Landlords Have a New Hardball Tactic: Tanking Your Credit Score

Disputes over rent are playing out through negative marks on credit reports, rather than in courts



David Murray thought everything was taken care of when he moved out of his apartment two months early. He learned otherwise when his credit score plummeted.

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| Photographs by Whitney Curtis for WSJ

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Landlords are turning to a hardball tactic to go after their tenants in rent disputes: tanking their credit scores.

When David Murray moved out of his St. Louis apartment two months early, he thought he had settled up by giving notice. So when he received a bill for $4,500 for two months rent plus penalties, he assumed there was a mistake. Then his credit score fell from a near-perfect 815 to a low of 630.

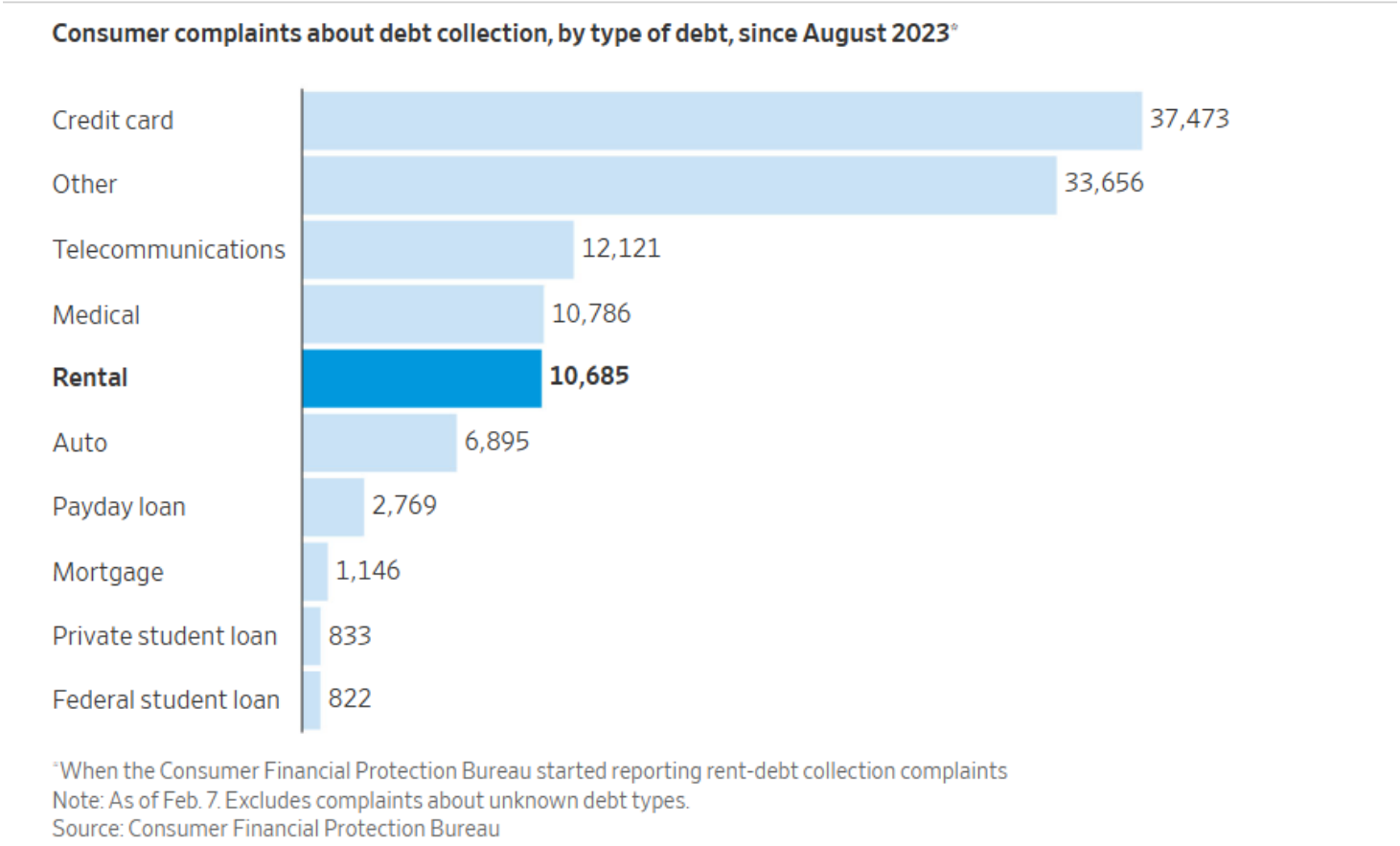
The landlord had hired a debt collector to go after the alleged arrears. The collection agency didn't harass or sue him. It filed a claim with the credit bureaus.

