



BASIC CONSUMER RIGHTS:

Contracts, Debt Collection, Bankruptcy

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Legal Aid Bureau, Inc., Maryland

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Because we all buy things, whether they are cars, food, clothing or houses, we are all "consumers." As consumers, we have rights and responsibilities that are important to understand as we try to keep (or get) out of debt. Here are some suggestions to help you stay out of financial trouble and to protect your rights as a consumer. For more assistance, call the Attorney General's Consumer Protection Division at (410) 528-8662 or the Legal Aid Bureau at 410-539-5340.

Read All Documents Carefully before Signing

It is always important to read any document you are asked to sign before you sign it and to ask any questions about parts of the document you don't understand. Especially when you purchase a major appliance, car or home, you are often asked to sign a number of long, wordy documents. In those documents is important information about what you will owe, how you have to pay it, and what will happen if you don't make the payments. Many times creditors (people you owe money to) will take a "security interest" (lien) in things you buy with the money they are lending you. If you don't make the payments, they may have the right to take back the item or items you purchased and you may or may not have the chance to redeem them (get them back by paying off what is overdue). Sometimes a contract, usually in the case of certain home mortgages, may have a "variable rate of interest" meaning that while the interest rate may start off low, it can (and probably will) go up after a certain period of time.

Know that the Law May Give You Rights and Find Out What They Are

You should know that regardless of what your contract says, you might have certain rights under state and federal laws that were passed to protect consumers like yourself. These laws control the rates of interest lenders may charge, how and when property can be repossessed and redeemed, and when you have the right to "rescind" (cancel) a contract you have signed. You are supposed to be notified about many of these rights by the sellers or lenders. For example, under certain circumstances, such as when you are refinancing your home or purchase goods or services as a result of telephone solicitation or door-to-door sales, you may have the right to cancel the contract within

three days of signing it. It is important to make use of that right if you realize after signing the contract that you cannot make the payments required or do not want the product or services. On the other hand, contrary to what many people believe, you generally do not have the right to cancel an automobile purchase contract after you have signed it although you may have certain rights if the seller or lender did not act properly. You should seek legal advice immediately if you believe you have not been treated properly with regards to the purchase of goods or services. With many of the laws protecting consumers, there are strict time limits to challenge what was done.

Debt Collectors Have Limits on What They Can Do

Debt collectors cannot use or threaten force or violence in trying to collect a debt from you. They are not allowed to call you at unusual hours (usually not before 8:00 a.m. or after 9:00 p.m.) or too frequently or to use abusive language. They cannot contact your employer about your debts unless they have gone to court and gotten a judgment against you.

If your debt has been turned over to a collection agency or an attorney, you can stop that debt collector from contacting you by notifying it in writing. After the debt collector has received that letter, it cannot contact you again except to inform you that it won't try to collect any more and that it will be suing you (taking you to court) to try to collect the debt. If you disagree that you owe the debt, you should put that in writing to the debt collector, and it is required to provide you with proof of the debt. You should keep copies of any papers you sign or send.

If the debt collector violates any of these rules, you should file a complaint with the Commissioner of Consumer Credit, 501 St. Paul Place, Baltimore, MD 21201, (410) 333-6330 or the Federal Trade Commission, Washington, D.C. 20580, (202) 326-2222 or call the Attorney General at (410) 528-8662. If you have problems with health insurance companies not paying for services, call the Attorney General's Health Advocacy Unit at (410) 528-1840.

Bankruptcy May Be an Option for You

If you get into a situation where your debts are causing you major problems such as wage garnishment, repossession of a vehicle, termination of utilities, eviction or foreclosure, you may want to consider filing for bankruptcy. Filing for bankruptcy can stop any of these things from happening and can discharge (get rid of completely) many of your debts. There are different types of bankruptcy cases for different situations, and there are some limits on what can be discharged. It is important to speak with an attorney familiar with bankruptcy before filing to make sure that filing for bankruptcy is right for you.

After Bankruptcy

If you have filed for bankruptcy and your debts have been discharged, you should be aware of certain important things. If yours was a Chapter 7 bankruptcy case, you may not file another Chapter 7 bankruptcy case for six years from the date you filed. Therefore, you need to be careful about what new bills you incur, and, if you have any secured debts (such as mortgage or car payments), you should be very careful to try not to get behind again. (If you do, you could file a Chapter 13 bankruptcy at any time, but you have to have regular, adequate income to be able to do so.)

Certain creditors may be able to continue to collect the debt you owe after the bankruptcy, such as student loan debts, debts owed to secured creditors, alimony and child support debts, and tax debts. However, most of the creditors listed in the bankruptcy may not attempt to collect the debt listed in the bankruptcy.

If any of the creditors contact you, send them a copy of your discharge. If they continue to contact you, you should contact an attorney. You should keep all of your bankruptcy documents, especially copies of the discharge, handy for a number of years.

Remember: The law often changes. Each case is different. This pamphlet is meant to give you general information and not to give you specific legal advice.