acting alone or in concert with others, has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of Midwest Recovery, including the acts and practices set forth in this Complaint. Defendant Smith resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.

10. Defendants Tumber, Conway, and Smith are co-owners of Midwest Recovery, and each has served as members of Midwest Recovery's Operations Management Team, Compliance Management Team, Executive Advisory Board, and Executive Committee. In addition, all three individuals have signed data furnishing contracts with a CRA, performed collection activities on behalf of the company, and developed and approved company policies on collection operations, including those regarding complaint logging and handling. Under their leadership, Midwest has received thousands of consumer disputes per month.

COMMERCE

11. At all times material to this Complaint, Defendants have maintained a substantial course of trade in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS' COERCIVE AND

16. In addition, Defendants have sought and accepted payment from consumers for other debts they could not substantiate at the time of collection, including where Defendants' own documents have indicated one of the following:

a. Defendants were unable to validate the debt;

b. The debt was the subject of an unresolved fraud claim;

c. Defendants had received a bankruptcy notice regarding the debt; or

d. The debt was medical debt in the process of being re-billed to the consumer's medical insurance.

17. Accuracy issues are a particular concern in the case of medical debts, which are a growing segment of the debt collection industry. Over 43 million consumers have outstanding medical debts on their credit reports, and medical debts make up more than half of the debts reported by third-party collection companies. Medical billing and the resulting debt are often a source of confusion and uncertainty for consumers because of the complex, opaque system of insurance coverage and cost sharing.

18. Defendants have continued to collect on purported debts even after individual consumers told them that they had never heard of the lenders or did not owe debts, and in some cases provided bank statements or other records to prove that these debts were not owed or were discharged in bankruptcy. In some cases, Defendants appear to have re-reported consumers' debts to credit reporting agencies after previously removing them from the consumers' credit reports, including after the consumers paid Defendants for the debt or after Defendants assured consumer the debts would be removed from their credit reports.

19. Each month, Defendants have received thousands of consumer complaints and disputes. Each month, Defendants have determined between 80% and 97% of disputed debts to

be inaccurate or invalid upon investigation. These invalid or inaccurate debts amount to millions of dollars of debt each month that Defendants had attempted to collect from consumers. The Better Business Bureau ("BBB") also has notified Defendants of hundreds of complaints alleging, *inter alia*, collection on debts not owed, and recently revoked their accreditation for failing to "[c]ooperate with BBB in efforts to eliminate the underlying cause of patterns of customer complaints that are identified by BBB." Defendants also were informed by one CRA that, in response to consumer complaints, Defendants were "submitting a significant amount of delete responses per month," which the agency noted raised issues regarding the "integrity of the data."

20. Defendants have received more than 24,000 disputes specifically relating to debts originated by Joel Tucker—whose debts were notorious in the debt-collection industry for being unauthorized or counterfeit and have been the subject of numerous FTC enforcement actions. For example, in 2014, the FTC sued the purported lender of the unauthorized debts. *E.g.*, *FTC v. CWB Services, et al.*, 4:14-cv-00783 (W.D. Mo. filed Sept. 5, 2014). In 2016, in an FTC action against Tucket [illegible]

22. Despite the persistent inaccuracies, Defendants continued to collect on unauthorized debts. Even in specific portfolios where they have found large numbers of inaccuracies, Defendants have taken no steps to evaluate the accuracy of the remaining information they are reporting in those portfolios, correcting only problems with individual debts in response to individual consumer disputes.

Unfair Collections and Inadequate Safeguards

23. Despite these widespread accuracy issues, in numerous instances, the first step in Defendants' collection process is to furnish debt information to CRAs, including Equifax, Experian, and Transunion, for inclusion in consumers' credit reports. Defendants do not tell consumers that they have reported the debts to the CRAs. Without such notification, consumers often are unaware that Defendants are reporting negative information about them, and consumers cannot verify that the debts are accurate before they appear on their reports.

24. Many consumers first learn that Defendants have placed a purported debt on their credit report when they apply for new credit, housing, or employment provided by an entity that relies on consumer reports or credit scores. When consumers contact Defendants about these debts, because they are inaccurate or to obtain additional information, Defendants inform them that they must pay the debts in full in order to have them removed from their credit reports. Consumers who need a clean bill of credit are thus faced with a dilemma: either pay the debts and move forward with their transaction or file a dispute and risk not being able to obtain a mortgage or job or desired product or service.

25. In numerous instances, consumers who do not owe or do not recognize the debts Defendants included in their credit reports have had financial transactions such as home-buying

delayed or jeopardized by Defendants' practice of debt parking. Consumers also have experienced significant drops in their credit scores because of this practice.

