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## Debt collector reaches settlement with 41 states

Thousands of consumers will have debts forgiven



By **Mark Huffman**

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A major debt-purchasing operation has reached a settlement with 41 states and the District of Columbia to resolve the states' investigation into debt-collection practices.

Encore Capital Group, Inc. and its subsidiaries Midland Credit Management, Inc. and Midland Funding, LLC, one of the nation's largest debt buyers, resolved a probe that alleged the companies collected money without verifying the money was actually owed.

“This multistate, multi-million dollar settlement establishes further safeguards to protect future borrowers from bad collection practices, in addition to providing judgment relief to existing debtors,” said Florida Attorney General Pam Bondi. Menu ▶

Investigators claimed that Midland’s collection effort involved a high volume of lawsuits against consumers whose debt Midland had purchased. In that process, the states charged the company of signing and filing affidavits that the defendants owed money without verifying the information, including how much was owed. That process is called “robo-signing,” which was used repeatedly during the financial crisis to foreclose on homes.

## Robo-signing

“The practice of robo-signing hurts consumers, especially our lower-income consumers who may not have the means to fight a debt collector in court,” said Mississippi Attorney General Jim Hood. “Midland illegally attempted to collect debts it had not verified through robo-signing and other illegal practices.”

According to Missouri Attorney General Josh Hawley, debt-buying companies purchase unpaid and overdue debts from creditors, such as credit card companies, usually for pennies on the dollar. When they can collect the full amount, the profit margin is huge.

“Debt buyers, including Midland, also take consumers to court to collect the debts they purchase,” Hawley said. “However, people are often unable to afford attorneys to defend the allegations and cases result in default judgments, hurting credit and putting people in jeopardy of having their wages garnished.”

## Burden of proof is on the debt collector

But when debt buyers take consumers to court, they are required to verify that the consumer owes the money and state the exact amount of the debt. Investigators for the states charge this did not always happen.

Under the terms of the settlement, Midland will pay or forgive a number of debts in all 41 states, totalling several million dollars. The company is also required to change its affidavit signing and litigation process to ensure it is collecting the right amount from the correct debtor.

According to legal advice website Nolo.com (<https://www.nolo.com/legal-encyclopedia/debt-scavengers-zombie-debt-32240.html>), cases of consumers being sued for repurchased debt have risen dramatically in recent years. In some cases, the debtor is no longer required to repay because the statute of limitations has expired.

In some cases, Nolo.com says the consumer doesn’t owe the debt because the debtor is someone with the same or similar name.

## What to do

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(<https://www.consumeraffairs.com>) If contacted by a company that says it has purchased your old debt, Nolo.com advises not to talk to the debt collector on the phone; hang up. If contacted by mail, write a letter requesting validation of the debt.

If you are sued, don't ignore it. If you fail to respond, the court will award the debt collector a default judgment against you.

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