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How debt buyers prey on the disadvantaged: A report

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You're a company that has a list of customers who you think owe you money. Maybe you don't have proof they owe you money, maybe your paperwork is a little thin, but you want to collect some of the debt you think you're owed.

So you sell that debt to another company, a so-called debt buyer, for less than you think it's worth. You have reclaimed some of the debt. Now the debt buyer has the legal right to collect the amount originally owed from the customers.

And, even if it has no evidence that the customers actually owe the debt, it sues, seeking to claim money, perhaps garnering wages or seizing people's assets.

Since evidence is a linchpin of our legal system, it sounds like this would hardly ever work.

But in fact, it works the vast majority of the time.

The Neighborhood Economic Development Advocacy Project in New York has released a landmark report showing that debt buyers prevail in 94 percent of lawsuits, usually by obtaining default judgments when the allegedly indebted don't respond to summons.

According to the report, virtually everyone sued lived in a poor or moderate-income neighborhood, and more than half the people were black or Latino.

In New York City alone, there were nearly 460,000 such lawsuits from January 2006 to July 2008, with debt buyers winning \$1.1 billion in judgments.

The report's authors write:

Debt buyers often fail to notify people of the lawsuits filed against them and file lawsuits without having proof of their claims. The people sued -- frequently very low-income, elderly, or disabled individuals -- cannot effectively defend themselves. They have no legal representation, are intimidated by the court process, lack knowledge of their legal defenses, face language barriers, or do not receive notice of the lawsuits."

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