“I asked them to please take me to small-claims court, and they’ve never contacted me,” he said.

Landlords say targeting credit scores, with the help of debt collectors, has proven more efficient than endless phone calls or drawn-out legal battles. Rental debt is now one of the most common topics of complaints related to debt collection, according to Consumer Financial Protection Bureau data.

In targeting credit scores, landlords recognized their centrality to American life. The three-digit numbers are important not just for helping lenders decide whether to extend loans, but also for helping landlords decide whether to rent apartments. The credit-scoring industry has made a recent push to include on-time rental payments in credit scores, saying it will lift some scores. But credit reports are quick to reflect negative marks, too.

Consumer complaints about debt collection, by type of debt, since August 2023*



*When the Consumer Financial Protection Bureau started reporting rent-debt collection complaints
Note: As of Feb. 7. Excludes complaints about unknown debt types.
Source: Consumer Financial Protection Bureau

Consumer advocates say that shifting rent disputes from the courtroom to the credit-reporting system gives landlords unchecked power. Rent cases historically account for more than half of all small-claims disputes. But unlike in court—where both sides present evidence and argue their case—credit reporting allows landlords and debt collectors to act as both judge and jury.

Landlords say that one of the few ways to penalize people who owe them is to report unpaid rent to credit bureaus, such as Experian, Equifax and TransUnion. Since 2017, bureaus haven’t put unpaid-rent judgments from small-claims courts on credit reports, said Alexandra Alvarado, director of marketing and education at the American Apartment Owners Association. This makes it harder for landlords to screen unreliable tenants.

“It seems like there really isn’t a consequence for getting evicted,” she said. “It’s quite frustrating for landlords.”

