



## Debt settlement for you? Be very afraid.

Are you struggling with debt and considering a "debt settlement" company? In 2011, the New York City Department of Consumer Affairs called debt settlement "the single greatest consumer fraud of the year." The Better Business Bureau has designated debt settlement as an "inherently problematic business." In my own bankruptcy law practice, I've had clients who were forced into filing bankruptcy because of the practices of the debt settlement companies they had used.

### Why is this?

- Debt-settlement companies tell you to stop paying on your debts, to instead give that money to them to accumulate until it's enough to use to negotiate a settlement. Note that the results of that process are penalties and late fees, higher interest rates, and higher debt from the missed payments.
- As more debt accumulates, creditors will increase their collection efforts with increased chances of filing a lawsuit against you.
- If some creditors settle but some don't, you haven't gained anything because the ones that didn't settle will be more aggressive with a greater chance of filing a lawsuit than before the process started. You need ALL of the creditors to settle to make this a valuable process, and that is not at all likely.
- Even debt settlement companies acknowledge that only about a third of debt settlement clients have at least 70% of their debts settled after three years in the program (with debt increasing rapidly during that period). And that 70% number isn't enough. You need 100% to settle to stop the risk of lawsuits.

### What happens if less than 100% of the creditors settle?

- The remaining creditors are likely to file a lawsuit, get a court judgment, and attach your bank accounts and garnish your wages.
- That may force you to file bankruptcy (if bankruptcy turns out to be a good thing for you).
- If you do file bankruptcy, note that you've paid the debt settlement company a lot of money that you might have been able to keep in your bankruptcy if you still had that money. If you're going to file bankruptcy, you're likely much better off doing that without ever contracting with a debt settlement company.

### What should you do?

Before you contract with a debt settlement company and pay them a lot of money that's in short supply, get a consultation with an experienced bankruptcy attorney to see what your options are for using bankruptcy to get rid of your debts.

### An earlier article:

[Don't let a debt settlement company fleece you out of your last dollars \(New York Times\)](#)

Malcolm Ruthven  
Attorney at Law  
San Francisco Bay Area  
415.342.4666 Fax 415.869.6645  
[mruthven@mruthvenlaw.com](mailto:mruthven@mruthvenlaw.com)  
[ca-bklaw.com](http://ca-bklaw.com)



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