

the contractual obligations of their debtors and many creditors decline to accept agreements offered by debt adjustment companies.

These facts are not disclosed to prospective customers by the unscrupulous debt adjuster. It is not explained that some creditors, whether accepting the pro-rata arrangement or not, may add additional finance or interest charges, if their accounts are not paid according to the original terms. If legal action has been or is instituted by a creditor against a debtor, only an attorney can provide legal service, if required. A debt adjustment plan does not preclude nor prevent a creditor from taking his usual action to collect, including legal action.

THE ST. LOUIS SURVEY

In February, 1955, the St. Louis Better Business Bureau published the results of a questionnaire to several hundreds of its members in those fields of business most likely to be involved in any attempt by debt adjusters to represent creditors of business firms. Replies, of which 60% were from retail merchants selling on charge or installment plan, and 40% from banks, loan companies and sales finance and discount companies, are tabulated as follows:

[In percent]

	Yes	No
Do Debt Adjusters Serve a Useful Purpose?.....	10	90
Do You Accept Agreements From Debt Adjusters?.....	30	70
Do Debt Adjusters Pay Promptly?.....	12½	87½
Do Debt Adjusters Usually Pay Off the Entire Amount?.....	0	100
Are Clients Excessively Debt Ridden?.....	67	33

Returns from another questionnaire distributed by the Memphis Better Business Bureau indicated that approximately the same situation existed in that city. Recently, the Better Business Bureau of Baton Rouge, La., surveyed the principal firms doing an installment business in its area and discovered that less than 10% had any working arrangement with the debt adjustment company operating in that city.

In its bulletin, the St. Louis Bureau pointed out that respondents to its questionnaire did not rate all proraters in that city uniformly as to reliability; based on past experience, the creditors might negotiate more readily with a few of the existing debt adjustment companies than they would with others. However, the overall picture presented by the above tabulation is not such as to justify confidence in the employment of pro-raters generally as a means of extricating excessively debt-ridden persons from their financial difficulties.

MISERY COMPOUNDED

Having been led to believe that through employment of a pro-rater, they had solved all problems relating to their excessive accumulation of debts, some clients are encouraged to ignore direct demands for payment by creditors. Complainants to Better Business Bureaus include many whose sojourn in such a fool's paradise has been interrupted by the intrusion of lawsuits, garnishee proceedings, repossessions, or other legal steps taken by creditors who have lost patience. Similar denouements have sometimes followed failure of the pro-rater to make prompt payments to creditors as agreed, even though the client has faithfully met his obligations to the debt adjustment company.

Some short-lived debt adjustment companies have closed their doors after paying only a fraction of the amount collected to creditors, leaving their clients in worse financial straits than before. The Rochester Better Business Bureau reports a typical case where a now defunct prorating company collected \$214.00 from one client, but made a lone payment of only \$38.00 to a single creditor. If the operators are not bonded and leave no assets behind them, there is little that can be done for the victims in these cases.

ALTERNATIVES AVAILABLE

There are many, including some Better Business Bureaus, who believe that there is no need or economic justification for the existence of the pro-rater; that he does not offer a service of genuine value to debtor and creditor, or that his functions are, or could be, performed more satisfactorily by some other kind of