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Class Claims Chase Bank's Collection Abuses Mirror Housing & Foreclosure Fiascos

[\(CN\)](#) – JP Morgan Chase abusively extracted tens of millions of dollars from debtors, and people who do not owe debts, through robo-signing, “intentionally inaccurate record-keeping,” and all the abuses of the mortgage and foreclosure catastrophes, a class action claims in Federal Court.

Lead plaintiff Johanna Sierra sued JP Morgan Chase & Co.; its collections subsidiary the NCO Group; and the Austin-based debt-collection law firm Bickerstaff, Heath, Delgado & Acosta, in Manhattan Federal Court.

She claims the defendants “unlawfully obtained hundreds of millions, if not billions, of dollars from consumers,” through fabricated evidence, lack of evidence, and outright fraud.

Just as in the mortgage and foreclosure crises, Sierra claims, Chase and its allies took advantage of an unregulated debt market to prey on consumers with procedural shortcuts and hound them for false or inaccurate debts.

“Defendants systematically and willfully violate the law in their efforts to mass-generate judgment accounts from consumer collection accounts, while knowing, or intentionally failing to know, that the consumers do not owe the underlying debt, in whole or in part,” the complaint states. “Defendants intentionally do not obtain, or cannot obtain, proof that the consumers actually owe the alleged debt, in whole or in part.

“Defendants’ unlawful scheme enables sophisticated corporate entities to improperly collect vast sums of money from consumers who are usually unaware that they do not owe the money defendants seek or who lack the resources to defend themselves from defendants’ predatory behavior. As a result of this scheme, defendants unlawfully obtained hundreds of millions, if not billions, of dollars from consumers.”

Sierra calls the scheme “corporate greed at its worst.”

“Chase, one of the nation’s largest credit card issuers with more than \$137 billion in loans and over 90 million open accounts, and NCO, the Chase subsidiary tasked with collecting on Chase’s and other creditors’ past due bills, have instituted a debt collection system designed, not to ensure that the so-called ‘debts’ on which it attempts to collect are in fact past due amounts owed by its customers, but instead to ensure that it can collect on as many debts as possible regardless of their validity,” the complaint states.

“Chase and NCO do this by maintaining a haphazard and intentionally inaccurate record-keeping system that results in the creation of bogus debts, either by failing to recognize payments or discharges, by falsely debiting multiple accounts for the same charges, by attributing past due balances to accounts the alleged debtor never actually opened, by fabricating accounts with balances that were never opened by the alleged debtor, by ignoring expired statute of limitations, and/or by other means.

“In fact, Chase conceded that huge numbers of the so-called debts upon which it tries to collect

are bogus when it labeled billions of dollars in 'debt' as 'toxic' because the documentation of the 'debt' was so deficient that it could make no valid claim. Notwithstanding the fact that defendants know that Chase's records are an insufficient basis to conclude that a consumer owes them a valid debt, defendants systematically bring debt collection actions without undertaking even a rudimentary investigation to determine whether a 'debt' is in fact owed.

"More troubling, Chase and NCO engage in the deliberate fabrication of evidence supporting debts they know are not valid. Taking a page from the foreclosure crisis, Chase and NCO engage fleets of 'robo-signers' who execute affidavits attesting to the validity of debts without making any effort to actually validate the debts, or even to review a single document or the contents of the affidavits they are signing. These affidavits are filed in courts across the nation in what is nothing less than a massive fraud on the courts.

"Notwithstanding the fact that it knew the toxic debts were invalid, Chase sent many allegedly past due accounts to NCO. NCO then engaged in a sham verification process before attempting to collect on the debt through its network of law firms and collection agencies. In fact, NCO's 'verification process' is incapable of uncovering Chase's errors and exists primarily to provide a false appearance of credibility to Chase's fraudulent acts.

"Defendants also collected on debts they purchased from creditors such as American Express, Citigroup, Bank of America and Capital One (the 'Other Creditors'). As with Chase's bogus debts, defendants had good reason to know that many of the 'debts' they bought from Other Creditors were not valid. Indeed, Chase and NCO managers meet with employees of the Other Creditors, and through these monthly meetings, defendants learned that these companies were sending inaccurate account information to NCO that falsely identified nonexistent 'debts.' Nonetheless, NCO included those accounts in its computerized collection platform and subsequently bought collection actions on the bogus 'debts' of the Other Creditors. NCO is an indirect majority owned and controlled subsidiary of Chase; thus defendants Chase and NCO benefitted equally from engaging in their unlawful activities regardless of the identity of the original creditor.

"In order to maximize its profits, and with complete disregard to the rights of its customers or to its obligations, NCO set up a system whereby the debts upon which it attempted to collect were not (and could not be) properly verified, affidavits 'verifying' the debts were systematically falsified, and false 'debts' were created. NCO and its affiliates then misuse the legal system to bully innocent consumers into paying hundreds of millions of dollars in un-owed 'debt.' Chase also sold to third party debt buyers billions of dollars worth of 'delinquent' credit card accounts, despite knowing that many of these accounts did not actually exist, or had incorrect or overstated balances. Defendants' scheme represents corporate greed at its worst." (Parentheses in complaint.)

The defendants' scheme has been extensively documented, Sierra says.

In February 2012, attorneys general in 19 states entered a settlement with NCO to resolve allegations of unfair debt collection practices. Former Chase employee Linda Almonte outed the defendants to Congress and the SEC, Sierra says.

“Ms. Almonte alleges that Chase required its employees to bundle and sell for further debt collection consumer debts that did not have adequate documentation, debts that listed incorrect balances, debt subject to bankruptcy proceedings, and debts identified as having been reduced to judgment, but which were missing the judgments or were otherwise defective,” the complaint states. “The district court denied a motion by Chase to dismiss that lawsuit, after which the parties reached a confidential settlement.

“Since her firing, Ms. Almonte has described to Congress, the Securities and Exchange Commission, and the media the massive robo-signing of affidavits and other unlawful practices relating to the creation of false or inaccurate ‘debts’ that she witnessed at Chase and NCO. During her time at Chase and NCO, Ms. Almonte witnessed the systemic creation and collection of false debts described in detail herein.”

The class consists of all people from whom the defendants tried to collect a debt with false or misleading information by the defendants.

Sierra seeks restitution, statutory damages, compensatory damages and treble damages for RICO violations, Fair Credit Reporting Act and Fair Debt Collection Practices Act violations, unjust enrichment, breach of contract and tortious interference with contract.

She is represented by Jeremiah Frei-Pearson, with Meiselman, Packman, Nealon, Scialabba & Baker, of White Plains, N.Y.

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