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Miller, 42 AGs announce \$6 million settlement with debt buyer

Midland settlement provides consumer protections, debt forgiveness

DES MOINES — Iowa Attorney General Tom Miller announced Tuesday that Iowa joined 42 states and the District of Columbia in reaching a \$6 million settlement with Encore Capital Group Inc. and its subsidiaries Midland Credit Management, Inc. and Midland Funding, LLC, one of the nation's largest debt buyers.

Debt buying involves buying and selling overdue debts from creditors and other account owners. Often purchased for pennies on the dollar, debt buyers seek to recover the full balance from consumers through collection attempts by phone and mail. Debt buyers, including Midland, also take consumers to court to collect the debts they purchase. 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.

The settlement resolves the states' investigation into Midland's collection and litigation practices. Much like the conduct witnessed during the mortgage crisis, the agreement settles claims that Midland signed and filed affidavits in state courts in large volumes without verifying the information printed in them, a practice commonly called robo-signing.

"We've been investigating Midland's behavior for years and working with the company to correct it. We're confident this settlement will reform the company's practices and protect consumers," Miller said.

As part of the settlement, Midland will eliminate the judgment balances of 97 Iowa consumers, and partially reduce balances of 48 more, for a total of \$187,503 being forgiven. The settlement applies to cases where Midland used an affidavit against them in court between 2003 and 2009. Midland will notify affected consumers by mail of the balance reduction and no further action is necessary from the consumer. In addition, Midland will set aside \$25,000 per state to compensate consumers who may have paid Midland money that the consumer did not owe.

Midland will also pay \$96,243 to Iowa's Consumer Education and Litigation Fund.

The settlement requires Midland to reform its affidavit signing and litigation practices. Midland must carefully verify the information in affidavits and present accurate documents in court proceedings. When Midland files a lawsuit, it must have account documents about the debt before they file the case, including the amount of the debt, proof of an agreement, and an explanation about why any additional fees are justified.

The settlement offers protections to consumers Midland is collecting from even if they are not being sued. All consumers must receive accurate information about valid debts. If a consumer disputes a debt Midland is collecting, the settlement requires Midland to review original account documents before it continues its collection efforts. Midland must provide these substantiating documents to the consumer for no charge. The settlement requires Midland maintain proper oversight and training

over its employees and the law firms that it uses. The agreement prohibits Midland from reselling debt for two years.

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