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BY _____

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

FEDERAL TRADE COMMISSION,
Plaintiff,

Case No.

SACV 04-0474 CTC (JwTx)

v.

COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER EQUITABLE
RELIEF

NATIONAL CONSUMER COUNCIL, an
Arizona corporation; NATIONAL
CONSUMER COUNCIL, a California
corporation; NATIONAL CONSUMER
COUNCIL, a Nevada corporation;
LONDON FINANCIAL GROUP;
NATIONAL CONSUMER DEBT
COUNCIL, LLC; SOLIDIUM, LLC
doing business as Solidium
Credit Recovery Services;
UNITED CONSUMERS LAW GROUP, A
PROFESSIONAL CORP.; J.P.
LANDIS, LLC; FINANCIAL RESCUE
SERVICES, INC.; SIGNATURE
EQUITIES, LLC; M&L SPRINGFIELD
TRUST; PC HAILEY TRUST; VIA
LIDO TRUST; WALTER L. HAINES
a/k/a Walter L. Hainowitz;
PAUL KARDOS; WALTER JOSEPH
LEDDA a/k/a Walter W. Ledda;
HARVEY WARREN a/k/a Harvey W.
Zvansky; MARTHA K. LEVITSKY
a/k/a Martha E. Kerchen; and
MARY BETH HARPER a/k/a Mary
Beth Scholz,

Defendants.

1 Plaintiff, the Federal Trade Commission ("FTC" or "the
2 Commission"), for its complaint alleges:

3 1. Plaintiff FTC brings this action under Sections 13(b)
4 and 19 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C.
5 §§ 53(b) and 57b, the Telemarketing and Consumer Fraud and Abuse
6 Prevention Act ("Telemarketing Act"), 15 U.S.C. §§ 6101, *et seq.*,
7 and Sections 503 and 505(a)(7) of the Gramm-Leach-Bliley Act
8 ("GLB Act"), 15 U.S.C. §§ 6803 and 6805(a)(7), to secure a
9 permanent injunction, rescission of contracts and restitution,
10 disgorgement of ill-gotten gains, and other equitable relief
11 against the defendants for engaging in deceptive acts or
12 practices in connection with the advertising, marketing, and sale
13 of debt negotiation services in violation of Section 5(a) of the
14 FTC Act, 15 U.S.C. § 45(a), and the Telemarketing Sales Rule
15 ("TSR"), 16 C.F.R. Part 310; and failure to provide consumers
16 with the disclosures required by Subtitle A of Title V of the GLB
17 Act, 15 U.S.C. §§ 6801 through 6809, and the FTC's Privacy of
18 Consumer Financial Information Rule ("Privacy Rule"), 16 C.F.R.
19 Part 313.

20 JURISDICTION AND VENUE

21 2. This Court has subject matter jurisdiction over this
22 matter pursuant by 15 U.S.C. §§ 45(a), 53(b), 57b, 6102(c),
23 6105(b), 6805(a)(7), and 28 U.S.C. §§ 1331, 1337(a) and 1345.

24 3. Venue is proper in the United States District Court for
25 the Central District of California under 15 U.S.C. § 53(b) and 28
26 U.S.C. §§ 1391(b) and (c).

27 PLAINTIFF

28 4. Plaintiff FEDERAL TRADE COMMISSION is an independent

1 agency of the United States Government created and given
2 statutory authority and responsibility by the FTC Act, as
3 amended, 15 U.S.C. §§ 41-58, as amended. The Commission is
4 charged with enforcing, *inter alia*, Section 5(a) of the FTC Act,
5 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or
6 practices in or affecting commerce; the Telemarketing Act, 15
7 U.S.C. §§ 6101-6108, and the TSR, 16 C.F.R. Part 310, which
8 prohibit deceptive or abusive telemarketing acts or practices;
9 and Title V of the GLB Act, 15 U.S.C. §§ 6803 and 6805(a)(7).
10 The Commission is authorized to initiate federal district court
11 proceedings to enjoin violations of the FTC Act, the TSR and the
12 GLB Act to secure such equitable relief as may be appropriate in
13 each case, including, but not limited to, restitution and
14 disgorgement. 15 U.S.C. §§ 53(b), 57b, 6102(c), 6105(b) and
15 6805(a).

16 DEFENDANTS

17 5. Defendant **NATIONAL CONSUMER COUNCIL, INC.**, an Arizona
18 corporation ("NCC-AZ"), was organized under Arizona law
19 ostensibly as a non-profit corporation in February 1995. Prior
20 to September 1996, NCC-AZ was known as "National Consumer Council
21 for Business Excellence, Inc." NCC-AZ is a telemarketer which
22 leaves voice message advertisements on consumers' home answering
23 machines with the goal of generating clients for defendants' debt
24 negotiation programs. Until about mid-2003, NCC-AZ shared office
25 space located at 1920 Main Street, Suite 650, Irvine, CA 92614
26 with defendants LFG, NCDC, Solidium, UCLG, PC Hailey Trust, and
27 Via Lido Trust. In or about mid-2003, NCC-AZ relocated its
28 offices to 1932 Deere Street Suite 230, Santa Ana, CA 92705.

1 NCC-AZ transacts or has transacted business in the Central
2 District of California and throughout the United States. NCC-AZ
3 is a device or instrumentality of individuals or for-profit
4 entities that seek to obtain economic benefit or gain through
5 NCC-AZ.

