

# The Importance of Accurate Data for FCRA Compliance

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Collection agencies regularly emphasize the importance of receiving accurate data in accounts referred for collection for a very good reason. Accurate data is critical not only for effective collections, but also for the legal protection of both the creditors providing the data and the collection agency.

Like banks and credit unions, collection agencies are data furnishers which regularly provide data to credit reporting agencies. The Fair Credit Reporting Act ("FCRA") regulates the information that is provided to credit reporting agencies. It is illegal for data furnishers to report data that they know or have "reasonable cause to believe" is inaccurate. FCRA Sec. 623(a)(1)(A). Inaccurate data can lead to federal lawsuits by debtors against the creditor and/or the collection agency for violating the FCRA. Debtors who are successful in asserting these claims can recover their attorney fees and costs in addition to any damages.

A creditor that does not furnish data to credit reporting agencies is not free from danger. It can still be drawn into a lawsuit brought against a collection agency to which it provided inaccurate data.

There are several categories of data where it is important for a creditor to keep its collection agency informed with the most up to date information:

**Balance Due.** Any payments a creditor receives from a debtor need to be timely reported to the collection agency. Likewise, any adjustments to an account balance, such as the assessment of late fees or courtesy discounts, need to be reported as soon as possible. Otherwise, the current account balance information will be different between the creditor and the collection agency.

**Date of First Delinquency.** This date determines how long an individual credit entry remains on a debtor's credit report. A delinquent entry may remain on a report for up to seven years from the date of first delinquency.

**Unique Account Statuses.** If a creditor receives notice of a dispute, a bankruptcy notice, or settles an account, the collection agency should be immediately updated. Data furnishers are obligated to report such special statuses in their reporting.

**Personal Identifying Information.** It may seem obvious, but it is essential that creditors furnish collection agencies with the correct names of debtors. Moreover, providing middle initials and suffixes for names can help ensure credit data is not reported on the credit report of the wrong person. Detailed information also helps collectors in skip tracing a debtor's current location and contact information.

Inaccurate information provided to a collection agency is glaringly highlighted when both the creditor and the collection agency are reporting the account to credit reporting agencies. Such situations not only tarnish the professional image that both companies want to maintain, but also provide an attorney for the debtor with prime evidence to support a legal claim under the FCRA. Creditors should work closely with their collection

agency to verify and update information as that will increase the probability of a successful recovery.

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