



**For Release:** June 10, 2010

## **At FTC's Request, Court Halts Massive Robocall Operation**

### **Firm Delivered Tens of Millions of Prerecorded Calls and Used Offshore Shell Company**

The Federal Trade Commission's work to stop deceptive pre-recorded "robocalls" took another step forward today as a federal court halted a major telemarketing operation that made millions of illegal phone calls pitching worthless extended auto warranties and credit card interest rate-reduction programs. At the request of the FTC, a federal court judge in Chicago has entered an order stopping the operation's calls, temporarily freezing its assets, and appointing a receiver to take control of the operation.

"Telemarketers need to understand that blasting consumers with 'robocall' pitches is no longer legal," said FTC Midwest Region Director C. Steven Baker. "Unless you have someone's consent up-front and in writing to receive a robocall, just don't do it. The rules could not be simpler than that, and we will go after telemarketers who ignore them."

According to the FTC, SBN Peripherals, Inc., based near Los Angeles, allegedly made more than 370 million calls to consumers nationwide in the past year alone, prompting tens of thousands of complaints to the agency. One telephone service provider told the FTC that during a single day in April 2009 the defendants sent 2.4 million calls to consumers – more than 27 calls per second. The FTC charges the robocalls violated the agency's Do Not Call Registry Rule.

To make it difficult for consumers to identify the caller, the FTC alleges that SBN's robocalls often transmitted caller ID information vaguely identifying the caller as "SALES DEPT" and displaying telephone numbers registered to an offshore company it controlled called Asia Pacific Telecom. Asia Pacific, a foreign shell company for SBN, made many of the calls and lists its addresses in locations as disparate as the Northern Mariana Islands, Hong Kong, and the Netherlands, the FTC's complaint alleges.

According to the FTC, three of Asia Pacific's telemarketing numbers accounted for more than 25,000 consumer complaints to the agency in the past year. Two of those telephone numbers – 301-882-9986 and 757-990-8981 – generated more complaints to the FTC during the past year than any other robocall number. Many of the calls were made to cell phones, sticking consumers with additional charges.

The operation allegedly used a technology known as "voice broadcasting" to deliver its fraudulent pitches. The FTC charges that the recordings falsely claimed that the caller had urgent information about the consumer's auto warranty or credit card interest rate. Consumers who pressed "1" for more information were transferred to live telemarketers at a variety of different locations, who used fraudulent practices to sell inferior extended auto service contracts or worthless debt-reduction services.

The company's calls may be familiar to consumers who have answered the phone, only to be greeted by a recording from "Stacey at Account Holder Services" or "Rachel at Cardholder Services" pitching a purported service to lower their credit card interest rate.

The FTC's complaint alleges that defendants violated the FTC's telemarketing rules by:

- using robocalls to contact consumers. Under the FTC's Telemarketing Sales Rule, since September 1, 2009, nearly all such pre-recorded calls have been illegal, unless the seller first obtains the consumer's written permission;
- calling consumers whose telephone numbers are on the National Do Not Call Registry;
- "abandoning" pre-recorded calls (not connecting to a live person when a consumer answers) at a higher rate than permitted under law (three percent of all calls made); and
- repeatedly calling consumers who asked to be put on their company-specific do-not-call list.

The FTC alleges SBN delivered robocalls on behalf of at least seven entities that the agency or state attorneys general previously sued for engaging in fraudulent sales practices. SBN also allegedly made illegal "extended auto warranty robocalls" on behalf of another company owned by Fereidoun "Fred" Khalilian, a repeat telemarketing offender against whom the FTC obtained a new court order last week (see press release at: <http://www.ftc.gov/opa/2010/06/dolcegroup.shtm>).

In addition to the temporary restraining order and asset freeze announced today, the FTC is seeking a court order permanently barring the allegedly illegal conduct and will seek consumer redress as appropriate.

The Commission vote approving the complaint was 5-0. It was filed under seal on May 25, 2010 in the U.S. District Court for the Northern District of Illinois, Eastern Division. The court issued a temporary restraining order against the defendants on May 26, 2010.

The FTC filed the complaint announced today against Asia Pacific Telecom, Inc., doing business as (d/b/a) Asia Pacific Networks; Repo B.V.; SBN Peripherals, Inc., d/b/a SBN Dials; Johan Hendrik Smit Duyzentkunst; and Janneke Bakker-Smit Duyzentkunst.

The Commission would like to acknowledge the assistance that telecommunications carriers AT&T and Verizon Wireless provided in the investigation of the case. The FTC reminds consumers that if they get a robocall they did not authorize, they can file a complaint by going to: [www.donotcall.gov](http://www.donotcall.gov) or by calling 1-888-382-1222. The FTC's Do Not Call Registry for telemarketers accepts both land lines and cell phone numbers.

**NOTE:** The Commission issues a complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The issuance of a complaint is not a finding or ruling that the defendants have violated the law.

Copies of the complaint are available from the FTC's Web site at <http://www.ftc.gov> and from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices and to provide information to help spot, stop, and avoid them. To file a complaint in English or Spanish, click: <http://www.ftc.gov/ftc/complaint.shtm> or call 1-877-382-4357. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to more than 1,800 civil and criminal law enforcement agencies in the U.S. and abroad. For free information on a variety of consumer topics, click <http://ftc.gov/bcp/consumer.shtm>.

**MEDIA CONTACT:**

Mitchell J. Katz  
*Office of Public Affairs*  
202-326-2161

**STAFF CONTACT:**

Steven M. Wernikoff or James H. Davis  
*FTC's Midwest Region, Chicago*  
312-960-5634