6 6. Defendant **NATIONAL CONSUMER COUNCIL, INC.**, a California
7 corporation ("NCC-CA"), was organized under California law
8 ostensibly as a non-profit corporation in July 2001. With LFG,
9 NCC-CA operates a call center whose purpose is to answer calls
10 from consumers responding to NCC-AZ's voice message
11 advertisements and to enroll these consumers in defendants' debt
12 negotiation programs. Until about mid-2003, NCC-CA shared office
13 space located at 1920 Main Street, Suite 650, Irvine, CA 92614
14 with defendants LFG, NCDC, Solidium, UCLG, PC Hailey Trust, and
15 Via Lido Trust. In or about mid-2003, NCC-CA relocated its
16 offices to 1932 Deere Street Suite 230, Santa Ana, CA 92705.
17 NCC-CA transacts or has transacted business in the Central
18 District of California and throughout the United States. The
19 Internal Revenue Service does not recognize NCC-CA as a non-
20 profit organization exempt from federal taxation under section
21 501(c)(3) of the Internal Revenue Code, 26 U.S.C. § 501(c)(3).
22 The State of California's Franchise Tax Board does not recognize
23 NCC-CA as a tax-exempt entity under California Revenue and
24 Taxation Code Section 23701. NCC-CA is a device or
25 instrumentality of individuals or for-profit entities that seek
26 to obtain economic benefit or gain through NCC-CA.

27 7. Defendant **NATIONAL CONSUMER COUNCIL, INC.**, a Nevada
28 corporation ("NCC-NV"), was organized under Nevada law ostensibly

1 as a non-profit corporation in August 2001. NCC-NV maintains
2 "trust accounts" used by defendants' debt negotiation programs to
3 hold and administer the money consumers send to defendants as
4 part of these debt negotiation programs. Until about mid-2003,
5 NCC-NV shared office space located at 1920 Main Street, Suite
6 650, Irvine, CA 92614 with defendants LFG, NCDC, Solidium, UCLG,
7 PC Hailey Trust, and Via Lido Trust. In or about mid-2003, NCC-
8 NV relocated its offices to 1932 Deere Street Suite 230, Santa
9 Ana, CA 92705. NCC-NV transacts or has transacted business in
10 the Central District of California and throughout the United
11 States. NCC-NV is a device or instrumentality of individuals or
12 for-profit entities that seek to obtain economic benefit or gain
13 through NCC-NV.

14 8. Defendant **LONDON FINANCIAL GROUP** ("LFG") was organized
15 as a Nevada corporation in January 1997. LFG owns a telephone
16 number database, a telephone number "autodialer," and computer
17 equipment which it uses in making pre-recorded telemarketing
18 calls on behalf of the other defendants. LFG also handles the
19 accounting, business management, and trust management functions
20 for the other defendants. LFG is owned by Paul Kardos and Walter
21 Ledda. LFG has offices located at 1920 Main Street, Suite 650,
22 Irvine, CA 92614. LFG transacts or has transacted business in
23 the Central District of California and throughout the United
24 States.

25 9. Defendant **NATIONAL CONSUMER DEBT COUNCIL, LLC** ("NCDC")
26 was organized under California law as a limited liability company
27 in December 2000. NCDC is a debt negotiation company. It is
28 owned by Signature Equities, LLC, which is in turn owned by PC

1 Hailey Trust, M&L Springfield Trust, and Via Lido Trust, which
2 are in turn owned by Paul Kardos, Walter Ledda, and Walter
3 Haines. NCDC has offices located at 1920 Main Street, Suite 650,
4 Irvine, CA 92614. NCDC transacts or has transacted business in
5 the Central District of California and throughout the United
6 States.

7 10. Defendant **SOLIDIDIUM, LLC** doing business as SoLidium
8 Credit Recovery Services ("Solidium") was organized under
9 California law as a limited liability company in March 2002.
10 Solidium is a debt negotiation company. Solidium is owned by LFG
11 and NCDC. Solidium has offices located at 1920 Main Street,
12 Suite 650, Irvine, CA 92614. Solidium transacts or has
13 transacted business in the Central District of California and
14 throughout the United States.

15 11. Defendant **UNITED CONSUMERS LAW GROUP, A PROFESSIONAL**
16 **CORP.** ("UCLG") was organized as a California professional law
17 corporation by Walter Haines in August 1995. Prior to March
18 2003, UCLG was known as "Law Offices of Walter L. Haines, Inc."
19 UCLG provides debt negotiation and other services in conjunction
20 with the other defendants. UCLG has offices located at 1920 Main
21 Street, Suite 650 and/or 710, Irvine, CA 92614. UCLG transacts or
22 has transacted business in the Central District of California and
23 throughout the United States.

24 12. Defendant **J.P. LANDIS, LLC** ("JP Landis") was organized
25 under California law as a limited liability company in June 2003.
26 JP Landis provides marketing services, including advertising by
27 direct mail and radio, for the other defendants. JP Landis has
28 offices located at 1920 Main Street, Suite 650, Irvine, CA 92614.

1 JP Landis transacts or has transacted business in the Central
2 District of California and throughout the United States.

3 13. Defendant **FINANCIAL RESCUE SERVICES, INC.** ("FRS") was
4 organized under California law as a corporation in May 2000. FRS
5 is a debt negotiation company. FRS is owned by Martha Levitsky
6 and Mary Beth Harper. FRS has offices located at 415 North
7 Varney Street, Burbank, CA 91502. FRS transacts or has transacted
8 business in the Central District of California and throughout the
9 United States.

