
Supreme Court Rules Federal Agencies Can Be Liable for Incorrect Credit Reporting

February 17, 2024 - The US Supreme Court has unanimously decided that the federal government can be held responsible for inaccurate debt reporting under the Fair Credit Reporting Act (FCRA). The decision, penned by Justice Neil Gorsuch, clarifies that the FCRA's provisions extend to federal agencies, waiving their claimed immunity from such lawsuits.

Reginald Kirtz's filed a lawsuit against the US Department of Agriculture (USDA). Kirtz alleged that the USDA's misreporting of a loan as "past due" had adversely affected his credit score. Despite Kirtz's efforts to rectify the error by informing both the credit reporting agency, Trans Union, and the USDA, the latter failed to investigate or correct the disputed information as required by the FCRA.

The USDA sought to dismiss the case, arguing that the FCRA did not explicitly waive sovereign immunity for federal agencies. However, the Third Circuit Court of Appeals and ultimately the Supreme Court disagreed, affirming that the FCRA indeed permits lawsuits against the federal government for violations. The justices disagreed.

The FCRA specifically allows consumers to sue creditors that file inaccurate reports, either willfully or negligently. And it further defines those that can be sued to include, "any individual, partnership, corporation, trust, estate, cooperative, association, government or governmental subdivision or agency, or other entity." Gorsuch wrote that the language of the FCRA "clearly waives sovereign immunity" for the government in credit reporting.

The ruling has significant implications for consumers, as it reinforces the principle that the federal government can be held accountable for erroneous debt reporting that damages individuals' credit scores. It empowers consumers to seek redress for such harms, ensuring fair and accurate credit reporting practices.

by Jim Malmberg

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