

**State of New Mexico
Office of the Attorney General
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NEWS RELEASE

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Historic Lawsuit Settlement for New Mexico
AG's Pursuit Means Good News for Consumers

(ALBUQUERQUE)---Attorney General Gary King's office today announces settlement of a lawsuit filed in August 2007 against Merchants' Credit Guide Company, a national debt collection firm based in Chicago.

The lawsuit alleges that Merchants' Credit Guide Company violated the New Mexico Unfair Trade Practices Act by attempting to collect debt that was unenforceable in court proceedings due to the running of the statute of limitation without disclosing that information to the debtors.

"In the past few years there has been an explosion in efforts by national debt collection firms to collect old, legally unenforceable debt. Sometime these debts are ten years or more old. This is the first time in New Mexico that a large national debt collection firm has agreed to disclose this material information to consumers so that they can make informed decisions about how to respond to the debt collection demands. With this first case resolved, we expect to be in contact with other national firms engaging in similar practices," says Attorney General King.

The lawsuit also alleges that the company attempted to collect debts incurred in the state by New Mexico residents without a license issued by the Financial Institutions Division of the State Regulation and Licensing Department, in violation of the Collection Agency Licensing Act and the Unfair Trade Practices Act. The company eventually became licensed on April 1, 2005.

Judge John Pope of Los Lunas has signed a Consent Decree under which Merchants' Credit Guide has agreed to stop collecting all debt that is unenforceable due to the running of the statute of limitation in New Mexico. This means that the company will not attempt to collect account debt or debts based on unwritten contracts that are more than four years old, or debts based on written contracts that are more than six years old.

The company retains the right to undertake such collections again, but if it does, it will be required to make written and oral disclosures to debtors that the debt is time-barred and unenforceable through legal action. It has also agreed to maintain proper licensure and to pay a civil penalty of \$30,000.

In the settlement agreement, Merchants' Credit Guide Company denies liability or wrongdoing, but asserts that it is signing the Consent Decree in order to resolve the litigation and to avoid further costs, fees and expenses.

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