10 14. Defendant **SIGNATURE EQUITIES, LLC** ("Signature
11 Equities") was organized under Delaware law as a limited
12 liability company. Signature Equities is the owner of NCDC, and
13 through NCDC, a co-owner (with LFG) of Solidium. In its filings
14 with the State of Delaware, it lists as its principal place of
15 business the address of "Incorporating Services, Ltd.," 15 East
16 North Street, Dover, DE 19901. Its members are P.C. Hailey
17 Trust, M&L Springfield Trust, and Via Lido Trust. Its managers
18 are Walter Ledda, Paul Kardos, and Walter Haines. Signature
19 Equities transacts or has transacted business in the Central
20 District of California and throughout the United States.

21 15. Defendant **M&L SPRINGFIELD TRUST** is a grantor trust.
22 Walter Haines is the trust's grantor, trustee, and beneficiary.
23 M&L Springfield Trust owns one-third of Signature Equities. Its
24 business address is 10880 Wilshire Blvd., Suite 2070, Los
25 Angeles, CA 90024. M&L Springfield Trust transacts or has
26 transacted business in the Central District of California and
27 throughout the United States.

28 16. Defendant **PC HAILEY TRUST** is a grantor trust. Paul

1 Kardos is the trust's grantor, trustee, and beneficiary. PC
2 Hailey Trust owns one-third of Signature Equities. Its business
3 address is 1920 Main Street, Suite 650, Irvine, CA 92614. PC
4 Hailey Trust transacts or has transacted business in the Central
5 District of California and throughout the United States.

6 17. Defendant VIA LIDO TRUST is a grantor trust. Walter
7 Ledda is the trust's grantor, trustee, and beneficiary. Via Lido
8 Trust owns one-third of Signature Equities. Its business address
9 is 1920 Main Street, Suite 650, Irvine, CA 92614. Via Lido Trust
10 transacts or has transacted business in the Central District of
11 California and throughout the United States.

12 18. Defendant WALTER L. HAINES a/k/a Walter L. Hainowitz
13 ("Haines"), an attorney licensed to practice in the State of
14 California, was the founder and an officer and director of NCC-AZ
15 until approximately June 2001. He is the owner and principal of
16 UCLG. Haines is the grantor, trustee, and beneficiary of M&L
17 Springfield Trust, which has a one-third ownership interest in
18 Signature Equities. Through Signature Equities, he is an owner
19 and person in control of NCDC. Through NCDC, he is also a part
20 owner (with LFG) of Solidium. At various times material to this
21 complaint, acting alone or in concert with others, he has
22 formulated, directed, controlled, or participated in the acts and
23 practices of NCDC and NCC-NV, including the acts and practices
24 set forth in this complaint. Haines transacts or has transacted
25 business in the Central District of California and throughout the
26 United States.

27 19. Defendant PAUL KARDOS ("Kardos") is an officer,
28 director, and/or co-owner of LFG. He is the grantor, trustee,

1 and beneficiary of PC Hailey Trust, which has a one-third
2 ownership interest in Signature Equities. Through Signature
3 Equities, he is also an owner and person in control of NCDC.
4 Through NCDC and LFG, he is also an owner of Solidium. At all
5 times material to this complaint, acting alone or in concert with
6 others, he has formulated, directed, controlled, or participated
7 in the acts and practices of LFG, Solidium, NCDC, JP Landis, NCC-
8 AZ, NCC-NV, and NCC-CA, including the acts and practices set
9 forth in this complaint. Kardos transacts or has transacted
10 business in the Central District of California and throughout the
11 United States.

12 20. Defendant **WALTER J. LEDDA** a/k/a Walter W. Ledda
13 ("Ledda") is an officer, director, and/or co-owner of LFG. He is
14 the grantor, trustee, and beneficiary of Via Lido Trust. Through
15 Via Lido Trust, which is one-third owner of Signature Equities,
16 he is also an owner of NCDC. Through NCDC and LFG, he is also an
17 owner of Solidium. At all times material to this complaint,
18 acting alone or in concert with others, he has formulated,
19 directed, controlled, or participated in the acts and practices
20 of LFG, Solidium, NCDC, JP Landis, NCC-AZ, NCC-NV, and NCC-CA,
21 including the acts and practices set forth in this complaint.
22 Ledda transacts or has transacted business in the Central
23 District of California and throughout the United States.

24 21. Defendant **HARVEY WARREN** a/k/a Harvey W. Zvansky
25 ("Warren") holds key positions at each of the three NCC entities.
26 He is the President, Vice President, and Director of NCC-AZ; the
27 President, Secretary, and Director of NCC-NV; and Chief Executive
28 Officer, Secretary, and Chief Financial Officer of NCC-CA. At

1 all times material to this complaint, acting alone or in concert
2 with others, he has formulated, directed, controlled, or
3 participated in the acts and practices of NCC-AZ, NCC-NV, and
4 NCC-CA, including the acts and practices set forth in this
5 complaint. Warren transacts or has transacted business in the
6 Central District of California and throughout the United States.