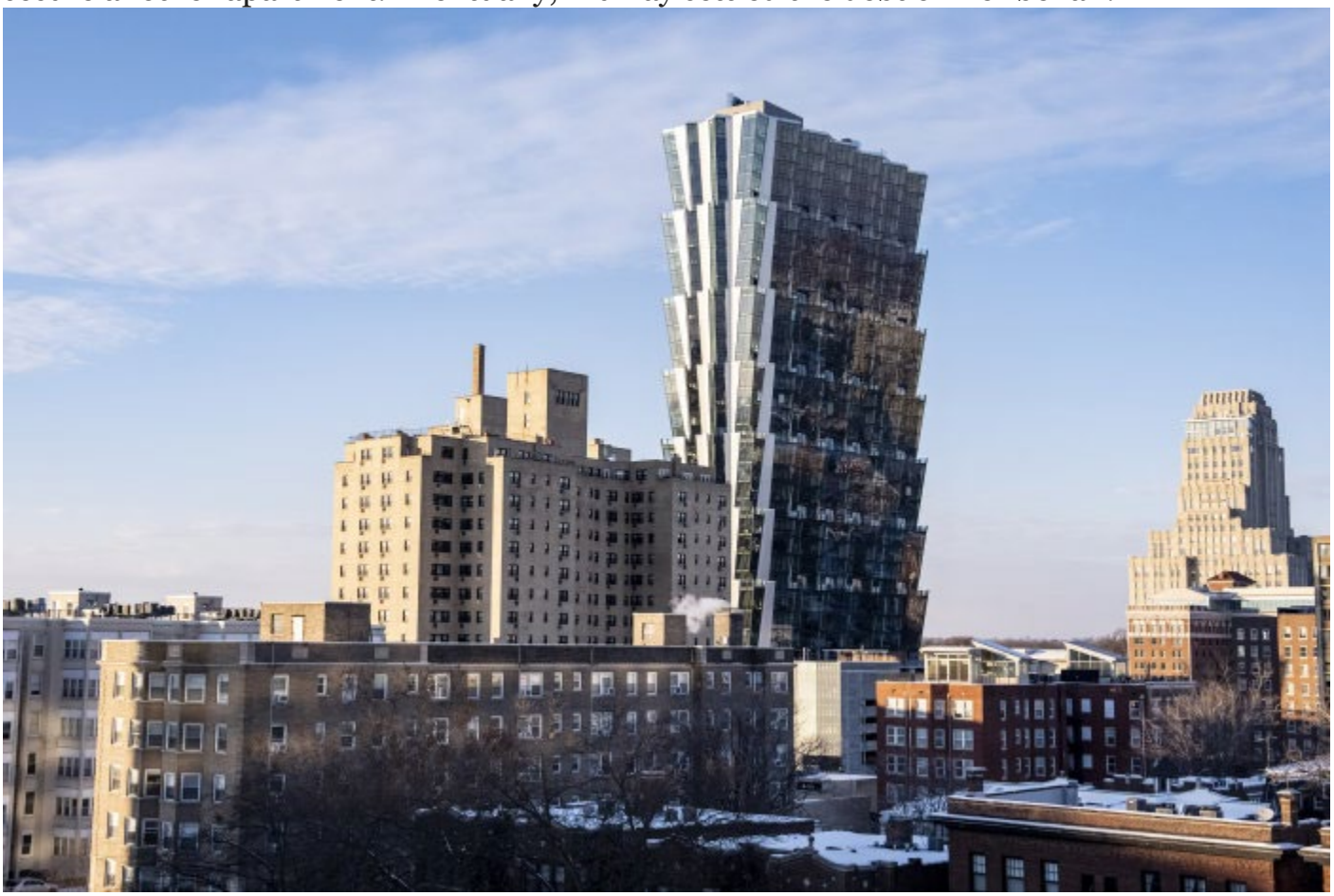
So some landlords have taken to hiring collection agencies to report unpaid rent—often at the cost of about 30% of recovered funds, Alvarado said.

For renters, the impact can be devastating. People can only review the data included in their credit reports once published. That means they can’t correct errors until their scores have already fallen. The threat of credit damage often pressures tenants to pay debts they believe are unfair.

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Murray paid up once before. In 2019, his daughter faced a similar dispute. Her landlord claimed she failed to give proper notice before moving out at the end of her lease, charging her two months’ rent after her departure.

Initially, she planned to fight. But her credit score dropped by so much that she struggled to secure another apartment. Eventually, Murray settled the debt on her behalf.



The high-rise apartment where Murray lived.



Murray with his wife in their St. Louis condo, where they moved after leaving the high-rise.

When it happened again in 2022, he didn't want to give in. Murray said he had documents showing he met the lease terms. He disputed the report, but credit bureaus rejected his claim after 19 days. He had thought the credit bureaus would ask him for his evidence, but they didn't.

A spokesman for Murray's apartment complex said he didn't follow proper procedures for early termination and owed it $4,500.

Murray's score remains in the low 700s.

