



Audit Committee Charter

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1 PURPOSE

The Audit Committee (the Committee) assists the Board of Directors of Encore Capital Group, Inc. (Company) in fulfilling its oversight responsibilities by overseeing and reviewing (i) the Company's financial statements provided to stockholders, debt holders, the public, and others, (ii) the Company's system of internal controls regarding finance and accounting, and (iii) the Company's auditing, accounting, and financial reporting process generally, including independent auditors and internal auditors. The Committee will work closely with other committees of the Board of Directors of the Company to ensure related matters are addressed in the appropriate committee.

In meeting its responsibilities, the Committee is expected to:

- serve as an independent and objective party to review the Company's financial reporting process and internal controls system;
- review and appraise the audit activities of the Company's independent auditors and internal auditors; and
- provide an open avenue of communication among the independent auditors, management, and the Board of Directors.

Without limiting the foregoing, and in recognition of the fact that the Company's independent auditors are ultimately accountable to the Committee, the Committee has the sole authority and responsibility to select, evaluate, oversee, determine the compensation of, and where appropriate, replace the independent auditors and/or nominate the independent auditors for stockholder approval, and to resolve disagreements between management and the independent auditor regarding financial reporting issues. The Committee shall consult with management and the Board of Directors, but shall not delegate these responsibilities. The Company's independent auditors shall report directly to the Committee.

The Committee fulfills these responsibilities by carrying out the activities enumerated under the heading "Roles and Responsibilities" in this Charter. In carrying out its responsibilities, the Committee has the authority (i) to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and (ii) to retain independent legal, accounting, and other consultants to advise the Committee, at the Company's expense, as it deems necessary. The Company shall provide for appropriate funding, as determined by the Committee, for the payment of compensation to the Company's independent auditors, consultants, or advisors employed by the Committee and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

2 SCOPE

This Charter covers all of Encore Capital Group, Inc. and its subsidiaries (Encore) in the U.S. and abroad.

3 POLICY

3.1 Membership

The Committee shall be appointed by the Board of Directors and shall be comprised of three (3) or more directors as determined by the Board of Directors, each of whom shall be an independent director (as defined by all applicable NASDAQ and SEC rules and regulations) and each of whom is free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of the director's independent judgment as a member of the Committee.

All members of the Committee shall have a working familiarity with basic finance and accounting practices and be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement or shall become able to do so within a reasonable time after his or her appointment to the Committee. At least one (1) member of the Committee shall qualify as an "audit committee financial expert," as defined in Regulation S-K Item 407(d)(5), and shall also meet the financial experience requirements of NASDAQ. Members of the Committee shall not have participated in the preparation of the financial statements of the Company or any current subsidiary at any time during the previous three (3) years.

3.2 Meetings

The Committee shall meet as circumstances require. The Committee may require any officer or employee of the Company or its subsidiaries, the Company's independent auditors and internal auditors, or outside counsel or others to attend its meetings or to meet with any members of, or consultants to, the Committee and to provide pertinent information as necessary. As part of its job to foster open communication, the Committee shall meet with management, the Company's internal auditors, and the Company's independent auditors in separate executive sessions to discuss any matters that the Committee or any of these groups believe should be discussed privately. Minutes will be kept for each Committee meeting.

4 ROLES & RESPONSIBILITIES

While the Committee has the responsibilities and powers set forth in this Charter, the Company's management is responsible for preparing the Company's financial statements and the independent auditors are responsible for auditing them. The Committee is responsible for overseeing the conduct of these activities and is not expected to audit the Company, to define the scope of any audit, to control the Company's accounting practices, to define the standards to be used in the preparation of the Company's financial statements. Neither is it the duty of the Committee to conduct investigations nor to assure compliance with laws and regulations or the Company's Standards of Business Conduct.

The Committee may rely, without independent verification, on the information provided to it and on the representations made by management, including information that the financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) and the corresponding reports of the independent auditors prepared in connection with their reviews and audits. Consequently, in carrying out its responsibilities, the Committee

neither determines that the Company's financial statements are complete and accurate and are in accordance with GAAP nor does the Committee providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditors' work.

Specific responsibilities and duties for the Committee include:

1. Review with financial management and the Company's independent auditors the Company's annual audited financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to the filing of such statements with the Securities and Exchange Commission. This review should include a discussion of the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, including review of estimates, reserves and accruals, review of judgmental areas, review of audit adjustments whether or not recorded, and such other inquiries as may be appropriate. Based on this review, the Committee shall make its recommendation to the Board of Directors as to the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-K.
2. Review with financial management and the Company's independent auditors the Company's quarterly financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the independent auditors' review of the quarterly financial statements (including a review of the matters included in the paragraph immediately above), prior to the submission of such statements to the Securities and Exchange Commission or the public. The Chairman of the Committee or any subcommittee of the Committee may represent the entire Committee for the purpose of this review.
3. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for Form 10-Ks and 10-Qs about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls, as well as any significant changes in internal controls implemented by management during the most recent reporting period of the Company.
4. Prepare any reports of the Committee required by applicable securities laws or NASDAQ listing requirements or rules to be included in any proxy statements, information statements, or other documents, and approve disclosures required to be included in periodic filings with the Securities and Exchange Commission with respect to audit, audit-related and non-audit services, and reports and attestations regarding internal controls.
5. Review the performance of the independent auditors and make determinations regarding the appointment or replacement of the independent auditors, or the rotation, as required, of the lead (or coordinating) audit partner (having primary responsibility for the audit) or audit partner in charge of reviewing the audit.