7 22. Defendant **MARTHA K. LEVITSKY** a/k/a Martha E. Kerchen
8 ("Levitsky") is an officer, director, and/or co-owner of FRS. At
9 all times material to this complaint, acting alone or in concert
10 with others, she has formulated, directed, controlled, or
11 participated in the acts and practices of FRS, including the acts
12 and practices set forth in this complaint. Levitsky transacts or
13 has transacted business in the Central District of California and
14 throughout the United States.

15 23. Defendant **MARY BETH HARPER** a/k/a Mary Beth Scholz
16 ("Harper") is an officer, director, and/or co-owner of FRS. At
17 all times material to this complaint, acting alone or in concert
18 with others, she has formulated, directed, controlled, or
19 participated in the acts and practices of FRS, including the acts
20 and practices set forth in this complaint. Harper transacts or
21 has transacted business in the Central District of California and
22 throughout the United States.

23 24. NCC-AZ, NCC-CA, NCC-NV, LFG, NCDC, Solidium, UCLG,
24 JP Landis, FRS, Signature Equities, PC Hailey Trust, Via Lido
25 Trust, and M&L Springfield Trust are each a "corporation" as that
26 term is defined in 15 U.S.C. § 44.

27 25. NCC-AZ, NCC-CA, NCC-NV, LFG, NCDC, Solidium, UCLG,
28 JP Landis, Signature Equities, PC Hailey Trust, Via Lido Trust,

1 M&L Springfield Trust, Haines, Kardos, Ledda, and Warren operate
2 together as a common enterprise with the primary purpose of
3 financially enriching Haines, Kardos, Ledda, and Warren. They
4 conduct the business practices described in this complaint
5 through an interrelated network of companies that have common
6 ownership, officers, and business functions.

7 COMMERCE

8 26. At all times relevant to this complaint, defendants
9 have maintained a substantial course of business in the
10 advertising, marketing, promoting, offering for sale and sale of
11 debt negotiation services, in or affecting commerce, including
12 the acts and practices alleged herein, as "commerce" is defined
13 in Section 4 of the FTC Act, 15 U.S.C. § 44.

14 DEFENDANTS' BUSINESS ACTIVITIES

15 27. Since at least 2002, Walter Haines, Walter Ledda, Paul
16 Kardos, Harvey Warren, Martha Levitsky, and Mary Beth Harper have
17 operated a nationally-advertised debt negotiation business in
18 which they promise to renegotiate and consolidate consumers'
19 existing debts into manageable monthly payments. Their debt
20 negotiation business consists of an elaborate network of
21 companies. Three of these companies - NCC-AZ, NCC-NV, and NCC-CA
22 - hold themselves out to the public as a single non-profit credit
23 counseling entity, the "National Consumer Council" ("NCC"),
24 allegedly dedicated to providing "free" assistance to consumers
25 having difficulties with their personal finances.

26 28. Haines, Ledda, Kardos, Warren, Levitsky, and Harper
27 have deceived consumers about the services their debt negotiation
28 business provides and the fees they charge. The other companies

1 which are part of their debt negotiation network include LFG,
2 NCDC, Solidium, UCLG, JP Landis, FRS, Signature Equities, PC
3 Hailey Trust, Via Lido Trust, and M&L Springfield Trust.

4 29. In addition, defendants have represented that because
5 NCC is a non-profit organization, it is able to work with
6 creditors to favorably settle consumers' debts, and that
7 consumers will not be able to obtain such favorable results by
8 themselves or by using the services of a for-profit organization.

9 ATTRACTING CUSTOMERS AND ENROLLING THEM IN
10 DEFENDANTS' DEBT NEGOTIATION BUSINESS

11 30. Haines, Ledda, Kardos, Warren, Levitsky, and Harper
12 generate client leads for their debt negotiation business through
13 NCC and JP Landis. They use NCC as a front to make telemarketing
14 calls to consumers throughout the country, relying on NCC's
15 ostensible non-profit status in an attempt to evade the FTC's
16 national Do Not Call rules. These rules are not applicable to
17 true non-profit entities. Beginning in or about June 2003, they
18 have used JP Landis as a vehicle to mass-market defendants' debt
19 negotiation business using, among other things, direct mail and
20 radio advertising.

21 31. NCC's promotional materials state that NCC's mission is
22 to "return America to a Debt-Free Standard of Living" by offering
23 "free counseling and assistance in debt management." NCC claims
24 its purpose is to provide "accurate and valuable information to
25 consumers regarding debt and its effective management." However,
26 NCC does not provide counseling about consumers' finances, nor
27 does it teach them how to handle debt in the future. Instead,
28 its primary purpose in dealing with consumers is to describe the
"debt negotiation" programs (also known as "debt recovery" and

1 "debt settlement" programs) offered by NCCDC, Solidium, and FRS,
2 and to persuade consumers to enroll in these programs.

3 32. Each month, NCC solicits prospective clients for
4 defendants' debt negotiation programs through a variety of means,
5 including pre-recorded voice messages from "Jeffrey Colwell" from
6 the "National Consumer Council" left on consumers' home answering
7 machines. These calls are made on NCC's behalf by Ledda, Warren,
8 and LFG. LFG makes millions of such calls for NCC each month at
9 a cost of approximately \$200,000 to \$350,000 monthly. Many of
10 these calls have been made in violation of the FTC's Do Not Call
11 rules.

