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lagging indicators

Debt Collectors Chase More Consumers in Court

BY DAN FROSCH

Lawsuits filed by debt collectors over unpaid creditcard bills and other outstanding balances have surged to their highest levels in years, according to a report released Thursday by the Pew Charitable Trusts.

The number of debt-collection lawsuits filed in several states and metropolitan areas in 2025 outpaced prepandemic levels, continuing a trend that began a year earlier, according to the Pew report.

Such lawsuits are typically the last-ditch attempt by debtholders to try to recover money owed. By the time a lawsuit is filed, the debt is typically well past four months overdue. Hit by inflation and high interest rates, consumers have been taking on more debt, and some are struggling to keep up with it.

The Pew Charitable Trusts is lobbying for courts to make the legal process clearer for those being sued, such as providing more information on who is filing the claim and why, and what steps people can take to defend themselves. Researchers said most people who are sued over debt don't have lawyers to represent them, or may not even realize they are being sued.

The study looked at eight states that specifically track these types of claims or make them publicly available.

Court records from the states—Massachusetts, Minnesota, Missouri, North Dakota, Texas, Utah, Alabama and Virginia — show that the suits have for the most part been climbing steadily for several years now, the report said.

Missouri has seen the largest increase since 2019; the number of lawsuits filed there nearly doubled to 121,572 last year. Texas showed a 77% increase; the number of suits in that state climbed to 515,371 over the same period.

All of the eight states highlighted in the report but North Dakota saw the number of debt-collection suits increase between 2024 and 2025.

"This represents a lagging indicator that shows the financial and economic stress a lot of Americans have been facing over the past several years," said David McClendon, a researcher with January Advisors, a data consulting firm that helped compile the report.

Another possibility: Debtcollection firms are finding courts an efficient and lucrative path to recovering debt as Americans take on more of it.

Note Note

The U.S.'s total credit-card balance stood at $1.25 trillion in the first quarter of this year, according to the New York Fed, the highest firstquarter balance since the New York Fed began recording the measurement in 1999.

The lawsuits highlighted in the Pew report are often filed by companies that purchase people's debts for pennies on the dollar from the original creditors like hospitals, banks and credit-card companies.

Most are filed over unpaid credit-card debt, as well as medical bills, said Lester Bird, the report's lead author and a senior manager at the Pew Charitable Trusts. An estimated three-quarters are over debts less than $4,000, he said.

Some 70% will end in default judgments for the creditor, Bird said, often because borrowers don't realize they are being sued, are confused over who is suing them, don't know how to navigate the courts or don't respond.

Those judgments mean that wages can be garnished directly out of the debtor's paycheck, in addition to liens placed on the debtor's home or personal assets taken.

Debt-Collection Cases Surge

Lawsuits filed by debt collectors over unpaid credit-card bills and other outstanding balances have surged to their highest levels in years, outpacing prepandemic levels in many states. A2