

Collectors of debt see good times

While cornering many industries into a bleak winter, the global financial crisis has ushered in a business bonanza for debt collection service providers in this Southern China city.

According to a report in Guangzhou-based Information Times yesterday, the financial crisis has been a boon to local debt collectors, with many seeing a spike in business of 30 percent to 100 percent in recent months.

"It's very normal that such a business is enjoying a golden time amid global economic downturn," said Shi Jiezhan, a financial manager with a private firm in Guangzhou.

"Many companies have been feeling the pinch of capital shortage as the economic condition worsens. As debtors, they may not be able to pay up the debts in time or they may venture not to pay," he said.

He said his company once contacted a couple of such service providers late last year to collect a debt worth about 1 million yuan but later decided to give it up for fear of law violations.

"The Pearl River Delta cities must have over 100 such service providers; it is very easy to search their contact information on the Internet," he said.

Some of these companies have lawyers and accountants as well as other professionals and can provide such services as debt collection, corporate credit investigation and credit risk consulting, Shi said, adding that they generally charge 30 percent to 50 percent of a debt object.

No such firms responded to inquiries from China Daily.

"China forbade any company to be registered for debt collection in 1993. I don't think there can be any officially registered debt-collecting firms," said Jin Deli, a lawyer with the Guangzhou Tongde Lawyer Office. "Many such firms are under the name of business consultation," Jin said.

He said the difficulty in executing an economic lawsuit is an important reason for the existence of debt collection service providers.

However, the lawyer warned, any creditor might be violating the law once the debt collection service provider chooses to collect the debt illegally.

And it would be even tougher for the creditor if the entrusted firm refuses to pay back the debt it has collected.

Source: China Daily