

Collection agencies must abide by certain rules

Collection agencies are modern-day bill collectors used by companies to retrieve money they are owed. They may provide a valuable service to their clients, but the general public often views them with mistrust.

Some people fear bill collectors can have them extradited or put in prison if they don't pay their debts immediately. But today's laws say collection agencies can't threaten consumers. "Under provincial law, collec-

tors aren't allowed to harass people," says Elaine Gugins, registrar of the Collection Agencies Act for Ontario's Consumer Ministry. "Although overdue bills must be paid, most collectors know that the best way to do business is to deal fairly with consumers."

To ensure fair treatment, Ontario's Consumer Ministry worked with the credit and finance industry to establish rules for collection agencies. Understanding these laws and your responsibilities as a consumer can make things more comfortable if you're forced to deal with a collection agency.

Here's a brief description of rules collection agencies must follow.

When a company gives your overdue account to an agency for collection, you must be notified in writing at your last known address.

Before a collector demands payment of the debt, you must be given the name of the company the money is owed to, the name of the collection agency and the amount of money you owe. This gives you a chance to make sure the account is yours and the amount is correct.

"Silly as it may sound, some people are so intimidated by the thought of dealing with a collection agency they pay other people's bills, or pay more than they owe," says Gugins.

If you find a mistake in the amount the agency says you owe, notify both the collection agency and the company. If the account is correct, avoid confusion by dealing only with the collection agency.

Credit experts at Ontario's Consumer Ministry say the best policy is to deal openly with a collection agency. If possible, pay off the account. Once it has been cleared, you won't have to deal with the agency any longer.

But if you can't pay the entire amount right away, write to the agency and explain why.

In your letter, suggest an alternative method of payment, such as a series of monthly installments. If possible, it's a good idea to demonstrate your good faith by enclosing a partial payment.

But there's no guarantee your offer will be accepted. Your refusal to pay can still result in court action. This could lead to seizure of assets or assignments (garnishee) of wages from your pay.

If you plan to pay your debts on an installment plan, payments should be made in one of two ways. Cheques provide you with the bank's record of payment. You may also wish to give cash directly to the collection agent, if a receipt is supplied on the spot. Never send cash through the mail.

Provincial rules prohibit col-

lection agencies from the following activities.

• Agencies may not make telephone calls of such a nature or frequency they constitute harassment of the debtor or the debtor's family.

• A call about a collection cannot be made on a Sunday, statutory holiday, or any day before 7 a.m. or after 9 p.m.

• A collection agency may not imply or give out false or misleading information that could damage the debtor or debtor's family.

• An agency can't continue to demand payment of a debt from a person who claims not to be who they're looking for, before trying in every way to ensure the person actually is the debtor.

Consumers who believe they've been treated unfairly by a collection agency should send a letter of complaint to the nearest Consumer Services Bureau of the Ministry of Consumer and Commercial Relations, listed in the telephone book Blue Pages.

A free brochure, A consumer's guide to collection agencies, is available from the Consumer Information Centre, telephone (416) 328-8555 in the Toronto area, or collect from area code 807 only. From other parts of the province call toll free 1-800-268-1142. Special visual equipment for use by the hearing and speech impaired is available at (416) 328-8566.

Hard economic times call for survival plan

By Ian Riehl, CA

"Layoff" is a chilling word, but it is a reality for an increasing number of people these days as Canadians endure the worst economic times in eight years.

Here are pointers for holding on by the skin of your teeth until you are back in the workforce:

1. Unemployment insurance requires an application. Apply at a Canada Employment Centre, shown under E in the blue Government of Canada pages at the back of the phone book.

2. Do not sign - at least not without consulting a lawyer - if the company asks you to sign a release form before you can receive severance pay. Such a request could mean you are entitled to more money than the company is offering.

3. Budget ruthlessly. Even if you have never had a household budget, prepare one now and be serious about it. Stop eating out. Cancel vacation plans. Do not spend a cent that's not necessary.

4. Credit cards should be locked away and not used until you have a job again, except to provide a cash reserve in a last-ditch emergency.

5. Severance pay. The law allows you a tax-free transfer into a registered retirement savings plan of \$2,000 for each year of employment, plus \$1,500 for each year before 1989 when you had not earned entitlement to retirement benefits from a pension plan or deferred profit-sharing plan. Avoid a mandatory tax deduction at source by having the company make the transfer directly.

Additional amounts do not qualify for RRSPs, and are taxable. However, you could ask the company to wait until 1991 (when you may be in a lower tax bracket) to pay you this money.

6. Reimbursed contributions from

your pension plan, plus any company contributions you have earned, are also RRSP-eligible providing the company deposits the cheque directly.

