

Phantom Debt Collectors Harass Americans, Demand Money

Written by Lucky
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Hundreds of thousands of cash-strapped Americans have been targeted by abusive debt collectors operating out of overseas call centers suspected of links to organized crime in India, law enforcement officials told ABC News. The calls are part of a massive scam, one that appears to target struggling Americans -- especially those who have gone online to apply for payday loans. Armed with personal information from those pilfered applications, the threatening callers, who claim to be debt collectors poised to initiate legal action, have managed to pry loose millions of dollars from their victims -- even when the victims never owed money in the first place.

From abcnews.com

"This is what we call a phantom debt collection scam," said Jon Leibowitz, the chairman of the Federal Trade Commission. "It's a very pernicious and innovative new fraud."

Working through call centers in India, the commission estimates that the criminals have dialed at least 2.5 million calls, persuading already cash-strapped victims to send them more than \$5 million. Some have reported receiving dozens of calls per hour. They are victims like Cindy Gervais, of New Orleans, who went online for a quick loan when her husband's car was hit by a driver who didn't have insurance.

Even though she paid the loan off, the so-called "phantom" debt collectors with Indian accents began calling to say she still owed money.

"He more or less told me that if I didn't pay, they were going to have someone on my doorstep to arrest me," she told ABC News. "And that they were going to contact my place of business, and tell them what kind of person I am." At first, she said she resisted. Then the calls became more frequent, and started to ring on her cell phone, and at the grocery distribution company where she had worked for 27 years.

"I was more or less was in panic mode because he told me there would be someone before noon at my place of business to arrest me and take me to jail," she said tearfully. "So I agreed to pay him." After receiving scores of complaints, investigators with the FTC said they began tracking the calls, and following the payments. They alleged the payments led them to a California company run by an Indian-American named Kirit Patel, and that such scams would not be possible without American front men.

"I would say that all roads of this scam, or many of the roads of this scam, lead back to Mr. Patel," said the FTC's Leibowitz.

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ABC News tracked Patel for weeks, from the suburbs of San Francisco to Austin, Texas. Patel refused to talk. But his lawyer, Mark Ellis, said he believes it is far too early to pass judgment on his client. Ellis, a Sacramento-based attorney, told ABC News that Patel was hired for a nominal fee to set up an American shell company, and had no idea what the call centers in India were doing.

"I can tell you, he was as snookered by the people in India as anybody," Ellis said. "He's a 69-year-old man who is nearing his retirement who thought all he had to do was set up some corporations and everything was on the up and up. He's completely dismayed that he has become the lightning rod of this entire problem."

A close friend of Patel's also defended him in a brief interview at his home, saying Patel was not trying to defraud anyone -- he was just an unwitting, bit player in a larger scheme.

"If Mr. Patel was just a cog in the wheel he seems to have been a pretty big cog," Leibowitz said. "It is clear that Patel was integrally involved with this scam."

Leibowitz points to thousands of pages of financial and phone records gathered by the FTC and filed as part of a civil case brought against him in the U.S. District Court in Sacramento last month. When FTC lawyers sought to freeze his assets and prevent his business from continuing to operate, Patel responded by invoking his rights against self-incrimination. His lawyer told ABC News he has had to be careful in how he responds to the allegations in civil court "because there is a potential criminal action," but that Patel maintains the allegations against him are false. Federal investigators said the phantom debt collection operation that allegedly benefitted from Patel's assistance was one of several that all trace back to the same small town in Western India called Ahmedabad. Callers use technology to make it appear that the calls originate inside the U.S. Victims provided ABC News with recordings of dozens of the calls, and many of the thickly accented callers appear to be reading off a script.

"Subpoenas have been readied, and Monday morning you're going to be picked up from your home," one caller says on a victim's voicemail. "And you have children. Don't worry about your children. We have a childcare department to take care of the children."

"You will be behind bars for six months," said another caller. "And once you go behind bars, you will lose your job. Once you are behind the bars, you won't get a single drop of water." William Pearce Howard, a Tampa attorney who represents victims of harassment from debt collectors, said it takes an especially twisted criminal to use threats and coercion to pry money from someone who is already struggling financially.

"These guys really are the most visible villains in America today," he said. "They make a living scaring people." Mark Merola, of Florida, said he just panicked when the caller told him he might be arrested at the deli where he works in a Florida retirement community.

"I was nervous. I didn't want to embarrass myself, my family," he said. He used his debit card to pay the collector \$576.

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Afterwards, he says he realized "how stupid I was."

"It just happened so fast," he said. "I got scared."

Leibowitz said he hopes with more attention, future potential targets of the scam will recognize red flags before they turn over any money.

If callers say they are from the police, consumers should know that law enforcement officers do not collect debt for private parties. If the caller is speaking with a thick Indian accent, but calls themselves by a names such as Officer Mike Johnson, that should be a tip off. And if they're calling 40 times in two hours, that's another red flag. "Legitimate debt collectors, legitimate pay day lenders don't do those sorts of things," he said. Merola said he would like to see anyone involved in the scam prosecuted aggressively.

"There's no place in society for these people," he said.

For tips on how to avoid being scammed by a phantom debt collector, to go to the Federal Trade Commission's Website (<http://ftc.gov/>).

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