

RECENT DEVELOPMENTS

DEBT COLLECTION

FDCPA EXPRESSLY EXCLUDES FROM “DEBT COLLECTOR” DEFINITION THOSE COLLECTING DEBTS THEY ORIGINATED

Frankfort v. Metropolis Techs., Inc., 2025 LX 327242 (N.D. Tex. 2025).

<https://law.justia.com/cases/federal/district-courts/texas/txndce/3:2024cv02283/394263/29/>

FACTS: Plaintiffs Todd Frankfort, *et al.*, alleged that Defendant, Metropolis Technologies, Inc., violated the Fair Debt Collection Practices Act (“FDCPA”), among other things. Plaintiffs argued that a fact issue existed as to whether Defendant regularly collected debts owed or due to others but did not dispute that the alleged debt sought to be collected by Defendant originated with Defendant.

HOLDING: Dismissed.

REASONING: Defendant argued the FDCPA claim should be dismissed because the Defendant did not qualify as a “debt collector” under the statute. The court accepted the argument, explaining that “debt collector” under 15 U.S.C. §1692a(6) does not include those who collect or attempt to collect debts they themselves originated.

Because Plaintiffs did not dispute the alleged debt sought to be collected also originated with Defendant, Plaintiffs’ FDCPA claim failed as a matter of law. The court dismissed with prejudice because the court determined that any attempt at amending the petition would be futile and delay resolution of the matter.

DEBT OWNERS COLLECTING FOR THEMSELVES ARE NOT “DEBT COLLECTORS” UNDER THE FDCP

Shaw v. Cornerstone Home Lending, Inc., 2025 U.S. Dist. LEXIS 189995 (S.D. Tex. 2025).

<https://docs.justia.com/cases/federal/district-courts/texas/txsdce/4:2025cv03174/2017534/12>

FACTS: Pro se Plaintiff Eros Shaw (“Shaw”) filed suit against Cornerstone Home Lending, Inc., Federal Home Loan Mortgage Corporation, and Mortgage Electronic Registration Systems, Inc. (collectively, “Defendants”), alleging that Defendants sought to wrongfully foreclose upon his home in Huntsville, Texas. Shaw argued the foreclosure process lacked proper notification which made the entire sale process invalid. Additionally, Shaw presented claims

Under the FDCPA, an entity must attempt to collect debts owed to another in order to qualify as a debt collector.

including violations of the Fair Debt Collection Practices Act (“FDCPA”). Shaw requested five million dollars in compensation for “fraud, economic losses, credit impairment, and emotional distress.”

Defendants filed a motion to dismiss, asserting Shaw

failed to state a claim upon which relief could be granted.

HOLDING: Granted.

REASONING: Shaw claimed that Defendants violated the FDCPA by misrepresenting the legal status of his debt, using unfair means to collect it, and failing to validate the debt upon request.

The court dismissed Shaw’s arguments and held Defendants did not qualify as “debt collectors.” Under the FDCPA, an entity must attempt to collect debts owed to another in order to qualify as a debt collector. The court established that Defendants qualified as debt holders, not debt collectors, because they owned the note and deed of trust and collected debts for their own benefit. As debt holders, their actions remained outside FDCPA jurisdiction. The court dismissed Shaw’s FDCPA claim for failure to state a claim.

A “DEBT COLLECTOR” UNDER THE FDCPA DOES NOT INCLUDE A CONSUMER’S CREDITORS

Poullard v. Guillory, 2025 U.S. Dist. LEXIS 208498 (W.D. La. 2025).

<https://law.justia.com/cases/federal/district-courts/louisiana/lawdce/6:2025cv00744/211489/25/>

FACTS: Plaintiff John Poullard (“Poullard”) obtained a loan approved by Defendant Anya Guillory (“Guillory”), the manager of American Cash Advance (“ACA”). After Guillory sent a letter seeking to collect, Poullard claimed the loan contract was illegal and unenforceable because it allowed the garnishing of his Supplemental Security Income (“SSI”) benefits.

The original complaint attempted to assert a claim under the Fair Debt Collection Practices Act (“FDCPA”) but was dismissed for failure to do so. Poullard filed a Motion to Vacate the trial court’s order to dismiss.

HOLDING: Denied.

