



Herbert H. Slatery III Attorney General & Reporter

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GENERAL SLATERY ANNOUNCES \$6 MILLION SETTLEMENT WITH ENCORE CAPITAL, MIDLAND CREDIT MANAGEMENT, AND MIDLAND FUNDING TO REFORM DEBT BUYING AND COLLECTION PRACTICES

Nashville, Tennessee — Attorney General Herbert H. Slatery III announced today that Tennessee 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. However, they are often unable to afford attorneys to defend the allegations and cases result in default judgments, hurting credit and putting their wages in jeopardy of being 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.

“This office will continue to protect Tennesseans from unfair litigation and monetary collection,” said Herbert H. Slatery III. “This settlement will bring relief to thousands of consumers and should serve as a warning to companies that might act in a similar manner.”

The settlement requires Midland to 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 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 eliminate or reduce the judgment balances approximately 4,472 Tennessee consumers for a value of \$7,305,299.00 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. 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.