



For Release: June 11, 2018

Student Loan Debt Relief Scam Operators Agree to Settle FTC Charges

Defendants will turn over \$2.3 million in assets for consumer redress

The operators of a Los Angeles-based student loan debt relief scam have agreed to settle Federal Trade Commission charges that they falsely claimed to be affiliated with the Department of Education, charged consumers illegal upfront fees, and collected monthly fees they falsely claimed would be credited toward consumers' student loans.

The settlement with Student Debt Relief Group is part of a coordinated federal-state law enforcement initiative targeting deceptive student loan debt relief scams announced by the FTC in October 2017, called Operation Game of Loans.

According to the FTC's complaint, individual defendant Salar Tahour and his companies – Los Angeles-based M&T Financial Group and American Counseling Center Corp., doing business as Student Debt Relief Group, SDRG, Student Loan Relief Counselors, SLRC, StuDebt, and Capital Advocates Group – bilked at least \$7.3 million from consumers struggling to repay their student loans.

The FTC alleged the defendants tricked consumers into believing they were affiliated with the Department of Education, deceived consumers into paying up to \$1,000 in illegal upfront fees to enter them into free government programs, and charged consumers monthly fees they claimed would be credited toward their student loans. In reality, the FTC alleged, the defendants pocketed consumers' money and responded to consumer complaints by changing the name of their companies rather than their business practices.

Additionally, the FTC alleged that, to prevent consumers from discovering the scam, the defendants cut consumers off from their loan servicers and the Department of Education by instructing consumers to stop all communication with those entities. The defendants often obtained consumers' Social Security numbers and FSA IDs and hijacked consumers' online student loan accounts. The defendants also routinely placed illegal calls to consumers on the National Do Not Call Registry.

Under the proposed settlement order, the defendants are permanently banned from engaging in any type of debt relief activities and from making misrepresentations or unsubstantiated claims related to financial or any other products or services. They also are prohibited from engaging in illegal telemarketing practices.

The order includes a monetary judgment of \$11,694,347.49 – the estimated consumer injury caused by defendants' deceptive practices. Once the defendants turn over nearly all of their available assets, totaling more than \$2.3 million, the remainder of the judgment would be suspended due to their inability to pay. The full judgment will become due immediately if the defendants are found to have misrepresented their financial condition.

The Commission vote approving the stipulated final order in Student Debt Relief Group was 5-0. The U.S. District Court for the Central District of California entered the order on June 8, 2018.

The Federal Trade Commission works to promote competition, and protect and educate consumers. You can learn more about consumer topics and file a consumer complaint online or by calling 1-877-FTC-HELP (382-4357). Like the FTC on Facebook , follow us on Twitter , read our blogs and subscribe to press releases for the latest FTC news and resources.

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