6. Consider and pre-approve all auditing services and non-audit services to be provided to the Company by its independent auditors and establish policies and procedures for the pre-approval of such services, including the fees and terms thereof. All non-audit services permitted pursuant to law to be provided by the independent auditors must be considered and pre-approved by the Committee and such approvals must be disclosed in the Company's applicable periodic public filings. The Committee may delegate to one or more designated members of the Committee who are independent directors of the Company the authority to grant pre-approvals as required by this item, provided that the decisions of any such designated members to whom such authority is delegated will be presented to the full Committee at its scheduled meetings.
7. Review with the independent auditors their audit plan, the scope of their audit, the auditors' report, and their recommendations.
8. Review and discuss reports from the independent auditors concerning all critical accounting policies and practices used by the Company and alternative accounting treatments within GAAP related to material items that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the independent auditor.
9. Review and discuss with management and the Company's independent auditors the quality and adequacy of the Company's accounting and financial reporting process, including any significant changes to such processes or the effect of new or proposed auditing, accounting, or reporting standards. Review and discuss with management and the Company's independent auditors the quality and adequacy of the Company's internal controls, including any significant deficiencies or changes to such controls reported to the Committee by management or the Company's independent auditors.
10. Review and discuss with management and the Company's independent auditors any material communications between them, including any management letter or schedule of unadjusted differences.
11. Discuss with the independent auditors matters identified by the auditors for discussion with the Committee in accordance with applicable PCAOB auditing standards (particularly Auditing Standard No. 1301, *Communications with Audit Committees*), securities laws, or NASDAQ listing requirements or rules.
12. Review and discuss with management any discussions they may have had with other independent auditors.
13. On an annual basis, review and discuss with the independent auditors all relationships that the independent auditors have or have had during the current year with the Company to determine the independent auditors' continued independence. In connection with the foregoing, the Committee shall request that the independent auditors submit to the Committee on an annual basis a written statement delineating all such relationships (consistent with applicable PCAOB requirements for independent accountant communications with audit committees concerning independence), shall discuss with the independent auditors any disclosed relationship or services that may impact the objectivity and independence of the independent auditors and shall, if appropriate, recommend that the Board of Directors take appropriate action in response

to the written statement to satisfy itself of the independent auditors' independence. Also, obtain assurance that the auditors were not subject to undue influence by management during the course of the audit.

14. At least annually, obtain and review a report from the independent auditors describing (i) the independent auditors' internal quality control procedures and ii) any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five (5) years, respecting one (1) or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues.
15. Discuss with the independent auditors whether they are aware of any action by any officer, director, or person acting under their direction that would violate Rule 13b2-2(b)(1) under the Securities Exchange Act of 1934, which prohibits improper influence on the conduct of audits.
16. Establish policies for the hiring of employees and former employees of the Company's independent auditors.
17. Review and approve the internal audit function, including: (i) purpose, authority, and organizational reporting lines, (ii) annual audit plan, budget, and staffing, (iii) the charter for the internal audit function, and (iv) the effectiveness of the internal audit function.
18. Review the following areas (as they relate to finance and accounting) with internal audit and such others as the Committee deems appropriate (including in executive sessions): (i) the results of internal audits and any significant findings, (ii) periodic reports regarding an assessment of Encore Capital Group's internal controls, and (iii) any difficulties encountered in the course of the internal audits, including any restrictions on the scope of the internal audit function's work or access to required information.
19. Review with the Company's internal auditors Company policies and procedures for authorization and approval of senior management's expense reimbursements, including any use of corporate assets, and the Company's compliance with such policies and procedures.
20. Review with the Company's internal auditors, at least annually, the anti-fraud program and fraud risk assessment prepared by management.
21. Establish and periodically review, reassess, and revise as appropriate the Company's procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
22. Review and approve related-person and conflict of interest transactions and periodically review, reassess, and revise as appropriate the Company's policies with respect to such transactions.

23. Review, at least annually, with management, the independent auditors and the Company's in-house and independent counsel, as appropriate, any material pending or threatened litigation, and any legal, accounting, regulatory, or compliance matters that could have a significant impact on the Company's financial position or results of operations.
24. Report regularly to the full Board of Directors and review with the full Board of Directors any issues that have arisen with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements that could have a significant impact on the Company's financial position or results of operations, or the performance and independence of the Company's independent auditors.
25. Review and reassess the adequacy of the Committee's Charter annually and recommend to the Board of Directors any changes deemed appropriate by the Committee. The Chairman of the Committee may represent the entire Committee for purposes of this review.
26. Perform any other activities consistent with this Charter, the Company's By-laws, and governing law, as the Committee or the Board of Directors deems necessary or appropriate.