12 33. These pre-recorded voice message advertisements claim
13 that: (a) NCC is able to cut the consumer's monthly payments in
14 half; (b) NCC can help the consumer "get out from under" his
15 credit cards; (c) NCC is a non-profit organization which exists
16 to help people like the consumer; (d) NCC will provide advice and
17 show the consumer how to be debt free; and (e) there will be no
18 charge for the services NCC provides. NCC's voice message
19 advertisements invite the consumer to call a toll-free number for
20 free consultations with NCC.

21 34. JP Landis, which was created by or at the direction of
22 Haines, Ledda, Kardos, and/or Warren in June 2003, at a time when
23 NCC began receiving negative media coverage and a few months
24 before the FTC's Do Not Call rules went into effect, operates out
25 of the same office suites as LFG, NCCDC, Solidium, and UCLG. JP
26 Landis markets defendants' debt negotiation services to consumers
27 throughout the United States, through a variety of means,
28 including unsolicited mail and radio advertisements, and

1 | referrals from NCC.

2 | 35. In its solicitations, JP Landis represents that it and
3 | one of defendants' debt negotiation companies (including NCDC,
4 | Solidium, and/or FRS): (a) will reduce the consumer's credit card
5 | bills significantly, (b) will reduce the time to completely pay
6 | off these debts; and (c) will apply its "funds and resources" to
7 | help the consumer achieve these results. Interested consumers
8 | are told to call a toll-free telephone number for more
9 | information.

10 | 36. Calls made to the toll-free number listed in NCC's and
11 | JP Landis' advertisements are answered by a "call center" located
12 | in LFG's office. The call center employs customer service
13 | representatives, whom defendants refers to as "pre-screeners," to
14 | sell the debt negotiation programs offered by NCDC, Solidium, and
15 | FRS to consumers. Although they are trained by LFG and NCDC, and
16 | money for their salaries comes from NCDC, pre-screeners identify
17 | themselves as being from "the NCC" or "JP Landis." NCDC provides
18 | these pre-screeners with scripts and specific instructions on how
19 | to market defendants' debt recovery services.

20 | 37. The pre-screeners marketing defendants' debt
21 | negotiation programs represent to consumers that:

22 | a. defendants' debt negotiation program will reduce the
23 | consumer's debt by an appreciable amount in a specified period of
24 | time;

25 | b. enrollment in the debt negotiation program will stop
26 | creditors' collection efforts of consumers' debts;

27 | c. defendants will obtain a favorable settlement for the
28 | consumer promptly; and

1 d. NCC is a non-profit enterprise whose purpose is to help
2 consumers eliminate their unsecured debt.

3 38. The pre-screeners marketing defendants' debt
4 negotiation programs do not disclose that defendants often will
5 not begin negotiating the consumer's debts until the consumers'
6 accounts are at least six months delinquent.

7 39. The pre-screeners marketing defendants' debt
8 negotiation programs also do not disclose that enrollment in the
9 debt negotiation program will have other negative consequences,
10 including, for example, that:

11 a. during the period of enrollment, the consumer will
12 continue to accrue late fees, penalties, and interest on his
13 debt;

14 b. the consumer's creditors may also sue to collect on his
15 debts, and further, once a judgment has been obtained, the
16 creditors may garnish the consumer's wages;

17 c. the consumer's creditors may raise the interest rates
18 applicable to his debt because he is missing his minimum monthly
19 payments;

20 d. in those instances where the consumer's debt is settled
21 for a reduced amount, the consumer may be liable for federal and
22 state taxes on the amount the debt is reduced; and

23 e. in those instances where the consumer's debt is settled
24 for a reduced amount, a negative "settled for less than full
25 amount" notation may appear on the consumer's credit report as a
26 result of the settlement.

27 40. After collecting preliminary information from the
28 consumer, the pre-screener sets a half-hour telephone

1 appointment, in which a "debt consultant" from NCDC, Solidium, or
2 FRS will call the consumer for the stated purpose of providing
3 more "in-depth" credit counseling. Although the debt consultants
4 are employed and trained by NCDC, Solidium, and/or FRS, they
5 identify themselves to the consumer in the follow-up calls as
6 being "from the NCC" or an "NCC certified debt consultant."

7 41. In the follow-up call, the debt consultant determines
8 in which of defendants' debt negotiation programs the consumer
9 should be enrolled. To persuade consumers to enroll in
10 defendants' debt negotiation programs, the debt consultants
11 typically make the same or similar misrepresentations to
12 consumers as the pre-screeners do about NCC, how the debt
13 negotiation program works, and the favorable results that can be
14 achieved through the debt negotiation program.

15 42. In order to be enrolled in one of defendants' debt
16 negotiation programs, the consumer must complete and return
17 enrollment forms and authorize defendants to make monthly debits
18 from his account. Consumers are told that the monthly payments
19 they make to defendants will be placed in a trust account managed
20 by NCC. Defendants characterize this arrangement as particularly
21 trustworthy, since NCC is a "non-profit."

22 43. Although NCC claims that it does not charge fees to
23 consumers who seek its help, a consumer who enrolls in one of
24 defendants' debt negotiation programs will be charged an up-front
25 fee (also referred to by defendants as the "establishment fee")
26 equal to 3.5% of the consumer's enrolled debt or \$500, whichever
27 is higher. This fee is taken out of the consumer's first monthly
28 payments. In some instances, defendants do not disclose that

1 they charge this substantial up-front fee until after the
2 consumer has agreed to enroll in the program.

