you may seek the protection from these Hardship provisions.

However, you must qualify for the Hardship program by demonstrating your inability to service the debts through supporting documentation.

Usually these documents will include evidence of income and other debts and an Income & Expenditure, Asset & Liability Statement.

The Debt Collection Agency will then review your case for Hardship.



Credit Ombudsman

Every Debt Collection Agency has an IDR Department (Internal Dispute Resolution), if you have an issue with the Debt Collector, or their Agency, before reach out to the Ombudsman, you must follow their IDR procedures.

That is, you lodge a complaint directly with the Agency, if the complaint is not dealt with to your satisfaction, you may then lodge a formal complaint to the Ombudsman.

Each debt collection agency should have EDR membership with the Credit Ombudsman or other similar bodies. If you feel your rights have been violated, you can seek the guidance of the Credit Ombudsman.

There are processes in place, whereby the Ombudsman will instruct the debt collection agency to hold all recovery action while they mediate a solution.

12 Seek a specialist to assist you

In the end, there are specialists in this field that can assist you through this painful process.

For more information,
talk to us at :

www.ceditmediation.com.au
or call us on
1300 490 030



A Debt negotiator can help you by negotiating a favourable outcome with the Debt Collector, such as reducing the debt by 50% or more, protecting you from litigation and more.

This document should not be considered legal or financial advice. If you require legal guidance please contact a Credit Lawyer to assist you with your enquiries.



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