Why it Doesn’t Matter How Much the Debt Collector is Suing you for

# Debt Collectors Have Bigger things to Worry about than how Large your Debt is

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## Why the Amount the Debt Collector is Suing You For (Almost) Doesn't Matter

From a normal consumer’s point of view, the threat posed by a suit for $500 or $1,000 is very, very different from one for $25,000 or $50,000. But the difference in amounts to the debt collector is much less significant than you might think. There are several reasons for this, from the way they view risk to something called “opportunity cost.” We’ll discuss both of those things here.

Our observation is that debt collectors do NOT treat cases for large amounts any differently than they treat cases for small amounts. They follow a set of standard procedures.

## Sued by a Debt Collector

If you’re being sued by a debt collector on a debt for $500, the lawsuit itself probably scares you in that it’s pulling you into a hostile and alien world – the world of litigation – where you expect people to frown at you a lot and make you pay. And for most people being sued by debt collectors, $500 is not a negligible amount – actually having to pay it could be a significant hardship. On the other hand, a suit for five or ten *thousand* dollars is a different, and much scarier, thing. You’d get over a $500 judgment, but you might never be able to pay off $10,000.

There’s a tendency to project. Because ten thousand is such a hurtle for you, you think it’s a large amount of money for a debt collector. You might think they’d do a lot more for this larger amount.

For the most part, however, you’d be wrong in thinking that. This is because of the way they assess the various risks associated with collecting debt.

## Risk

Debt collectors look at three primary factors in evaluating their cases. These are risk of losing, price of winning, and chance of collecting. To put it all in terms of “risk,” you might put the factors this way: the risk of losing, what you risk in order to win, and the risk of not collecting what you win.

### Risk of Losing

Debt collectors regard the risk of losing a debt suit as negligible. Their business model, which involves bringing suit without ever even looking at the evidence that might support their suit, shows how confident they are. They know most lawsuits they file won’t ever be disputed at all, and the price of losing is trivial to them. They’re dealing in the hundreds of millions of dollars of nominal debt – your suit for $25,000 doesn’t even register as a risk worthy of concern.

Of course the lawyers who will eventually be involved in your suit take a somewhat different view. They don’t want to lose because of their pride and reputation, but at the end of the day the amount at stake is trivial to them, too.

### Price of Winning

Debt collectors take the price of winning far more seriously. For one thing, the cost of buying the debt and filing suit are “sunk” costs. That is, they paid that up front as a minimal cost of doing business for any law suit. Every time you do anything that requires them to take action, it’s costing them new money, and it’s not the basic cost of doing business in the courts, it’s money you’re making them pay.

They can see that, and they know the money they spend on your case may be going away for good. Thus our materials aim to emphasize and increase this risk, and we are usually quite successful in doing so. Taking action that increases the cost of winning will have a significant impact on the way the debt collector values your case - it lowers the value of the case in the debt collector's mind dramatically.

Of course if they’re suing you for $50,000, your actions wouldn’t seem likely to reduce the value of the case very much, right?

Wrong, and that brings us to the final risk factor, chance of collection – or you might call it the risk of not collecting (we often refer to it as “collection risk.”

### Collection Risk

Have you heard the expression that if you owe the bank a thousand dollars, they own you, but if you owe them a million dollars you own them? This is related to the collection risk factor. Banks know, and collectors know, that collecting $1,000 is usually possible against an unwilling defendant. But collecting ten thousand? Not going to happen. You probably won’t have it, and if you do, you’ll hide it.

That sets up a dynamic: the more you owe, the greater the collection risk discount. If they’re suing you for $25,000, nobody expects to collect anything like that. They might get a little more from you with a $25,000 judgment than a $1,000 judgment, but not enough to matter.

And there is a good possibility in both high and low dollar cases that they won’t be able to collect a cent.

Thus debt collectors do not consider high dollar cases particularly valuable. They don’t like spending money on them any more than on low dollar cases.

Now look at the larger picture of the world in which debt collectors live.

## Opportunity Cost

Opportunity cost is the cost of doing one thing rather than another.

Remember that the amount of debt in the U.S. is essentially unlimited. That means the opportunity for suing (other) people is equally unlimited.

Now remember that debt collectors get judgments approximately 80% of the time by default. That means they can file suit in 100 cases and get 80 judgments in about an hour. If those judgments, conservatively speaking, are for $5,000 apiece, that’s $400,000 in an hour. And these numbers are not only theoretically possible, but I have seen them happen many times.

Now consider your case for $50,000. Even if they thought they could get that – which they almost definitely do not – if they have to spend five hours working for it, they’ll lose perhaps two million dollars in default judgments in that time. Does that sound like a wise business decision?

## Of Course They Aren’t Machines

You might think the debt collectors are cold-blooded opportunists, and you might think they would only do what makes them the most money. And usually you’d be right, but they are human, and sometimes other factors work their ways into cases. They won’t always do what you might expect.

But the odds are strongly in your favor, and that means that it makes sense to defend yourself as much in big-dollar cases as little dollar cases.

# Your Legal Leg Up

[Your Legal Leg Up](https://yourlegallegup.com/) is a website and business dedicated to helping people defend themselves from debt lawsuits without having to hire a lawyer. As you can see below, we have a number of products as well as memberships that should help you wherever you are in the process. In addition to that, our website is a resource for all. Many of the articles and materials are reserved for members, but many are available to everyone.

## Finding Resources

Our website is both a business and a public resource, and you can use it to find information on a wide variety of debt law-related topics. While many of our resources are restricted to members, of course, many more are free to the public. Please feel free to use it. Every page has a site search button in both the header and footer. It’s a little magnifying glass icon that looks like this:



Click on the magnifying glass icon, and a small window opens. Put in a key word – a word you think relates to what you’re looking for – and enter. You will get a page of results.

## Memberships

We have quite a few products that will help you with specific issues (you can find them by clicking on the “products” button in the top menu of every page on the site), but most people should consider starting with a membership.

Members get discounts on all products as well as unlimited opportunities to join our regularly scheduled teleconferences. This gives invaluable real-time assistance, answers to questions, help with strategies, and encouragement. You also get the Litigation Manual for free with membership. Find out about memberships by clicking the "About Memberships" link in the menu at the top of any page on the site.

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