3 44. In addition to charging a minimum of \$500 in up-front
4 fees, defendants charge consumers monthly maintenance fees of
5 approximately \$50 to participate in the debt negotiation program.
6 As with the up-front fees, these monthly maintenance fees also
7 are taken out of the consumer's monthly payments. In some
8 instances, defendants do not disclose that they charge these
9 substantial monthly fees until after the consumer has agreed to
10 enroll in the program. Although the fees generate substantial
11 profits for the defendants, they repeatedly represent to
12 consumers that NCC is a non-profit enterprise.

13 45. Only after these fees are paid in full do defendants
14 begin to apply a consumer's monthly payments to his NCC-
15 administered trust account for use in settling his debts. The
16 consumer pays these fees to the defendants regardless of whether
17 the defendants successfully negotiate any settlements on the
18 consumer's behalf.

19 THE DEBT NEGOTIATION PROCESS

20 46. Defendants tell the consumer that they will act as the
21 consumer's attorney-in-fact, handling all communications and
22 payment functions between the consumer and his creditors,
23 including negotiating a repayment plan that is highly favorable
24 to the consumer, answering the consumer's and his creditors'
25 questions, managing the consumer's file, collecting payments from
26 the consumer, and disbursing payments to creditors.

27 47. Consumers find out, only after enrolling in defendants'
28 debt negotiation program, that:

1 a. even after they execute powers of attorney authorizing
2 the defendants to represent them in dealing with creditors, they
3 are still called, harassed, and sued by their creditors for
4 collection of their outstanding debts;

5 b. it is not realistic for them to successfully complete
6 the program or eliminate their debt because of intervening
7 creditor collection efforts;

8 c. they will continue to accrue late fees, penalties, and
9 interest on their debt during the time they are enrolled in the
10 debt negotiation program, even though they are making monthly
11 payments to the defendants;

12 d. their creditors may raise the interest rates applicable
13 to their debt because, while they are enrolled in the debt
14 negotiation program, the creditors are not receiving the
15 consumers' minimum monthly debt payments; and

16 e. defendants will not reach a settlement, if at all, with
17 the consumer's creditors, and in fact typically will not even
18 contact the creditors, until after the consumer has deposited
19 enough money into his NCC trust account to make a lump sum payoff
20 to the creditors, which often does not occur until many months
21 after the consumer has enrolled in the program.

22 48. Those few consumers for whom the defendants have
23 reached settlements learn only after settlement that: (a) the
24 consumer is liable for federal and state taxes on the amount the
25 debt is reduced; and (b) a negative "settled for less than full
26 amount" notation may be placed in the consumer's credit file as a
27 result of the settlement.

28 49. Many, if not all, consumers who enroll in defendants'

1 debt negotiation programs never learn that the defendants are an
2 interrelated for-profit business enterprise, and that NCC
3 operates for the pecuniary benefit of for-profit companies and
4 private individuals.

5 THE TELEMARKETING SALES RULE
6 AND THE NATIONAL DO NOT CALL REGISTRY

7 50. In 1994, Congress directed the FTC to prescribe rules
8 prohibiting abusive and deceptive telemarketing acts or practices
9 pursuant to the Telemarketing Act, 15 U.S.C. §§ 6101-6108. On
10 August 16, 1995, the FTC adopted the TSR (the "Original TSR"), 16
11 C.F.R. Part 310, which became effective on December 31, 1995. On
12 January 29, 2003, the FTC amended the TSR by issuing a Statement
13 of Basis and Purpose and the final amended TSR (the "Amended
14 TSR"). 68 Fed. Reg. 4580, 4669.

15 51. Among other things, the Amended TSR established a "do-
16 not-call" registry, maintained by the Commission (the "National
17 Do Not Call Registry" or "Registry"), of consumers who do not
18 wish to receive certain types of telemarketing calls. Consumers
19 can register their telephone numbers on the Registry without
20 charge, either through a toll-free telephone call or over the
21 Internet at *donotcall.gov*.

22 52. Sellers, telemarketers, and other permitted
23 organizations can access the Registry over the Internet at
24 *telemarketing.donotcall.gov* to download the registered numbers,
25 after paying the appropriate annual fee as set forth at 16 C.F.R.
26 § 310.8(c). Sellers and telemarketers are prohibited from
27 calling registered numbers in violation of the TSR. 16 C.F.R.
28 § 310.4(b)(1)(iii)(B). Sellers and telemarketers are also
prohibited from calling any telephone number within a given area

1 code unless the seller first has paid the annual fee for access
2 to the telephone numbers within that area code that are included
3 in the National Do Not Call Registry. 16 C.F.R. § 310.8(a) and
4 (b).

5 53. Consumers who receive telemarketing calls to their
6 registered numbers can complain of Registry violations the same
7 way they registered, through a toll-free telephone call to 1-888-
8 382-1222 or over the Internet at *donotcall.gov*, or by contacting
9 law enforcement authorities.

10 54. On or after October 17, 2003, the FTC began enforcement
11 of the National Do Not Call Registry against sellers and
12 telemarketers subject to the FTC's jurisdiction that had already
13 accessed the Registry and downloaded the telephone numbers not to
14 call.

15 55. On or after December 31, 1995, the TSR prohibits
16 sellers and telemarketers from initiating an outbound telephone
17 call to any person when that person previously has stated that he
18 does not wish to receive an outbound telephone call made by or on
19 behalf of the seller whose goods or services are being offered.
20 16 C.F.R. § 310.4(b)(1)(ii).