REASONING: Under the FDCPA, a “debt collector” does not include (1) any officer or employee of a creditor who collected debts for that creditor, or (2) any person who collected or attempted to collect a debt originated by that person themselves. ACA and its employees were creditors to Poullard and originators of the debt they sought to collect. Therefore, they were excluded from the FDCPA’s definition of debt collectors. Because Guillory and ACA did not satisfy the definition of debt collectors required by the FDCPA, the court found that Poullard failed to state a claim and that it would have been futile to grant the motions.

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WHEN EVALUATING WHETHER A DEBT COLLECTOR'S REPRESENTATION

VIOLATES FDCPA §1692E, A COURT MUST VIEW THE COMMUNICATION FROM THE PERSPECTIVE OF AN "UNSOPHISTICATED OR LEAST SOPHISTICATED CONSUMER."

IF THE CONSUMER ONLY DISPUTES THE DEBT ORALLY, "THE DEBT COLLECTOR IS UNDER NO OBLIGATION TO CEASE ALL COLLECTION EFFORTS AND OBTAIN VERIFICATION OF THE DEBT."

§1692F(1) OF THE FDCPA DOES NOT PROTECT AGAINST COLLECTORS COLLECTING A DEBT THAT RESULTED FROM IDENTITY THEFT.

COURT FINDS PLEADINGS SUFFICIENT UNDER THE TDCA FOR THE SAME REASONS HIS ALLEGATIONS ARE SUFFICIENT UNDER THE FDCPA.

Phap Anh Le v. Midland Credit Mgmt., Inc., 2025 U.S. Dist. LEXIS 221299 (W.D. Tex. 2025).

FACTS: Plaintiff Phap Anh Le ("Le") brought suit against Defendants Midland Credit Management, Inc. ("MCM") and parent company Encore Capital Group, Inc. ("Encore"), for illegal debt collection methods regarding his personal line of credit at The

Bank of Missouri.

Le asserted debt from his personal account was incurred through identity theft. Le contested the debt with MCM and claimed the company threatened to garnish

The court rejected Le's argument that MCM was required to cease collection after he disputed the debt because he only made the dispute orally and an oral dispute did not trigger the verification requirements.

his wages and file liens against him unless he made immediate payments. He also claimed that MCM failed to send a written validation notice, which led to inaccurate information to consumer reporting agencies.

Le asserted 13 federal and state claims in total, including violations of the Fair Debt Collection Practices Act (FDCPA), Texas Debt Collection Act (TDCA), and Texas Deceptive Trade Practices Act (TDTPA). MCM filed a motion to dismiss for failure to state a claim on which relief can be granted.

HOLDING: Granted in part and denied in part.

REASONING: Le argued MCM violated the FDCPA both by making deceptive threats during a collection call and by failing to provide required written validation of the debt after their initial communication.

The court applied the "least sophisticated consumer" standard and reasoned that an unsophisticated consumer could have interpreted MCM's statements in the call about possible garnishment and judgment enforcement as threats of legal action. Therefore, MCM violated the FDCPA.

However, the court rejected Le's argument that MCM was required to cease collection after he disputed the debt because he only made the dispute orally and an oral dispute did not trigger the verification requirements. Le then argued that MCM used unfair means by attempting to collect a debt he claimed resulted from identity theft. The court dismissed this argument because the FDCPA did not extend to identity theft cases.

Finally, Le argued the same conduct that violated the FDCPA violated the TDCA. The court established that the TDCA provisions matched the FDCPA provisions and therefore agreed that Le's surviving claims and allegations were sufficient at both a federal and state level.

PLAINTIFF FAILED TO ALLEGE THAT THE DEFENDANT WAS A "DEBT COLLECTOR" FOR THE PURPOSES OF FDCPA LIABILITY

Hill v. Collections, 2025 U.S. Dist. LEXIS 217680 (M.D. Pa. 2025).

<https://www.casemine.com/judgment/us/690d81fc2dff88ad93adef4a>

FACTS: Plaintiff Jeffrey Hill ("Hill") was treated by a urologist and received several surgeries at UPMC Williamsport Hospital ("UPMC") from the years 2020 to 2021. After these surgeries, Hill received bills from UPMC, Susquehanna Physician Services, and Susquehanna Imaging Associates for medical services provided to him during his stays.

Based on earlier conversations with the Centers for Medicare and Medicaid Services, Hill believed that he owed nothing for his treatment and disputed the bills with all three providers. The parties referred Hill's bill to a debt collection agency who attempted to get in touch with Hill to settle the balances. After several unsuccessful attempts, Hill's bill from UPMC was referred back to UPMC where UPMC again attempted to collect the balance due.