7. Hunt for a job, of course, but consider going into business for yourself. A self-employed person has many potential tax deductions unavailable to an employee.

8. Utility bills may become diffi-



cult to pay. If necessary, contact the companies and ask them if you may reduce payments until you get a job.

9. If mortgage payments become impossible, ask the mortgage lender about deferring payments for a limited period and adding them to the mortgage when you are employed again.

10. Do not dip into your RRSPs unless it becomes vital to do so. Then take out amounts under \$5,000 to reduce tax withheld.

For CA's advice on TV - see your Wealth, available on broadcast channels in Ontario and on satellite across Canada, or see Money in the Bank, on your community cable channel.

MoneyCare is general financial advice by Canada's chartered accountants. Ian Riehl is with Riehl & Associates.



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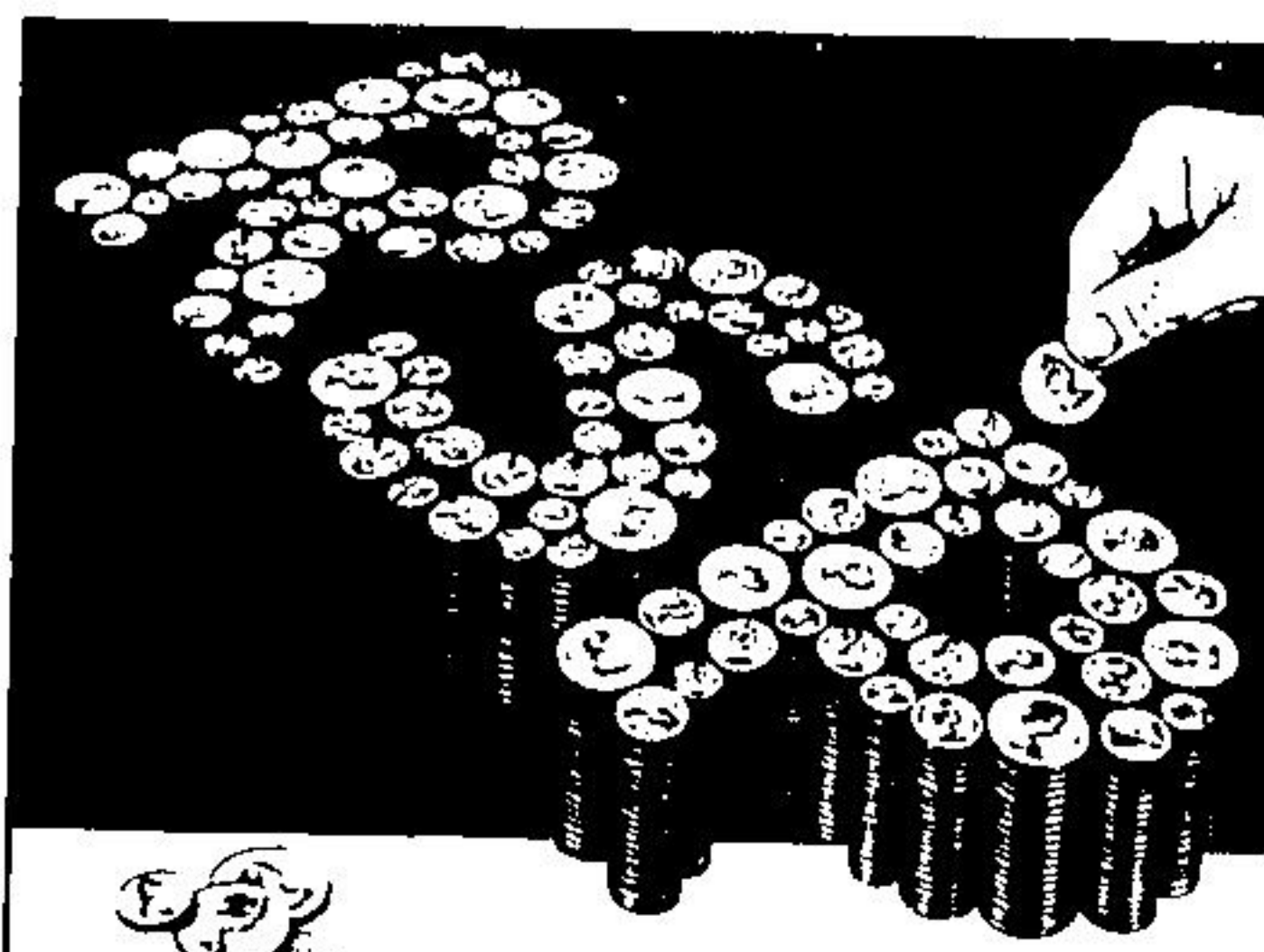
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