21 56. Pursuant to Section 3(c) of the Telemarketing Act, 15
22 U.S.C. § 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C.
23 § 57a(d)(3), a violation of the TSR constitutes an unfair or
24 deceptive act or practice in or affecting commerce, in violation
25 of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

26 57. Defendants are "sellers" or "telemarketers" engaged in
27 "telemarketing," as those terms are defined in the TSR.
28 16 C.F.R. § 310.2(z), (bb), and (cc).

1 58. On or after October 17, 2003, defendants, without
2 authorization or other defense, have telemarketed consumers'
3 telephone numbers that are on the National Do Not Call Registry.

4 59. On or after October 17, 2003, defendants have called,
5 or have caused others to call, telephone numbers in various area
6 codes without first paying the annual fee for access to the
7 telephone numbers within that area code that are included in the
8 National Do Not Call Registry.

9 60. On or after December 31, 1995, defendants have
10 telemarketed consumers who have previously stated that they do
11 not wish to receive calls by or on behalf of the seller.

12 VIOLATIONS OF SECTION 5 OF THE FTC ACT

13 61. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a),
14 prohibits unfair or deceptive acts and practices in or affecting
15 commerce.

16 62. Misrepresentations or omissions of material fact
17 constitute deceptive acts or practices prohibited by Section 5(a)
18 of the FTC Act.

19 COUNT I
20 MISREPRESENTATION THAT DEBT NEGOTIATION PROGRAM
21 WILL REDUCE CONSUMERS' DEBT

22 63. In numerous instances in the course of advertising,
23 marketing, promoting, offering for sale and sale of their debt
24 negotiation services, defendants or their employees or agents
25 have represented, expressly or by implication, that by enrolling
26 in defendants' debt negotiation program, consumers will be able
27 to satisfy most, if not all, of their unsecured debt obligations
28 for a reduced amount within a specified amount of time.

64. In truth and in fact, in numerous instances, after

1 enrolling in defendants' debt negotiation program, consumers are
2 not able to satisfy most, if not all, of their unsecured debt
3 obligations for a reduced amount within a specified amount of
4 time.

5 65. Therefore, defendants' representation as set forth in
6 Paragraph 63 is false and misleading and constitutes a deceptive
7 act or practice in violation of Section 5(a) of the FTC Act, 15
8 U.S. C. § 45(a).

9 COUNT II
10 MISREPRESENTATION THAT DEFENDANTS' DEBT NEGOTIATION PROGRAM
11 WILL STOP CREDITORS' COLLECTION EFFORTS

12 66. In numerous instances, in the course of advertising,
13 marketing, promoting, offering for sale and sale of their debt
14 negotiation services, defendants or their employees or agents
15 have represented, expressly or by implication, that after a
16 consumer enrolls in defendants' debt negotiation program, the
17 consumer's creditors will stop or lessen their debt collection
18 efforts against the consumer.

19 67. In truth and in fact, in numerous instances, after a
20 consumer enrolls in defendants' debt negotiation program, the
21 consumer's creditors do not stop or lessen their debt collection
22 efforts against the consumer.

23 68. Therefore, defendants' representation as set forth in
24 Paragraph 66 is false and misleading and constitutes a deceptive
25 act or practice in violation of Section 5(a) of the FTC Act,
26 15 U.S. C. § 45(a).
27
28

1 collect on his debts, and further, once a judgment has been
2 obtained, the creditors may garnish the consumer's wages; (3) the
3 consumer's creditors may raise the interest rates applicable to
4 his debt; (4) to the extent that defendants are able to obtain a
5 favorable settlement with a consumer's creditor of the consumer's
6 debt, the consumer is required to treat that debt savings as
7 income for purposes of federal and state income taxes; and (5) a
8 debt settled for less than the full amount of the amount owed may
9 result in a negative notation on the consumer's credit report.
10 These facts would be material to consumers.

11 73. Defendants' failure to disclose these facts, in light
12 of the representations made, was, and is, a deceptive practice in
13 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

14 VIOLATIONS OF THE TELEMARKETING SALES RULE

15 74. The TSR prohibits telemarketers and sellers from
16 "making a false or misleading statement to induce any person to
17 pay for goods or services." 16 C.F.R. § 310.3(a)(4).

18 75. Pursuant to Section 3(c) of the Telemarketing Act, 15
19 U.S.C. § 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C.
20 § 57a(d)(3), a violation of the TSR constitutes an unfair or
21 deceptive act or practice in or affecting commerce, in violation
22 of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

23 COUNT V

24 MISREPRESENTATIONS IN VIOLATION OF THE TSR

25 76. In numerous instances, in connection with the
26 telemarketing of debt negotiation services, defendants have made
27 false or misleading statements to induce consumers to enroll in
28 defendants' debt negotiation program, including but not limited
to the following:

1 a. By enrolling in defendants' debt negotiation program,
2 consumers will be able to satisfy most, if not all, of their
3 unsecured debt obligations for a reduced amount within a
4 specified amount of time;

5 b. The consumer's creditors will stop or lessen their debt
6 collection efforts against the consumer; and

7 c. Defendants will obtain favorable debt settlements for a
8 consumer promptly upon the consumer's enrollment in defendants'
9 debt negotiation program.

