

Two Great Reasons to Avoid Debt Settlement Companies



I've had several clients come to me after working with debt settlement companies that have provided no service at all, except to take my client's money. These debt settlement contracts usually provide that the debt settlement company will set up a trust account with your name on it and take their fees and payments first. Then, when there's enough money in the account, they will begin to negotiate with your creditors. When you agree to the settlement of the debt, the debt settlement company gets even more money. To say that they nickel and dime you into further debt is being nice. I would like to think of it as unconscionable; that's the legal term.

[Bruce Weiner](#), a [New York bankruptcy lawyer](#), points out the pitfalls of working with debt settlement companies in his recent blog, "[1099-C and Forgiveness of Debt: Another Reason to Be Wary of Debt Settlement Companies](#)," and "[Wall Street Journal Says, 'Beware of Debt Relief Offers'](#)," that these companies make false promises and don't deliver. Their marketing campaigns invade every inch of the media and they serve to disseminate bad information on a viral level that only confuses the general public and causes many to go further into debt than needed to avoid the [stigma of bankruptcy](#).

1. Debt Settlement Companies can be scams; and
2. Debt Settlement Companies can cause you to have to pay income taxes on settled debts.

Debt Settlement companies are, generally, not lawyers and cannot give legal advice about your debts, including advising you not to pay your debts. They cannot stop lawsuits or wage garnishments; or foreclosure on your home. The [automatic stay](#), is an injunctive statute that stops all attempts to collect a debt from you the moment you file for bankruptcy. **DON'T GET SCAMMED**