

But for the Plan

(Collection Agency Letters - Don't Take Them at Face Value)

In 2009, Jane (not her real name) took out a mortgage to consolidate all of her debts. Nine years later, she received a letter from a collection agency stating that she still owed an unpaid Zellers credit card debt of \$4,500 which, with interest, now had grown to over \$17,000. To make matters worse, because the debt was still registered against Jane's home, the collection agent was threatening to sell her house.

A very anxious Jane, thinking that all of her debts were paid off a long time ago, during the refinancing, made an appointment to see Jonathon Dick at our St. Catharines office.

After a bit of investigation, Jonathon discovered that Jane's bank hired a title insurance company to prepare her mortgage documents and to pay Jane's debts. But the Zellers debt was overlooked, even though it is was registered against the title to Jane's home.

None of this was Zellers fault. It would have been justified in playing "hardball", because it had a valid judgment and writ against Jane. Her only remedy was to sue the bank and the title insurance company for negligence, for missing the registered writ during the refinancing.

Thankfully, a lawsuit was not necessary. Jonathon convinced the collection agency to accept \$5,500, and convinced the bank to pay \$1,000 of that. As a result, Jane paid only the \$4,500 that she originally owed, and the debt was withdrawn from title.

Jane actually came out ahead, because if the bank had originally advanced enough money to pay off the Zellers debt (as it was supposed to do), her mortgage would have increased by \$4,500, and she would have paid additional interest on that amount. In addition, most of Jonathon's account was covered by the Plan, and Jane only had to pay about \$200.00.

But for the Plan, Jane's story may not have had such a happy ending.