Will New Credit Card Rules Increase Bankruptcies?

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Jonathan Ginsberg, Atlanta Bankruptcy Attorney, has an interesting post at the Bankruptcy Law Network blog. His theory is that the new credit cards rules taking effect later this month may cause personal bankruptcy filings to rise. This in spite of the fact that the purpose of the new rules is to benefit consumers. Please read the entire post, but here is the primary point:

I think that before we begin celebrating these common sense changes, we should recognize that from the credit card companies' perspective, these new regulations will negatively impact profits. And credit card companies have many smart lawyers on staff advising them how to recapture those profits by taking actions that are not prohibited by the new laws.

I predict that when these new laws go into effect we are going to see more instances where credit lines are closed and demand for payments made. We will see more aggressive collection efforts sooner. We will see faster triggers on interest rate hikes because of the delays in hikes set out in the law. And we will see less inclination by credit card lenders to "work with" debtors who have always paid their bills but now need a little breathing room.

In my experience, any squeeze on credit card profits will equal a squeeze on consumers struggling to pay debt, and that will mean more consumers will end up looking at bankruptcy as a way out.

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