

Debt law firm's fall brings chaos

Sudden collapse of Rockville-based collector with 24 U.S. offices hits regulators, courts, public

By Jamie Smith Hopkins and Andrea K. Walker
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Maryland regulators and courts grappled Friday with the chaos created by the failure of a debt-collection law firm, as consumers endeavored - often with no luck - to figure out where to send payments or make good on court-ordered settlements.

Rockville-based Mann Bracken recently closed its 24 offices across the country with little public warning, prompting consumers left in the lurch to complain to state officials that the firm's phones were disconnected and it had stopped cashing their checks.

On Thursday, a Maryland judge ordered that tens of thousands of debt-collection lawsuits involving the firm be dismissed, and state financial regulators revoked its license.

A day later, state officials still were struggling to assess the financial scope of the collapse, unable to say exactly how many lawsuits would be dismissed. Nor did they have answers for consumers on whether those cases would be refiled.

"It's a large undertaking, and it involves every district in the state," said Mark Kaufman, Maryland's deputy commissioner of financial regulation. "Those cases are all over the state. It's every county in Maryland. There are hundreds of cases in every county in this state - and that's probably conservative."

In its first comments about the shutdown, Mann Bracken principals said in a statement released by an attorney that they had "no alternative but to wind down its business operations."

They blamed the company's fate on the November bankruptcy filing of Axiant, a company that handled its support services. That firm tried to reorganize but instead is being liquidated.

"Axiant's pending liquidation has left Mann Bracken without funds to pay creditors and insolvent," the statement said. The law firm said it will seek bankruptcy protection or disband through a state receivership proceeding in the next 30 days.

Axiant is a debt-collection offshoot of Mann Bracken and was created by a group of New York private-equity funds in 2006.

According to an investigation by the Minnesota attorney general, the complex business arrangement, through a byzantine ownership structure, connected debt collectors and the law firm with a supposedly independent and neutral arbitration company called National Arbitration Forum, where creditors brought cases against consumers.

The Minnesota attorney general sued the forum in July, accusing it of consumer fraud because its business arrangement allegedly created conflicts of interest. The company agreed to stop handling consumer arbitration disputes. Four months later, Axiant filed for bankruptcy protection.

"I think there are literally hundreds of thousands of people in this country who have had arbitration awards entered against them that are so improper they should be vacated," said Paul Bland, a staff attorney at Public Justice, a public-interest law firm in Washington.

Bland said he has heard of a number of situations in which Mann Bracken appeared to choose cases to pursue in court after arbitration only when consumers didn't have an attorney or wouldn't put up a fight.

"I think there was an effort to finish collecting all they could from people who didn't know what had happened," Bland said.

Since the Minnesota case, lawsuits have been filed against the arbitration forum, Mann Bracken and other firms alleging violations of antitrust laws and racketeering statutes, Bland said.

In Georgia, the governor's Office of Consumer Affairs has been trying to investigate Mann Bracken for more than a year. Attorneys with the state are waiting for a court order to determine whether the company has to cooperate.

"We received a number of complaints from all over the country about their practices," said Anne Infinger, deputy administrator of the consumer affairs office. "They run the gamut," she added, citing cases in which consumers complained that Mann Bracken contacted neighbors.

When Georgia officials heard last week that the company might be collapsing, they called Mann Bracken. "Mann Bracken's lawyer's response to us was, 'I'll let you know when there is any public information,'" Infinger said.

Meanwhile, residents on the hook for debt payments to the company are calling, wanting to know why no one's answering the phones and what they should do.

"It's just a nightmare for consumers," Infinger said.

Consumers with lawsuits pending in court should contact the administrative clerk of the jurisdiction where their case was filed, said a spokesman for the Maryland Judiciary.

Cory L. Zajdel, a Towson consumer law attorney who has sued Mann Bracken on behalf of clients, said he fielded several calls from confused consumers who had dealt with Mann Bracken.

Zajdel already has agreed to take on the case of Davene Chadwick, a 60-year-old grocery worker from Owings Mills, who has about \$1,300 left to pay on a debt agreement with Mann Bracken. Chadwick tried to reach the firm several times to ask how to proceed with payments only to find the phone number was disconnected. She said the firm charged her thousands of dollars in additional fees and interest over the years, making it harder to pay down her debt.

"I don't know what to do," she said.

Zajdel said that consumers with settlements should file a notice with the court to put on public record that they couldn't make a payment because the company no longer exists. That may give them some legal protection in the future, he said.

The companies for which Mann Bracken was collecting debts could still be entitled to the money, legal experts said. It's unclear how many will refile cases that get tossed out.

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