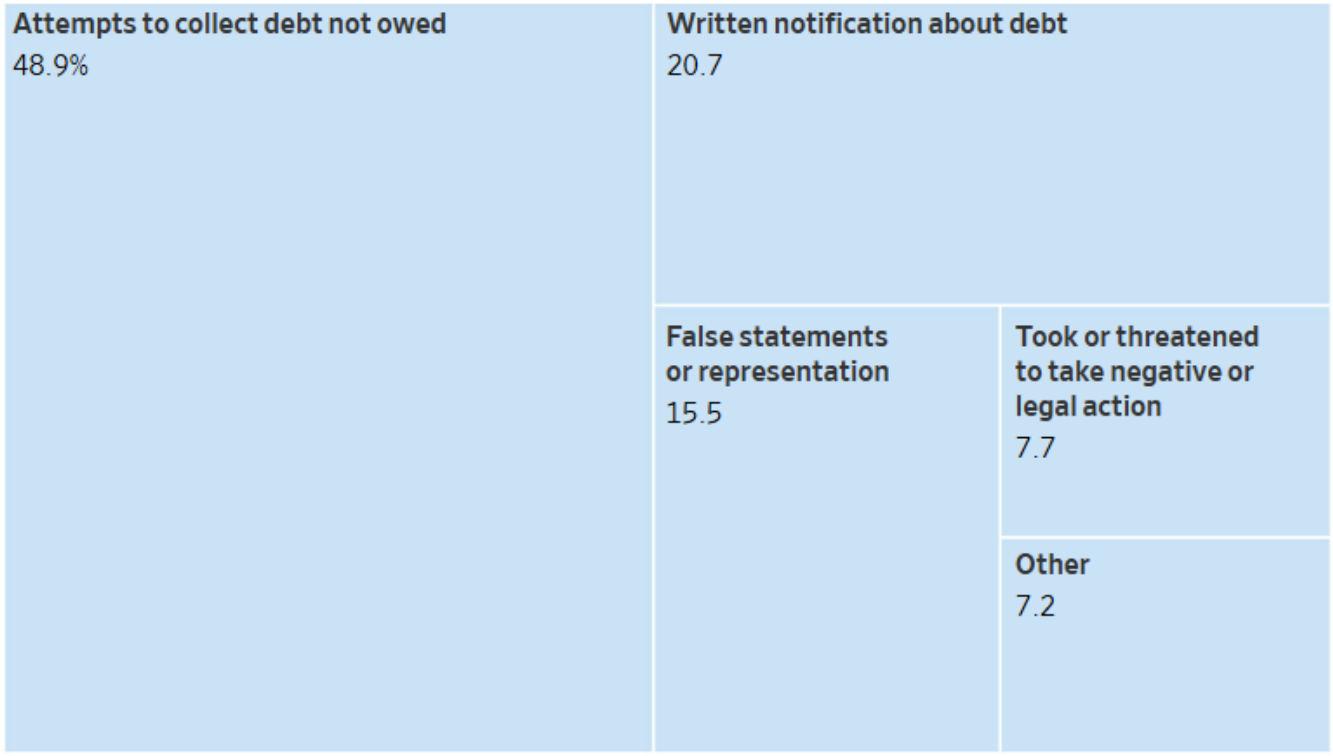
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When a consumer disputes an item on a credit report, credit bureaus ask the creditor or debt collector to verify the information.

Credit bureaus can remove accounts from credit reports if they have factual evidence—such as a copy of a legal judgment—proving that the information is incorrect.

The industry doesn't see itself as an arbiter between parties who disagree, according to the Consumer Data Industry Association, a trade group representing credit bureaus.

Share of rent-debt collection consumer complaints, by issue



Note: Since August 2023, when the Consumer Financial Protection Bureau began reporting these complaints. As of Feb. 7.
Source: Consumer Financial Protection Bureau

