

AmeriDebt Founder Settles Charges

Pukke to Pay Up to \$35 Million for Consumer-Refund Complaints

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By Caroline E. Mayer / Washington Post Staff Writer

The founder of the defunct credit-counseling firm AmeriDebt Inc. yesterday agreed to pay up to \$35 million to settle two lawsuits accusing him of misleading debt-burdened consumers into paying high fees to support his lavish lifestyle.

Under the settlement, virtually all of Andris Pukke's assets, including his multimillion-dollar homes in Miami Beach and Southern California, would be sold, with the proceeds going to a fund that could be used to help repay about 300,000 AmeriDebt customers.

The settlement, which still has to win court approval, was signed just one day before the former executive was scheduled to go on trial in U.S. District Court in Greenbelt. The trial would have combined two lawsuits -- one by the Federal Trade Commission and the other a related national class action case brought by former clients of AmeriDebt and another firm owned by Pukke.

Both lawsuits sought \$172 million in consumer refunds, saying that was the amount AmeriDebt and its related firms charged consumers in hidden fees. According to the lawsuits, AmeriDebt of Germantown falsely billed itself as a nonprofit organization while Pukke milked clients, earning more than \$80 million, which he and his wife spent on expensive cars, luxury foreign vacations and expensive real estate in Maryland, Florida and California.

Pukke's estranged wife, Pamela Pukke, was named as a co-defendant because the FTC argued she benefited financially from the alleged fraud even if she didn't participate in it. She settled on Dec. 30, agreeing to give up assets worth about \$1.8 million, including her Florida home. She had been slated to be one of the lead witnesses against her husband if the trial had gone forward.

The settlement also permanently bans Pukke (pronounced PUCK-ee) from engaging in any credit-counseling, debt management and credit-education activities.

Pukke did not admit any wrongdoing but did acknowledge in the settlement that money and assets to be paid into the fund for consumer refunds "were derived from payments by consumers as an alleged consequence of the acts and practices" cited by the FTC. The settlement also says the Pukkes agreed that they "do not have a legitimate claim to those funds."

Pukke's attorney, Geoffrey Irwin of the law firm Jones Day, said, "Mr. Pukke continues to believe these allegations are completely unfounded and that consumers were neither misled or injured by Mr. Pukke or his credit-counseling business." However, he added, the settlement is a "good deal for Mr. Pukke" because it allows him to "put these allegations behind him and move on with his life."

Yet, Pukke's legal troubles may not be over. The U.S. Postal Inspection Service has been investigating business activities of a number of firms run by Pukke or his relatives to determine whether any engaged in mail fraud by soliciting payments from consumers under false pretenses. If so, that investigation could lead to criminal charges.

Meanwhile, the Internal Revenue Service has filed claims of \$300 million against Pukke, who filed for bankruptcy protection in July. In his bankruptcy filing, Pukke listed assets of \$53.4 million, including \$24 million in real estate and \$13.6 million in liabilities, not including the claims from the IRS or pending lawsuits.

FTC attorney Lucy Morris said it is unclear how much Pukke is really worth. "It's a moving target," Morris said, but indications are that his assets are worth less than \$35 million. If they turn out to be more, she added, the settlement requires the remaining money to be available to Pukke's creditors in his bankruptcy case. "It doesn't go back to Pukke." Morris said.

"I think we've taken him for every dime," said David Vendler, attorney for the class action plaintiffs.

In April, the FTC persuaded a federal judge to freeze Pukke's assets and appoint a court receiver to control his funds after the agency became concerned that Pukke was dissipating his assets. The FTC and class action attorneys detailed a pattern of lavish spending and money transfers to offshore accounts and trusts.

In June, the court-appointed receiver estimated Pukke's assets worth \$16 million but subsequently asserted that Pukke was trying to hide millions of dollars more, including his ownership in a Belize resort and a California home that he bought through a friend.

M. Val Miller, a partner with the receiver, Robb Evans & Associates LLC, said yesterday that his firm had found additional assets and was still investigating Pukke's worth.

The settlement directs the receiver to give Pukke a one-time payment of \$125,000 for living expenses incurred since his assets were frozen.

The FTC filed its lawsuit against AmeriDebt in November 2003 as part of a government crackdown on the credit-counseling industry. As consumer debt has skyrocketed over the past two decades, a new breed of credit counselor emerged, one that advertised aggressively on television and used toll-free telephone lines to advise clients.

The new aggressive marketing prompted hundreds of consumer complaints, leading to an IRS audit of 60 credit-counseling firms, to determine if they were misusing their tax-exempt status to collect fees for executives' personal gain. Those audits continue today. Meanwhile, the credit-counseling industry has gained in importance as the result of a new bankruptcy law that requires debtors to go through credit counseling before they can file for protection from their creditors.

AmeriDebt, however, is out of business. In November 2003, just days before the FTC filed its lawsuit, AmeriDebt stopped accepting new clients. It filed for bankruptcy protection in June 2004 and subsequently sold its operations to another third-party debt-management firm.