

Jeff debt collector backs out of Arizona

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Milliken & Michaels Inc., which has spent the past nine months trying to keep regulators from yanking its license to operate in Arizona, settled the dispute this week by paying \$500,000 in fines and costs and agreeing to halt all collections activity in the state.

The Metairie company operates a nationwide network of collection agencies that pursue overdue business debts.

Under a consent order signed Sunday by owner Michael Sanderson, the company also agreed to cease "a number of abusive collection practices" and "discontinue using deceptive sales techniques," according to a state-

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ment by Arizona regulators. "We feel like this is a definite win," said Felecia Rotellini, the Arizona assistant attorney general in charge of the case. "We have accomplished what we set out to do."

It's not clear if the action will affect the company's Louisiana license. "We will be sitting down with a Milliken & Michaels representative next week to discuss the action in Arizona," said Gary Newport, chief attorney for the Louisiana Office of Financial Institutions, which oversees collection agencies. "I don't know what kind of action will be taken at this point, if any." Newport testified for Milliken & Michaels during the Arizona proceeding.

Milliken & Michaels is widely considered the nation's largest commercial collection agency. Company officials have said it earned \$50 million in fee income in 1995 on gross collections of about \$150 million.

A company spokesman said Sanderson was traveling and unavailable for comment on the Arizona settlement. But in written statements, company officials said a chief reason for settling the case was the legal expense of continuing the fight.

Milliken & Michaels filed state and federal lawsuits in Arizona in an attempt to block state regulators from revoking the company's license to operate in the state. A judge dismissed the federal suit last month.

In a written statement, Tim Sanderson, a cousin of Michael Sanderson and managing director

of the Arizona office, said, "After nearly a year of offering, in vain, a wide range of suggestions for settling the ongoing litigation between the Arizona Banking Department and Milliken & Michaels, we have come to the conclusion that we cannot work with this state's collection agency regulators, nor can we do anything to satisfy them."

Under the settlement terms, Milliken & Michaels will be allowed to maintain a small sales office in Tucson to market the company's services to clients in Arizona. Arizona regulators began investigating Milliken & Michaels in 1995 after they discovered Michael Sanderson had failed to disclose what they called a "substantial criminal history."

Sanderson's record includes seven arrests and three convictions for incidents ranging from

assault and battery to racketeering and mail fraud during the 1970s, according to law enforcement records in Florida.

Sanderson spent 21 months in federal prison after he and his father, Paul, who ran one of the largest collection agencies in Florida, pleaded guilty to stealing an estimated \$2.5 million from clients. Sanderson, 24 at the time, was sentenced under the Federal Youth Corrections Act. Under the act, his conviction was automatically set aside in 1979 after his release from prison.

In the consent order, Sanderson admitted that he concealed that information from Arizona regulators for seven years. Also in the consent order, Sanderson admitted he hid his 100 percent personal ownership of Milliken & Michaels' Arizona operation from

regulators from 1988 to '95. He also admitted he lied on company license renewal forms when asked if he had ever been arrested, indicted or convicted in any criminal proceeding.

In the consent order, Sanderson also admitted that he concealed the fact that he is a recovering alcoholic, in violation of Arizona law.

Sanderson also acknowledged that some of his employees violated Arizona law by misrepresenting themselves to potential clients and debtors and by harassing people who owed money to Milliken & Michaels clients.

Arizona regulators said they received 55 complaints against the company over such tactics between 1992 and '95.

In the consent order, Milliken & Michaels agreed to pay a re-

cord \$250,000 fine and reimburse the Arizona State Banking Department for legal fees.

"We think the amount of the fine sends a strong message that you can't violate the law, regardless of how large you are," Rotellini said.

This is the second fine Milliken & Michaels has paid to settle a dispute with regulators: In 1991, the company paid \$50,000 to the North Carolina Insurance Department, which was investigating dozens of complaints against the company for harassment and misrepresentation.

In his written statement, Tim Sanderson said the company closely monitors its collectors and disciplines or fires those who violate the company's rules, which Sanderson described as "the most strict in our industry."