

Defending Property Managers Against Expanding Debt Collection Claims in Maryland

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By Harold M. Walter



Over the last several years, plaintiffs' lawyers have increasingly attempted to repackage routine landlord-tenant disputes as violations of Maryland consumer protection and debt collection statutes. What historically would have been lease disputes, rent collection matters, or disagreements over fees are now being asserted as claims under the Maryland Collection Agency Licensing Act ("MCALA"), the Maryland Consumer Debt Collection Act ("MCDCA"), and related consumer protection statutes. Frequently, these claims are brought as putative class actions seeking relief on behalf of thousands of current and former tenants.

For property managers, owners, and multifamily housing operators, the stakes can be significant. These cases often seek not merely individual damages, but class-wide relief, disgorgement of rent, restitution, attorneys' fees, declaratory relief, and injunctions affecting ongoing business operations. As a result, the costs and disruption associated with defending such claims can be substantial, even where the underlying legal theories are ultimately unsuccessful.

Why These Claims Matter

The modern wave of debt collection litigation against property managers often starts with a deceptively simple premise: that because a property manager receives rent payments or communicates with tenants regarding payment obligations, it must be acting as a debt collector subject to Maryland debt collection licensing requirements.

From that premise, plaintiffs frequently attempt to build far-reaching claims asserting that:

- A property manager operates as an unlicensed collection agency
- Rent accepted by the property manager must be disgorged or refunded
- Consumer protection statutes have been violated
- Lease provisions are unlawful
- Entire classes of tenants are entitled to restitution or statutory remedies.

These theories can create enormous exposure if allowed to proceed, particularly in the class action context. Even weak claims can generate significant litigation costs through class certification proceedings, electronic discovery, expert witness expenses, and settlement pressure.

For that reason, early strategic evaluation is critical.

The Threshold Question: Is the Property Manager Actually Acting as a Debt Collector?

In many of these cases, the central legal question is not whether rent was collected. Rather, the question is whether the challenged activity constitutes debt collection as defined by Maryland law.

Property management companies perform a broad range of functions that extend far beyond collecting rent. Depending on the management arrangement, they may:

- Market and lease units
- Execute leases
- Manage maintenance and repairs
- Supervise vendors and contractors
- Coordinate utilities and common-area operations
- Handle tenant communications
- Manage compliance obligations
- Administer financial aspects of the property

The mere fact that rent collection is one component of those responsibilities does not necessarily transform a property management company into a regulated collection agency.

Equally important, many management companies collect rent pursuant to direct contractual authority granted in the lease itself. When a tenant agrees to pay rent directly to a property manager or a management entity acting on behalf of ownership, the legal significance of that relationship may differ substantially from the activities of a third-party debt collector whose sole function is collecting delinquent debts.

These distinctions have proven critical in recent Maryland litigation.

Why Early Motions to Dismiss Matter

One of the most effective defense tools in these cases is a carefully crafted motion to dismiss.

Too often, defendants approach these cases as if discovery is inevitable. In many instances, however, the central disputes are legal rather than factual. Questions concerning:

- The meaning of MCALA
- Whether a statutory exemption applies
- Whether a property manager falls within a statutory definition
- Whether a claim for unjust enrichment is available
- Whether lease provisions are lawful as a matter of law
- Whether a plaintiff has adequately alleged damages may be resolved at the pleading stage

An early dismissal can eliminate the need for class certification proceedings, extensive document production, expensive depositions, expert testimony, and protracted litigation.

In recent cases, some Maryland courts have dismissed challenges to routine property-management practices before discovery began, recognizing that statutory interpretation questions often can and should be resolved on the pleadings. Other Maryland courts have allowed these claims to proceed, thereby forcing property management companies and property owners to incur

significant litigation expenses and the risk of an adverse judgment.

Common Claims and Defense Themes

Consumer Protection and Debt Collection Claims

Many complaints rely on the assumption that collecting rent is synonymous with debt collection.

A successful defense often requires careful examination of:

- The statutory definitions
- The nature of the defendant's business
- The relationship between the parties
- Any applicable exemptions
- Whether the challenged conduct falls within the intended scope of consumer debt collection statutes

Frequently, plaintiffs focus on labels rather than conduct. Courts, however, can be persuaded to look beyond labels and examine the actual role performed by the defendant.

Unjust Enrichment and Restitution Claims

Another common theory seeks restitution of rent on the ground that the defendant allegedly lacked authority to collect it.

Maryland law provides substantial defenses to these claims, particularly where a written lease governs the relationship, the tenancy was fully performed, the tenant received possession and use of the property, and the tenant obtained the benefit of the bargain.

These principles can provide a powerful basis for dismissal at an early stage.

Lease-Based Claims

Plaintiffs also increasingly challenge lease provisions governing fees, notice requirements, holdover language, liability provisions, or other operational terms.

Again, many of these claims present legal questions suitable for resolution through motion practice. A careful analysis of the lease language, applicable statutes, and governing case law can often narrow or eliminate these claims before substantial litigation costs are incurred.

Practical Recommendations for Property Managers and Owners

Although these lawsuits are often driven by aggressive legal theories, there are practical steps property managers and owners can take now, before they are sued, to reduce risk.

Maintain Clear Contractual Authority

Review management agreements and leases to be sure they clearly define the property manager's role and authority, including authority relating to rent collection and tenant communications.

Review Collection and Communication Practices

Evaluate whether rent demands, notices, and tenant communications are consistent with applicable law and internal policies.

Understand Vendor Relationships

Confirm whether outside vendors involved in collection activities require licensing or other regulatory approvals.

Document the Basis for Charges

Maintain complete records regarding rent, fees, utility allocations, and other assessments. Strong documentation can be critical when defending statutory or class-action claims and may help avoid unnecessary disputes.

Engage Experienced Counsel Early

The expression an ounce of prevention is worth a pound of cure applies here. Counsel familiar with these emerging debt-collection theories can help identify and address potential vulnerabilities before litigation arises. Once a lawsuit has been filed, opportunities to shape the facts and contractual framework are often limited. Early reviews of leases, management agreements, collection practices, and vendor relationships can place property managers and owners in a far stronger position if challenged later.

Experience Matters in Developing Areas of Law

The legal landscape surrounding rent collection and debt collection statutes continues to evolve. Several trial courts have rejected expansive theories seeking to treat routine property management activities as debt collection, while other cases continue to work their way through Maryland's courts.

In developing areas of law, results frequently depend on identifying the dispositive legal issues early and presenting them in a way that allows courts to address them before litigation spirals into costly discovery and class certification battles.

For property owners, managers, and housing providers, the goal is not simply to win eventually. The goal is to win efficiently, before litigation costs and business disruption overwhelm the practical value of the defense.

Because Maryland courts have reached differing conclusions in some of these cases, the law remains developing. Property managers and owners should assume that these theories will continue to be tested until the appellate courts provide further guidance.