

PRESS RELEASE

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CIVIL RIGHTS ADVOCATES FILE CIVIL RACKETEERING LAWSUIT AGAINST MAJOR DEBT COLLECTION NETWORK

Civil rights advocates filed a class action lawsuit last week in federal court in Manhattan, charging a network of debt collectors with civil racketeering (RICO), deceptive practices, and violations of federal debt collection laws. The case was filed by the Neighborhood Economic Development Advocacy Project (NEDAP), MFY Legal Services, Inc., and the law firm of Emery Celli Brinckerhoff & Abady LLP.

The defendants are the debt collection law firm of Mel S. Harris and Associates; various debt-buying subsidiaries of Leucadia National, a \$6 billion publicly-traded holding company; and Samserv, Inc., a process-serving company. Mel S. Harris has filed more than 100,000 debt collection lawsuits in New York City on behalf of the Leucadia subsidiaries since 2006.

The lawsuit targets widespread fraudulent debt collection practices, including “sewer service,” in which debt collectors fail to serve people with a legal complaint, and then file false affidavits with the court claiming that they were served.

“The defendants’ use of sewer service denies people their fundamental right to due process,” said Matthew Brinckerhoff of Emery Celli Brinckerhoff & Abady. “Without notice our clients are denied their day in court.”

Defendants use these tactics to obtain tens of thousands of “default” judgments in New York City each year. They then collect on these judgments by restraining people’s bank accounts, garnishing their wages, threatening to seize their personal property, or pressuring people into unaffordable payment plans.

“Not only do defendants file fraudulent affidavits of service, but they also routinely violate state and federal law by misrepresenting that they have proof of the debt, which they in fact do not,” said Carolyn Coffey, Staff Attorney at MFY Legal Services.

“These debt buyers purchase debts for pennies on the dollar, and make their money by aggressively targeting low and moderate income people with deceptive collection practices,” said Claudia Wilner, Senior Staff Attorney at NEDAP. “We hope this lawsuit will shine a light on these abuses, and push the industry to change its practices.”

Plaintiff Rea Veerabadren, a 57-year-old Mauritian immigrant from Queens, is one of thousands of New Yorkers whose lives were turned upside down by the defendants’ fraudulent debt collection practices. “What happened to me should not happen to anyone,” she said. “These debt buyers should not be able to get away with this kind of abuse.”

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