

Not so fast, judge tells creditor suing over car loan

Car was repossessed; extra fees questioned

By Marie Rohde, Journal Sentinel, Inc
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A Milwaukee County circuit judge has put the brakes on a case that on many days would simply speed through the justice system: a lawsuit seeking a car loan repayment from a woman whose vehicle had been repossessed.

Why, Circuit Judge Charles Kahn wondered this week, would someone agree in 2000 to pay \$530 a month for a 5-year-old Jeep Cherokee, at an annual interest rate of 21.95%, in addition to paying \$1,995 for a service contract, \$212 for life insurance and \$458 for accident and sickness insurance?

"I was really stupid," a tearful Linda Paddock, 49, of Cudahy said Wednesday. "I was only looking at the monthly payments and they seemed OK."

She also said she had a bad credit rating.

Kahn asked the lawyer representing the company that owns the rights to the debt whether the statute of limitations on the debt had expired, whether consumer law required that Paddock be told that the debt would not expire with the repossession of the vehicle, and whether the finance company was required to get fair market value for the vehicle when it was resold.

Paddock and James Riebe, the lawyer for Mrc Receivables Corp. - the company that owns the rights to the debt - appeared before Kahn for what was to be a routine scheduling conference. Kahn, however, made it clear that the collection of the debt wasn't going to be a slam dunk for the bill collector.

Kahn said he also would hold open the question of whether the case would be tried by a jury.

According to the lawsuit and court records:

The bill collector says Paddock owes \$11,865.44, almost as much as the \$12,790 cost of the car in October 2000. Paddock put down \$2,500 and made payments for more than a year before she surrendered the vehicle, after she said she was told by the lender that the action would get her out from under the debt.

Since she bought the car, she's been divorced and her home was sold at a sheriff's auction after foreclosure. She makes ends meet by working nights in a factory, and part time during the day cleaning at a local hotel.

Her ex-husband, who was listed as a co-signer on the loan, was not named in the lawsuit.

About 18 months after she bought the car, it was repossessed by Household Auto Finance.

"They told me I wouldn't owe anything on it if I gave it back," Paddock said. "I thought it was the same as when they took the house."

Wrong.

According to the lawsuit, Household Auto Finance resold the vehicle in a private sale for \$3,150, which they subtracted from the debt, which they calculated at \$13,372. They subtracted \$232.55 for the unearned insurance premiums and came up with a bill of about \$9,990. To that they added other fees, among them \$225 for retaking the vehicle, \$110 for storing it, \$73.50 for getting it ready for sale and \$175 for selling it.

Kahn suggested that Paddock get a lawyer.

"I can't afford one," Paddock said. "I contacted the Legal Aid Society and I earn too much to get help from them."