

Court Slashes FCRA Punitive Damages Award from \$3 Million to \$490,000

Tuesday, March 26, 2019

On March 21, 2019, U.S. Magistrate Judge Staci G. Cornelius in the Northern District of Alabama reduced a FCRA plaintiff's \$3 million punitive damages award to less than \$500,000. The court held that the multi-million dollar award was not justified and could violate due process given the plaintiff's "relatively minor injury[.]" *Younger v. Experian Info. Sols., Inc.*, No. 2:15-cv-00952, 2019 WL 1296256, at *13 (N.D. Ala. Mar. 21, 2019).

By way of background, in June 2015, the plaintiff, Shaun Younger, filed suit against Experian Information Solutions, Inc. ("Experian"), Equifax Information Services, LLC ("Equifax"), and Portfolio Recovery Associates, LLC ("PRA"). The plaintiff alleged that he owed certain credit card debt, which had been sold to PRA. PRA filed suit against the plaintiff in small claims court to collect the debt, and that case was ultimately dismissed. Thereafter, the plaintiff wrote Experian and Equifax to request that they remove the PRA debt from the plaintiff's credit report. The defendants refused to do so. With respect to Experian, it initially flagged plaintiff's letter as suspicious, claiming that it appeared that someone other than the plaintiff had sent the letter. Five days after the plaintiff filed his complaint, and in the normal course of its business, Experian removed the contested debt from the plaintiff's credit report.

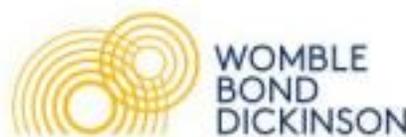
Equifax and PRA settled with the plaintiff prior to trial for a total of \$76,500, leaving Experian as the sole defendant to proceed to trial.

In May 2018, after a three-day trial, a Birmingham jury found in plaintiff's favor, holding that Experian's refusal to reinvestigate the disputed debt caused the plaintiff harm and awarded \$5,000 in actual damages. The jury further found that Experian willfully violated FCRA and awarded \$3,000,000 in punitive damages, making it a 600:1 ratio between punitive and actual damages.

Unsurprisingly, a series of post-trial motions followed, including Experian's motion for remittitur. Among other things, Experian argued that the punitive damages award was constitutionally excessive. Experian, relying on Supreme Court dicta, argued that anything more than a single-digit ratio between punitive and actual damages, i.e., 9:1, violated due process. Accordingly, Experian argued that \$45,000 should have been the upper limit of the plaintiff's punitive damages.

The court disagreed with this single-digit theory, explaining that a single-digit ratio was insufficient to deter similar conduct by Experian. However, the court noted that its "eyebrows were—and remain—suspiciously cocked in light of the 600:1 ratio of punitive to compensatory damages." *Id.* at *13. Relying on the Fourth Circuit's ruling in *Daugherty v. Ocwen Loan Servicing, LLC*, 701 F. App'x 246 (4th Cir. 2017), a FCRA case where the Fourth Circuit reduced a punitive damages award from \$2.5 million (408:1 ratio) to \$600,000 (98:1 ratio), the Alabama court applied the same 98:1 ratio to reduce the punitive damages award against Experian to \$490,000.

Experian requested that the court reduce these punitive damages further under the "one satisfaction" rule, which is intended to ensure that a plaintiff receives no more than full compensation for its loss. Specifically, Experian



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argued that the plaintiff had already received full compensation for its actual loss of \$5,000 since the plaintiff settled with the other two defendants for \$76,500. The court, however, refused to apply the “one satisfaction” rule to the award of punitive damages, explaining that the rule does not apply to punitive damages, which “serve to punish and deter the defendant—not compensate the plaintiff[.]” *Id.* at *14.

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