

Killing Zombie Debt Through Bankruptcy

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Some debts just will not die. In my bankruptcy practice I pull my client's credit reports to make sure that I am getting a thorough picture as to what debts are owed and who the creditor is. In reviewing the credit report with my clients often they are astounded at the debts that are still reporting or that are even still calling them. Often these debts were incurred nearly 10 years prior.

Old debts that keep coming back from the dead are sometimes referred to as "Zombie Debts." It used to be that after a debt reached a certain age that the creditor didn't believe it was worth pursuing. Now, there are several debt buying companies that buy old debt for pennies and then harass you to try and get you to pay – even when you are no longer legally obligated to do so.

Statute of Limitations

Every state has statute of limitations laws that set a time frame by which a creditor must sue you if they intend to do so. In Arizona, if you entered into a written contract with someone, and you do not pay the debt, they have 6 years to file a lawsuit against you from the time when you began missing payments. If they do not bring suit within that period they are forever barred from suing you. For credit cards, there is a 3 year statute of limitations.

However, even if the statute of limitations has run, a debt collector can still call you and ask you to pay the debt, but now you have no legal obligation to do so. Some debt collectors will threaten to sue you on a debt where the statute of limitations has expired. Threatening legal action that they cannot take is a violation of the Fair Debt Collection Practices Act.

Bankruptcy Can Finally Kill Zombie Debt

For these debts that just keep coming back, bankruptcy is a good option to finally put an end to the collection process. Typically Zombie debts fall into the category of an unsecured debt (i.e. credit cards, medical bills), and are completely discharged/eliminated through a bankruptcy filing. Chapter 7 bankruptcy is particularly good at eliminating Zombie debt.

If you are ready to end your Zombie's reign of terror, I would be happy to meet with you to discuss your bankruptcy options and how it can help you in your fight against debt. I offer a free bankruptcy consultation and can be reached at (480) 420-4028 or via email at john@skibalaw.com.