

AG Schimel: Announces \$6 million settlement with Encore Capital, Midland Credit Management, and Midland Funding to reform debt buying and collection practices

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MADISON, Wis. – Attorney General Brad Schimel announced today that Wisconsin has joined 41 other 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.

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.

As part of the settlement, Midland will completely eliminate or reduce the judgment balances of 16 Wisconsin consumers for a value of \$23,554 in cases where Midland used an affidavit against them in court between 2003 and 2009. Midland will notify impacted consumers by mail of the balance reduction and no further action is necessary from the consumer.

Midland has also agreed to set aside a limited fund for additional restitution to eligible consumers. Consumers who disputed a debt with Midland but were sued and had a judgment entered against them in a case where Midland provided an affidavit between January 1, 2003 and September 14, 2009, and have not made any payments to Midland in connection with the debt, are eligible for a credit against any outstanding balance on the judgment. Consumers with questions about this additional set of limited funds may contact the Wisconsin Department of Financial Institutions at 608-264-7969.

<https://www.doj.state.wi.us/news-releases/ag-schimmel-announces-6-million-settlement-encore-capital-midland-credit-management-and>