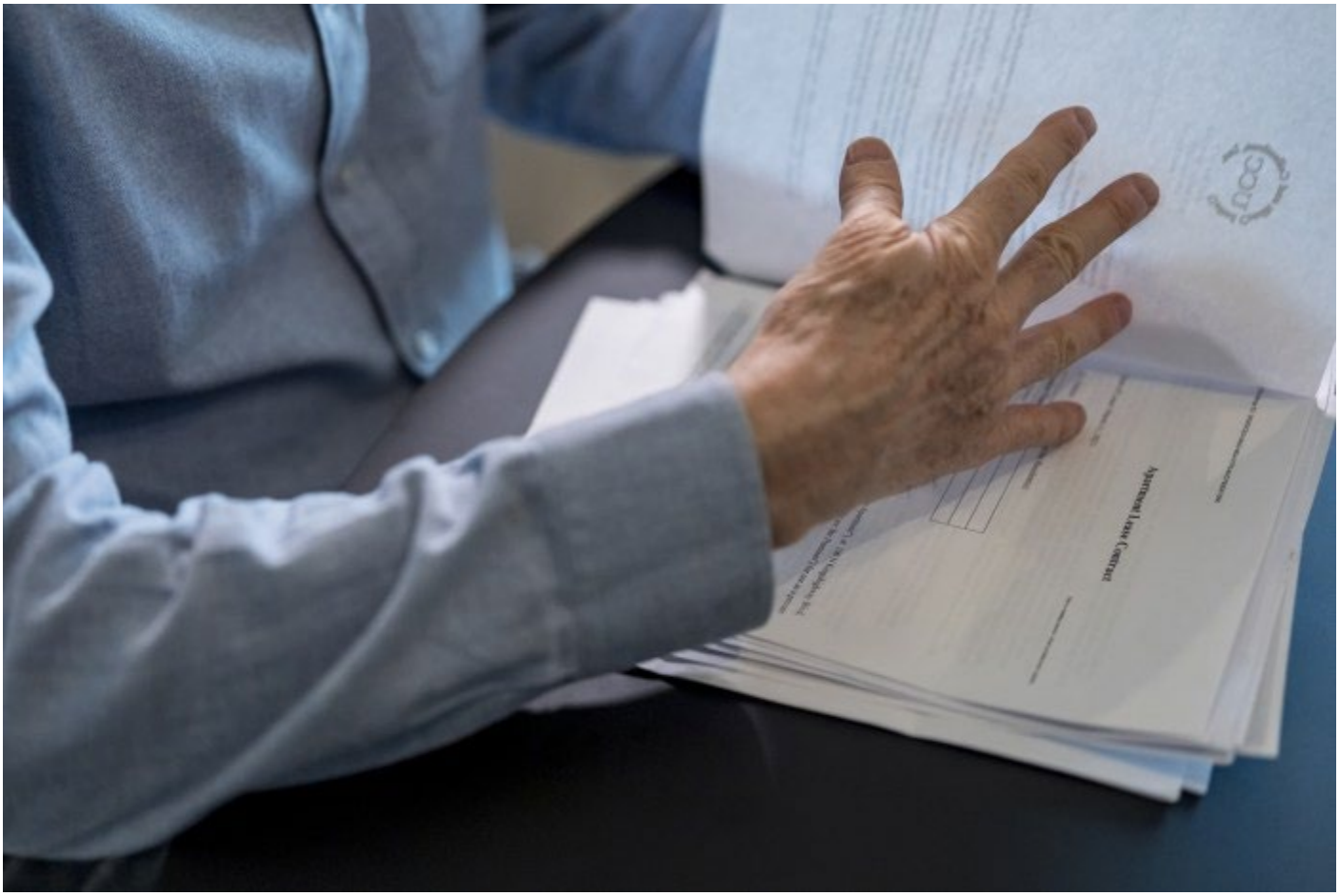
Debt collectors often take the landlords at their word. And they rarely review evidence from tenants who challenge the claims, court documents show.

As one debt collector said in a 2021 deposition about the landlords she works for: “If the client says it’s correct, then it’s correct.”

Consumer advocates say they are seeing landlords use credit reports as leverage, even after courts rule they aren’t owed any money.

“The debt collectors know and the landlords know, when you report that debt, no other landlord is going to rent to you,” said Ingmar Goldson, a Maryland-based consumer-protection lawyer who has been increasingly working on credit disputes.

Sometimes, the consequences of credit-report feuds linger long after the matters are settled.



Murray paging through old documents from his dispute.

When Bre-Ana Garland's landlord sued her for unpaid rent, a Baltimore judge dismissed the case, saying she didn't have to pay because the landlord illegally rented out the property. That didn't stop the landlord from hiring a collection agency to put the alleged debt on her credit report.

Garland sued to try to get it removed. At the time, she and her three children were living at a Ramada Inn, unable to find housing because of the damage to her credit score, according to legal filings.

The court eventually sided with her, and the debt was removed from her credit report. But the dispute left her with little savings, and she struggled to find housing. A judge ordered the debt collector, Fidelity Creditor Service, to pay Garland more than $100,000 after it refused to respond to the lawsuit properly.

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The company didn't respond to the order either. Garland hasn't received the money.

Fidelity Creditor Service didn't respond to requests for comment.

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