

Seventh Circuit Rules in Favor of a Debt Collector Regarding Steps to be taken in Compliance with the FDCPA and FCRA when a Debtor Disputes a Debt

2 min read

Apr 5, 2018

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Hinshaw obtained a significant ruling in the Seventh Circuit in *Walton*, which involved claims under both the FDCPA and the FCRA. The Defendant sent Deborah Walton a dunning letter, which stated she owed delinquent debt on an AT&T account. But the letter listed an invalid account number—the first three digits of the account number were transposed with the middle three digits. Walton called Defendant to dispute that the debt belonged to her, she acknowledged that her name and address were correct, but falsely denied that the last four digits of her social security number matched those given by the representative. Walton also sent a letter to Defendant asserting that she did “not own [sic] AT&T any money under the account number listed above.” Defendant checked the information it had received from AT&T and sent Walton a letter reporting that, based on a records review, it had verified Walton’s name, address, social security number, and the amount of the debt. Defendant also reported Walton’s debt as disputed with two credit reporting agencies. Walton then disputed the debt to the credit reporting agencies, which triggered an ACDV^[1] report to Defendant about Walton’s dispute. The notice simply stated that the debt did not belong to her.

Walton filed suit under the FDCPA claiming that Defendant did not verify her information with AT&T, and under the FCRA claiming that Defendant did not properly investigate her ACDV. The trial court entered summary judgment in Defendant’s favor, and the Seventh Circuit affirmed. On appeal, the Seventh Circuit specified what the FDCPA requires when a debtor disputes a debt under §1692g. When facing a dispute, a debt collector must “obtain verification” of the debt, which only required Defendant to confirm that its notice to Walton matched AT&T’s description of the debt and debtor. The Court reasoned that the purpose of the FDCPA is to eliminate abusive debt collection practices, and it is both sensible and consistent with that purpose to have debt collectors accurately convey the information it received from the creditor. The Court concluded Walton’s argument—that debt collectors must undertake an investigation with the original creditor in the face of every dispute—would be excessively burdensome and far beyond the FDCPA’s purpose. Defendant “plainly satisfied” the FDCPA’s

requirements when it checked records and confirmed that the Deborah Walton to whom it had sent a debt-collection letter was the same Deborah Walton identified by AT&T.” Indeed, this procedure served the FDCPA’s purpose because Defendant’s response letter “armed Walton” with the information she needed to properly dispute the debt.

The Court also held that Defendant conducted a reasonable investigation under FCRA §1681s-2. The first ACDV stated that Walton disputed that the account belonged to her. Defendant verified Walton’s information in the ACDV with the information that it had in its records. And after receiving a second ACDV—which specified for the first time that the account number was incorrectly stated—Defendant informed the credit reporting agencies to delete the adverse report. According to the Seventh Circuit, “Nothing more was required of [Defendant].”

The Seventh Circuit’s decision in *Walton* represents a significant victory for debt collectors and offers a practical approach to what debt collectors must do when they receive debt disputes.

[1] An Automated Consumer Dispute Verification, or ACDV, is a web-based mechanism by which credit reporting agencies inform entities that supply credit information of disputes to the information.

Topics

FDCPA, Debt Collection, Fair Debt Collection Practices Act, FCRA