



News

Client Success: ACA International Supports Merchants Credit Guide Co. Win in 7th Circuit Court of Appeals

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In a closely watched case, the U.S. Court of Appeals for the Seventh Circuit recently handed Hinshaw client Merchants Credit Guide Co. a decisive victory on an FDCPA claim that centered on a credit reporting method that is widely used in the credit and collections industry. David Schultz, Jennifer Weller, and Steve Swofford represented Merchants Credit Guide Co. on the successful dismissal of this case at the district court level and on appeal.

In the case, Plaintiffs-Appellants Casimer Zablocki and Regina Johnson had incurred a number of debts for services rendered by medical providers. The medical providers assigned collection of the debts to Merchants, and, when the debts went unpaid, Merchants reported each of the debts separately to a consumer reporting agency.

As summarized by the appellate court, plaintiffs filed suit against Merchants under the FDCPA alleging Merchants used an "unfair or unconscionable means" to collect or attempt to collect a debt, which is prohibited under 15 U.S.C. §1692f. According to the court, plaintiffs thought the reporting method violated §1692f because, "Rather than reporting as a single aggregated debt the total quantity owed to each creditor, Merchants reported separately the amounts that Zablocki and Johnson owed on each medical-service charge." Plaintiffs argued that by reporting the obligations separately, Merchants leveraged the resulting lower credit scores to collect on the debts.

The appellate court affirmed the district court's dismissal for plaintiffs' failure to state a claim, stating "It is reasonable, and not at all deceptive or outrageous, for a collector to report individually debts that correspond to different charges, thereby communicating truthfully how much is owed on each debt."

This is a significant victory because the credit reporting practice is so pervasive in the industry. Because of the importance of the case to the consumer credit industry, ACA's Judicial Committee supported Merchants in its defense, and ACA followed the status of the case in the [May issue of Collector magazine](#) and other articles. In their latest article, ACA applauded "both Merchants and Schultz on the successful appeal of this matter and on creating new precedent in the 7th Circuit that will benefit the industry at large."

The case is *Zablocki et al. v. Merchants Credit Guide Company* (N.D. Ill. #1:18-cv-08489, dismissed May 1, 2019; 7th Cir. #19-2045).

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ACA's Member Alert "[7th Circuit Opinion Means No FDCPA Violation in Credit Reporting Case](#)," was published on July 28, 2020 (*this article is only available to ACA members*).