

Casinos and Debt Collection

One law professor noted that casinos are not subject to the same laws as outside debt collectors when trying to collect debt from patrons. Unlike outside debt collection agencies, casinos do not have to abide by regulations of the Fair Debt Collection Practices Act:

- “The National Gambling Impact Study Commission, created by Congress, asked me to do a study in 1998 on credit and the casino industry. I found that the 12 casinos in Atlantic City that year issued approximately \$2.13 billion in counter-checks, markers, to their patrons. This means that, in just this one city, players borrow more than \$2 billion each year from casinos. This does not include personal checks written directly to the casinos or to others, or, most importantly, patrons= use of credit cards, ATMs or other forms of credit used to get cash to gamble. Having to chase down more than \$100 million in bad debts every year turns casinos and their lawyers into major collection agencies. Successful collection agencies, I might add. Casinos eventually collected more than \$91 million of these bum markers. So, of \$2 billion lent by Atlantic City casinos, only 1.3% was not repaid. Still, that means \$28 million had to be written off.”
- In 2000, federal District Court Judge Philip M. Pro ruled that Caesars Palace could not be sued for alleged violations of the Act, because Caesars Palace was trying to collect debts owed to it by a patron. It was not acting as a debt collector for some other company. The one potential problem was that, legally, Caesars Palace does not exist. The actual company name is Desert Palace, which is doing business as ("dba") ‘Caesars Palace’. The judge said this was O.K., because its in-house debt collectors and outside lawyers always used the name "Caesars." The patron could not claim that it was ‘using a name other than its own.’ So, at least in Nevada, when casinos using their own name go after deadbeat patrons, they cannot be sued under the federal Fair Debt Collection Practices Act.

(Professor I Nelson Rose, “Casinos as Debt Collectors”, 2005, <http://www.gamblingandthelaw.com/columns/68-106debtcollection.html>).

Much of the debt casinos accrue comes from giving “markers” or credited “IOUs” to gamblers:

“Nevada casinos commonly grant credit to gamblers who provide evidence of sizable bank accounts to cover the IOU — or if they have a credit history with the casino that indicates debt repayment. By signing markers, the gambler essentially receives an interest-free loan from the casino with flexible terms. That makes them unusual in the business world and a unique risk for casinos, which write off as much as 5 percent of their debts — sometimes amounting to millions per year — as uncollectable. Big casinos might have hundreds of unpaid markers in the collection process at any time.

Although a gambler’s first marker triggers an application process and a bank inquiry akin to taking out a personal loan, subsequent markers involve little paperwork other than a check of the person’s gambling history with Central Credit, a credit reporting bureau for the casino industry.

In some cases, casinos will extend gamblers additional credit after they get a nod from a casino host, who is eager to keep the customer gambling — and whose pay depends in part on what the customer loses at the tables.

Generosity in offering markers is a key casino marketing tool on the Strip, where as much as 40 percent of wagering volume occurs on credit, said Jeff Voyles, a casino management professor at UNLV and industry consultant. Well-heeled gamblers may prefer signing markers for the convenience of not having to carry cash, with their casino credit showing up on pit bosses' computers.

To avoid antagonizing players and keep them coming back, casinos generally give gamblers several months to repay debts that can run into the hundreds of thousands of dollars.”

But when they don't, casinos send a demand letter and can turn to the district attorney's bad-check unit, which prosecutes such crimes. Or they may file a civil suit, sometimes in addition to prosecution...

There's no guarantee of restitution even after a marker case is prosecuted because of the inherent complexities of casino credit and the gambler's particular circumstances, Zadrowski said. 'We're not bill collectors ... we're a prosecution unit.' [...] The Hilton relies more heavily on the bad-check unit than some of its bigger and wealthier counterparts on the Strip. Court records show the casino is owed more than \$600,000 by gamblers who pleaded guilty and were placed on informal probation, with no follow-up on payment. Several Hilton debtors have court-imposed payment plans, including one gambler's monthly payments of \$200 on a \$138,000 marker that will take more than 50 years to pay off.”

(“Casinos burned by gamblers who skip out on markers”. Benston, Liz, Jan. 30, 2011, <http://m.lasvegassun.com/news/2011/jan/30/taking-casinos-ride/>).

In Nevada, “the D.A. is basically the casino's debt collector.” explains Mesquite NV criminal defense attorney Michael Becker. “Instead of hiring their own lawyers, casinos exploit public resources to recover private funds. In our opinion, there's an inherent conflict of interest in the whole system because the state has an added incentive to prosecute. The more you allegedly owe to a casino, the more the D.A. makes in collection fees.”

It is now standard practice for Las Vegas casinos to seek repayment first through the [Clark County District Attorney's Office](http://www.clarkcountynevada.gov/countyattorney/). If the D.A. decides not to prosecute or the case is taking too long, then the casinos may resort to suing in civil court for damages. (<http://www.shouselaw.com/nevada/casino-marker.html>).

“Due to the large gaming industry in the state of Nevada, casino markers are treated very differently in Nevada compared to other states with casinos. **Nevada is the only gaming state that imposes both criminal and civil penalties for people that do not pay their casino debts.**

The Nevada state legislature has enacted several laws that make failure to repay casino markers and other forms of casino debt a fraud punishable as a felony

offense. Defaulting on a casino marker is tantamount to writing a bad check according to state laws in Nevada.

It is a very serious offense in Nevada not to pay casino debt. You need to have an experienced Las Vegas attorney to handle your case if you are being accused of a casino debt. **Casinos aggressively prosecute people who do not pay casino markers. If you are a tourist and fail to pay the casino markers, there will be warrants issued for your arrest.** You cannot just ignore the casino if they send notices about casino marker repayment.”
(<http://www.legalmann.com/CriminalDefense/CasinoMarkerCasinoDebts.aspx>)

<http://www.lasvegassun.com/news/2008/apr/11/his-job-get-your-debt/>

Casinos have also begun to develop their strategies for debt collection into player incentives designed to “lure players from other casinos” (p. 313, Kilby, Fox, and Lucas, 2005, *Casino Operations Management*).

Table 6.1 Consumer Credit Process versus Casino Credit Process

	Casino Credit	Consumer Credit
Consumer Credit Agency Check	Sometimes	Yes
Central Credit Check	Yes	No
Verify Employment	Sometimes	Yes
Verify Income	No	Yes
Check Bank Balance	Yes	No

(p. 98, Kilby, Fox, and Lucas, 2005, *Casino Operations Management*)