10 77. Therefore, defendants have violated Section 310.3(a)(4)
11 of the Rule, 16 C.F.R. § 310.3(a)(4).

12 COUNT VI
13 VIOLATIONS RELATING TO THE NATIONAL DO NOT CALL REGISTRY

14 78. In numerous instances, in connection with
15 telemarketing, defendants have engaged in or caused others to
16 engage in initiating an outbound telephone call to a person's
17 telephone number on the National Do Not Call Registry, in
18 violation of the TSR, 16 C.F.R. § 310.4(b)(1)(iii)(B).

19 COUNT VII
20 FAILING TO PAY THE FEE TO ACCESS
21 THE NATIONAL DO NOT CALL REGISTRY

22 79. In numerous instances, in connection with
23 telemarketing, defendants have initiated, or caused others to
24 initiate, an outbound telephone call to a telephone number within
25 a given area code without defendants first paying the required
26 annual fee for access to the telephone numbers within that area
27 code that are included in the National Do Not Call Registry, in
28 violation of the TSR, 16 C.F.R. § 310.8.

29 COUNT VIII
30 IGNORING COMPANY-SPECIFIC DO NOT CALL REQUESTS

80. In numerous instances, in connection with

1 telemarketing, defendants have engaged in or caused others to
2 engage in initiating an outbound telephone call to a person who
3 has previously stated that he does not wish to receive such a
4 call made by or on behalf of the seller whose goods or services
5 are being offered, in violation of the TSR, 16 C.F.R.
6 § 310.4(b)(1)(iii)(A).

7 COMMON ENTERPRISE

8 81. Defendants NCC-AZ, NCC-CA, NCC-NV, LFG, NCDC, Solidium,
9 UCLG, JP Landis, Signature Equities, PC Hailey Trust, Via Lido
10 Trust, M&L Springfield Trust, Haines, Kardos, Ledda, and Warren
11 have operated as a common business enterprise while engaging in
12 the deceptive acts and practices and TSR violations alleged
13 above.

14 GRAMM-LEACH-BLILEY ACT VIOLATION

15 COUNT IX

16 FAILURE TO PROVIDE REQUIRED PRIVACY DISCLOSURES
17 (against LFG, NCC-NV, NCDC, and Solidium)

18 82. Defendants LFG, NCC-NV, NCDC, and Solidium are
19 financial institutions for purposes of the GLB Act and the
20 Privacy Rule, 15 U.S.C. § 6809(3); 16 C.F.R. Part 313.3(k).
21 Pursuant to the GLB Act and the Privacy Rule, LFG, NCC-NV, NCDC,
22 and Solidium were required to provide notices to their customers
23 regarding the collection, disclosure, and protection of nonpublic
24 personal information about their customers.

25 83. Defendants LFG, NCC-NV, NCDC, and Solidium have not
26 sent these required notices to their customers.

27 84. Defendants LFG's, NCC-NV's, NCDC's, and Solidium's
28 failure to provide to their customers constitutes a violation of
Section 503 of the GLB Act, 15 U.S.C. § 6803, and the Privacy

1 Rule, 16 C.F.R. Part 313.

2 CONSUMER INJURY

3 85. Consumers throughout the United States have suffered as
4 a result of defendants' unlawful acts or practices. Absent
5 injunctive relief by this Court, defendants are likely to
6 continue to injure consumers, reap unjust enrichment, and harm
7 the public interest.

8 THIS COURT'S POWER TO GRANT RELIEF

9 86. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b),
10 empowers this Court to grant injunctive and such other relief as
11 the Court may deem appropriate to halt and redress violations of
12 the FTC Act. The Court, in the exercise of its equitable
13 jurisdiction, may award other ancillary relief, including but not
14 limited to, rescission of contracts and restitution, and the
15 disgorgement of ill-gotten gains, to prevent and remedy injury
16 caused by defendants' law violations.

17 87. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section
18 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b), authorize the
19 Court to grant to the FTC such relief as the Court finds
20 necessary to redress injury to consumers or other persons
21 resulting from defendants' violations of the TSR, including the
22 rescission and reformation of contracts and the refund of money.

23 PRAYER FOR RELIEF

24 Wherefore, Plaintiff FTC, pursuant to Sections 13(b) and 19
25 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, Section 6(b) of the
26 Telemarketing Act, 15 U.S.C. § 6105(b), and the Court's own
27 equitable powers, requests that this Court:

28 a. Award plaintiff such preliminary injunctive and

1 ancillary relief as may be necessary to avert the likelihood of
2 consumer injury during the pendency of this action and to
3 preserve the possibility of effective final relief;

4 b. Permanently enjoin defendants from violating the FTC
5 Act and the TSR, as alleged herein;

6 c. Award such equitable relief as the Court finds
7 necessary to redress injury to consumers resulting from
8 defendants' violations of the FTC Act, including but not limited
9 to, rescission of contracts and restitution, and the disgorgement
10 of ill-gotten gains by the defendants;

11 d. Permanently enjoin defendants LFG, NCC-NV, NCDC, and
12 Solidium from violating Section 503 of the GLB Act or the Privacy
13 Rule as alleged herein; and

14 e. Award plaintiff the costs of bringing this action, as
15 well as such other and additional relief as the Court may
16 determine to be just and proper.

17

18 Dated: April 23, 2004

Respectfully submitted,

19 William E. Kovacic
20 General Counsel

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