26. For example, one consumer reported that a purported $1500 medical debt Midwest reported to CRAs had caused his credit score to drop by 35 points, thereby endangering his pending mortgage application. Although Midwest asserted that the debt was owed—and threatened to sue if he did not pay—the consumer contacted the medical provider and learned that he only owed an $80 copay. The consumer paid that amount, but Midwest still asserted that the full $1500 was due and that the consumer would be sued if he did not pay.

27. Even when Defendants do communicate with consumers—due to consumer-initiated outreach or otherwise—in numerous instances, Defendants also have failed to inform consumers, orally in their initial communication with the consumer or in writing within five days of the initial oral communication, of (1) the amount of the debt; (2) the name of the creditor to whom the purported debt is owed; (3) a statement that unless the consumer disputes the debt, the debt will be assumed valid; (4) a statement that if the consumer disputes all or part of the debt in writing within 30 days, the debt collector will obtain verification of the debt and mail it to the consumer; and (5) a statement that, upon the consumer's written request within the 30-day period, the debt collector will provide the name and address of the original creditor, if different from the current creditor.

28. This disclosure is required by the Fair Debt Collection Practices Act, which Congress enacted, in part, to "eliminate the recurring problem of debt collectors dunning the wrong person or attempting to collect debts which the consumer has already paid." S. Rep. No. 95-382, at *4 (1977), reprinted in 1977 U.S.C.C.A.N. 1695, 1699. Because Defendants furnish information to CRAs before communicating with consumers, consumers have no ability to

challenge the validity of the debt using the FDCPA's procedures before the debt is placed on their credit reports.

29. In numerous instances, Defendants have failed to conduct an investigation of

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clear. Other consumers may pay higher interest rates or fees for credit, or be denied credit or employment, either because they refuse to pay a questionable debt or because they never discover that the debt has altered their apparent creditworthiness.

Defendants' Unlawful Activities Are Ongoing

32. Based on the facts and violations of law alleged in this Complaint, the FTC has reason to believe that Defendants are violating or are about to violate laws enforced by the FTC, including the FTC Act, the FDCPA, the FCRA, and the Furnisher Rule.

VIOLATIONS OF THE FTC ACT

33. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or deceptive acts or practices

VIOLATIONS OF THE FDCPA

38. In 1977, Congress passed the FDCPA, 15 U.S.C. §§ 1692-1692p, which became effective on March 20, 1978, and has been in force since that date. Under Section 814 of the FDCPA, 15 U.S.C. § 1692*l*, a violation of the FDCPA is deemed an unfair or deceptive act or practice in violation of the FTC Act. Further, the FTC is authorized to use all of its functions and powers under the FTC Act to enforce compliance with the FDCPA, including Section 19 of the Act, 15 U.S.C. § 57b.

39. Defendants are "debt collectors" as defined by Section 803(6) of the FDCPA, 15 U.S.C. § 1692a(6). They regulaop] 0 Td ([(u47.e >>-250 (T)1 (((nf)3)-2 (o us12po (P)-1Tj /TT0 1 Tfgo2

49. Defendants regularly furnish consumer account information to major CRAs. Accordingly, Defendants are a "furnisher of information" under the FCRA, 15 U.S.C. § 1681s-2(a)(2)(A), and are required to comply with the Furnisher Rule.

50. The Furnisher Rule requires furnishers to conduct a reasonable investigation of disputes they receive from consumers concerning the accuracy of reported credit information ("direct disputes") and report the results of the investigation to consumers within the same time period as mandated for CRA investigations of disputes, which is generally 30 days, 12 C.F.R. § 1022.43(e)(1) and (e)(3).

Count V
Furnishing Inaccurate Information

51. Section 623(a)(1)(A) of the FCRA, 15 U.S.C. § 1681s-2(a)(1)(A), prohibits a person from furnishing information relating to any consumer to a consumer reporting agency if the person knows or has reasonable cause to believe the information is inaccurate.

52. In numerous instances in connection with furnishing information relating to a consumer to a consumer reporting agency, Defendants have furnished such information while knowing or having reasonable cause to believe that the information was inaccurate.

53. The acts and practices alleged in Paragraph 51 constitute violations of Section 623(a)(1)(A) of the FCRA, 15 U.S.C. § 1681s-2(a)(1)(A).

54. Pursuant to Section 621(a)(1) of the FCRA, 15 U.S.C. § 1681s(a)(1), the acts and practices described in Paragraph 51

60.

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