

Disputed Liability on Debt Does Not Give Rise to “Inaccuracy” for FCRA Claim, Northern District of Alabama Holds

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There is an important distinction in FCRA litigation between cases where a consumer disputes the inaccuracy of information being reported to consumer reporting agencies versus where the consumer is disputing liability for the debt itself, as shown by the Northern District of Alabama’s recent decision in *Edwards v. Med-Trans Corp.*, No. 2:20-CV-00114, 2021 U.S. Dist. LEXIS 53424 (N.D. Ala. March 22, 2021). In *Edwards*, Air-ambulance service Med-Trans charged Andrew Edwards about \$50,000 for flying him from Chattanooga, Tennessee to Birmingham, Alabama. Edwards, who was in a medically induced coma at the time, argued that he did not agree to pay for the flight. The parties tried to negotiate the sum, but talks failed.

About a year later, Edwards, was denied a loan and discovered that Med-Trans was reporting the debt to consumer reporting agencies TransUnion and Experian. Edwards submitted disputes arguing, in essence, that he did not owe Med-Trans and there was no agreement between the parties. After Med Trans verified the reporting as accurate, Edwards sued Med-Trans for allegedly violating the Fair Credit Reporting Act.

Med-Trans moved to dismiss the case on the grounds that Edwards was not in-fact alleging any inaccurate reporting under the FCRA. The court granted the motion. Med-Trans argued that the FCRA is not intended as a vehicle for a creditor and debtor to air every grievance with each other. Rather, it provides a mechanism for a consumer to specifically dispute “inaccurate” information that a creditor (or other “furnisher”) is providing to a consumer reporting agency. But the FCRA was not intended to cover, and does not provide a means for resolving, underlying contractual disputes between the debtor and creditor over the existence of liability (the debt) itself.

Now, you may be thinking, “assuming Edwards was right claiming he didn’t owe the money, doesn’t that mean that Med-Trans was reporting factually inaccurate information?” Kind of, but no. The difference is that such a conclusion *first* requires the court to make a legal determination regarding the validity or invalidity of the debt itself--something that the FCRA was not intended to do. As the court put it in granting the motion to dismiss: “Edwards puts the cart before the horse-i.e., Edwards wants to prove that Defendants illegally reported and attempted to collect a non-existent debt before Edwards legally establishes that the debt does not exist.”

Why is this the case? Because a data furnisher like Med-Trans only has an obligation to *reasonably investigate* a consumer’s claim of inaccuracy. This may include information like the amount being reported or late payments being reported. But when a consumer disputes the underlying liability itself, he or she is in essence disputing an issue of contractual liability, which requires a court of law

to determine the parties' obligations. A consumer cannot use a contract dispute--that is, a furnisher's disagreement with the consumer over the existence or interpretation of the contract--to effectively transform an everyday contract dispute into an FCRA claim (which provides for attorneys' fees and other damages not available in many contracts).

Importantly, the court noted that Edwards did *not* actually ask the court to adjudicate the issue of whether there were any contractual obligations between the parties (for example, by seeking declaratory judgment)--i.e., the "horse" Edwards needed to put his FCRA "cart" behind. Instead, Edwards simply argued that Med-Trans failed to "reasonably investigate" under the FCRA because it would not agree with Edwards regarding liability on the debt.

Because these distinct issues can feel like they have some overlap, a lot of defendants have failed to focus on this difference, simply trying to defend liability through the FCRA claim itself. In turn, this has created some bad case law where courts have gone along with the defendants "blending" of these two issues under one FCRA umbrella.

The key takeaway from *Edwards* is that it is important to determine whether the consumer is actually disputing the factual accuracy of information being reported to CRAs, or whether the consumer is attempting to use an FCRA claim to contest his or her underlying liability on the account. And if the latter, defendants need to press the issue of whether the consumer is actually alleging a claim--such as breach of contract or by seeking declaratory judgment--that would allow the court to make that threshold determination of liability *before* proceeding to a separate FCRA claim.

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