

Appeals Court Affirms Ruling for Defendant in FCRA Case Over Disputed Debt

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Virginia Bell Flynn, a partner in Troutman Pepper's Consumer Financial Services Practice Group, was quoted in the August 22, 2022 *AccountsRecovery.net Compliance Digest* article "[Appeals Court Affirms Ruling for Defendant in FCRA Case Over Disputed Debt.](#)"

In a victory for credit reporting agencies (CRAs), the Fourth Circuit ruled earlier this month that credit reports that described the pay status of student loans as "Account 20 Days Past Due" but also stated that they were closed, transferred, and had a \$0 balance, satisfied the Fair Credit Reporting Act's "maximum possible accuracy" requirement. Plaintiffs admitted they had become delinquent on their loans, and following nonpayment, the lenders closed the accounts and transferred them to new holders. The lenders then reported the loans as closed to the CRA, but in a delinquent state at the time they were closed, with a maximum delinquency of 120 days. The defendant reported the loans' status accordingly.

Plaintiffs argued that it was inaccurate to report accounts that had a balance of \$0 as having a late balance because no payments were now owed to the former owner of the student loans. The plaintiff moved for judgment on the pleadings, arguing that the reports accurately reflected both the account's current closed status and the historical pay status at the time it was closed. The district court agreed with the plaintiff, and the Fourth Circuit affirmed, ruling that it was reasonable to treat the pay status of a closed account as historical information. Furthermore, the Fourth Circuit explained that "[t]he possibility of further clarity is not an indication of vagueness" and therefore, the fact that a report could potentially be made clearer did not mean that the CRA had not satisfied the FCRA's requirement for employing reasonable efforts to achieve maximum possible accuracy.

The decision offers a welcome legal reprieve for both furnishers and CRAs, who may now have the tools to dispense with similar litigation on an early motion. Practically speaking, it also means that those relying on credit reports to evaluate consumers will continue to be able to consider an individual's pay history without the potential for being misled by an unqualified "closed" account status.

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