

BUSINESS ENTERPRISES ALERT

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New Law Strictly Regulates Debt-Related Communications with Customers

Effective on July 1, 2007, Connecticut Public Act 07-176 prohibits “any abusive, harassing, fraudulent, deceptive or misleading representation, device or practice to collect or attempt to collect a debt.” This law imposes very significant restrictions on every effort by a creditor to enforce, or even discuss, a payment obligation with a Connecticut consumer. Violations carry serious consequences – civil liability for actual damages, up to \$1,000 in statutory damages, and the consumer’s own attorney’s fees – so anyone doing business in this state would be well-advised to become very familiar with this new law.

The Act applies to essentially every transaction for personal, family or household purposes involving an individual who lives in Connecticut. Regulations written by the state Department of Banking clarify what must, and must not, be said and done by the creditor attempting to collect the amounts owed for these transactions. Examples of prohibited conduct include:

- Revealing the debt’s existence to any third person (even a family member or business associate) or including anything on an outer envelope that suggests it is a demand letter or late notice.
- Contacting the person at undesired locations or at inconvenient times, which are presumed to be before 8:00 AM and after 9:00 PM at the customer’s location.
- Setting a payment deadline to avoid further action as a time period (for example, “within thirty days”) as opposed to a specified date or depositing a post-dated check early.
- Imposing a charge not legally due or making any misleading statement about the creditor, debt or collection efforts. For example, the Act would prohibit adding a “late fee” not allowed by law or contract or falsely suggesting a lawyer is involved.
- Raising your voice, using harsh or demeaning language, or calling repeatedly or after being asked to stop. If the conversation becomes heated for any reason, it should be ended immediately.
- Threatening to sue, seize assets, report to a credit agency or take any other action when doing so is not actually intended and legally available.

The Act also affirmatively requires creditors to clearly indicate that the purpose of the communication is to attempt to collect a debt, to disclose their actual identities and to verify the validity of a debt upon request.

The stringency of this new law and the potential cost of even a slight violation make it important for companies doing business in this state to carefully review their collection procedures and properly train their accounting, customer service and other personnel who communicate with Connecticut consumers about their debts.

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