Hill filed suit, claiming violations of the Fair Debt Collection Practices Act ("FDCPA"). UPMC moved to dismiss, arguing that Hill failed to allege facts showing UPMC was a "debt collector" under the FDCPA. A magistrate judge granted the motion and issued a report and recommendation that Hill's claims be dismissed. Hill then filed objections to the report and recommendation.

HOLDING: Affirmed.

REASONING: UPMC argued that it was not a "debt collector" under the FDCPA. The court accepted UPMC's argument. In doing so, the court reasoned that under the statute, a "debt collector" is someone other than the original creditor, who regularly collects unpaid debts. The court further explained that the definition of "debt collector" also included creditors who used an alias to create the illusion of a third

Under the statute, a "debt collector" is someone other than the original creditor, who regularly collects unpaid debts.

party while they are attempting to collect their own debts. The court found that UPMC did not fall under either

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definition provided by the statute. UPMC was the original creditor because it originally billed Hill for the hospital stay and services rendered. Additionally, UPMC had not attempted to collect the amount due under any other name besides UPMC. Accordingly, the court held that Hill failed to establish that UPMC was a “debt collector” under the FDCPA and dismissed the claim.

FDCPA PROVIDES THAT IN THE CASE OF A SUCCESSFUL ACTION TO ENFORCE LIABILITY, THE DEBT COLLECTOR SHALL BE LIABLE TO THE DEBTOR FOR THE COSTS OF THE ACTION, TOGETHER WITH A REASONABLE ATTORNEY'S FEE AS DETERMINED BY THE COURT.

THE FACT THAT A PARTY PREVAILS “THROUGH A SETTLEMENT RATHER THAN THROUGH LITIGATION DOES NOT WEAKEN HER CLAIM TO FEES.

THE AGREEMENT IN THE INSTANT CASE, HOWEVER, DOES NOT REQUIRE THE COURT TO INTERPRET, APPROVE, OR OVERSEE THE AGREEMENT ITSELF NOR DOES IT AFFORD THE COURT JURISDICTION OVER ANY DISAGREEMENT OVER THE PERFORMANCE OR INTERPRETATION OF THE AGREEMENT.

THEREFORE, THE COURT CANNOT CONCLUDE THAT PLAINTIFFS HAVE OBTAINED JUDICIALLY SANCTIONED RELIEF SO AS TO SATISFY THE REQUIREMENT OF A SUCCESSFUL ACTION TO ENFORCE LIABILITY UNDER THE FDCPA.

Creacy v. Debt Mgmt. Partners, LLC, 2025 U.S. Dist. LEXIS 221689 (W.D.N.Y. 2025).

FACTS: Plaintiffs, Christine Creacy and Sandra Wiig (“Plaintiffs”), defaulted on consumer loans that defendant Debt Management Partners, LLC (“DMP”) allegedly purchased and transferred to defendants

Elite Debt Brokers, LLC (“Elite”), Capital Management Holdings, LLC (“CMH”), Dressler & Associates, LLC (“Dressler”), and an unidentified entity. Plaintiffs stated that Elite, CMH, Dressler, and the unidentified entity made continuous debt collection attempts while DMP maintained control

over their debt collection methods. Plaintiffs alleged that they received continuous harassing phone calls after they requested that the calls stop.

Plaintiffs filed a lawsuit against all Defendants for violating the Fair Debt Collection Practices Act (“FDCPA”). The parties reached an agreement through mediation. The agreement included debt forgiveness and financial compensation for Plain-

tiffs but reserved the right to determine attorney fees through court proceedings. Plaintiffs filed a motion to request legal fees, and the defendants moved for sanctions.

HOLDING: Denied.

REASONING: Plaintiffs argued that they were entitled to attorneys’ fees because the FDCPA mandates fee awards in “successful” actions, and a settlement should qualify as a “successful” result. The defendants argued Plaintiffs were not entitled to fees because the case was resolved by a private settlement and voluntary dismissal. The court agreed with the defendants. In doing so, the court acknowledged that a settlement can, in some circumstances, support fee recovery under the FDCPA. However, in this instance, Plaintiffs had not brought a successful action to enforce liability because the settlement was purely private and not judicially approved nor incorporated into any order. As such, the settlement did not provide the judicially sanctioned relief required for fee recovery under the FDCPA.