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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
SANTA ANA

BY _____

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15
16 **UNITED STATES DISTRICT COURT**
17 **CENTRAL DISTRICT OF CALIFORNIA**

18 FEDERAL TRADE COMMISSION,

19 Plaintiff,

20 vs.

21
22 ELEGANT SOLUTIONS, INC., a
23 corporation, also
24 d/b/a Federal Direct Group;
25 TREND CAPITAL LTD., a corporation,
26 also d/b/a Mission Hills Federal;
27 DARK ISLAND INDUSTRIES, INC., a
28 corporation, also d/b/a Federal Direct
Group and f/k/a Cosmopolitan Funding
Inc.;

Civ. No. **SACV19-01333 JVS (KESx)**

**COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER
EQUITABLE RELIEF**

FILED UNDER SEAL

1 HERITAGE ASSET MANAGEMENT,
2 INC., a corporation, also d/b/a National
3 Secure Processing;
4 TRIBUNE MANAGEMENT, INC., a
5 corporation, also d/b/a The Student
6 Loan Group;
7 MAZEN RADWAN, a/k/a Michael
8 Radwan and Mike Radwan, individually
9 and as an officer of Elegant Solutions,
10 Inc., Trend Capital Ltd., Dark Island
11 Industries, Inc., Heritage Asset
12 Management, Inc., and Tribune
13 Management, Inc.;
14 RIMA RADWAN, individually and as
15 an officer of Elegant Solutions, Inc.,
16 Trend Capital Ltd., Dark Island
17 Industries, Inc., Heritage Asset
18 Management, Inc., and Tribune
19 Management, Inc.

Defendants.

20 Plaintiff, the Federal Trade Commission (“FTC”), for its Complaint alleges:

21
22 1. The FTC brings this action under Sections 13(b) and 19 of the Federal
23 Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57(b) and the
24 Telemarketing and Consumer Fraud and Abuse Prevention Act (“Telemarketing
25 Act”), 15 U.S.C. §§ 6101-6108, to obtain temporary, preliminary, and permanent
26 injunctive relief, rescission or reformation of contracts, restitution, the refund of
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1 monies paid, disgorgement of ill-gotten monies, and other equitable relief for
2 Defendants' acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C.
3 § 45(a), and the FTC's Telemarketing Sales Rule ("TSR"), 16 C.F.R. Part 310, in
4 connection with their deceptive marketing and sale of student loan debt relief
5 services.
6

7 JURISDICTION AND VENUE

9 2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§
10 1331, 1337(a), and 1345.
11

12 3. Venue is proper in this District under 28 U.S.C. § 1391(b)(1), (b)(2),
13 (c)(1), (c)(2), and (d), and 15 U.S.C. § 53(b).
14

15 PLAINTIFF

16 4. The FTC is an independent agency of the United States Government
17 created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC
18 Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or
19 affecting commerce. The FTC also enforces the Telemarketing Act, 15 U.S.C. §§
20 6101-6108. Pursuant to the Telemarketing Act, the FTC promulgated and enforces
21 the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive telemarketing
22 acts or practices in or affecting commerce.
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26 5. The FTC is authorized to initiate federal district court proceedings, by
27 its own attorneys, to enjoin violations of the FTC Act and the TSR, and to secure
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1 such equitable relief as may be appropriate in each case, including rescission or
2 reformation of contracts, restitution, the refund of monies paid, and the
3 disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b) and 57(b).
4

5 **DEFENDANTS**

6 **6. Defendant Elegant Solutions, Inc., also d/b/a Federal Direct**
7 **Group (“Elegant Solutions”)**, is a South Dakota corporation formed in May 2016
8 that has listed its principal executive office as 110 E. Center St., Ste. 2053,
9 Madison, SD 57042 in its Articles of Incorporation. Elegant Solutions has also
10 used 300 Spectrum Center Drive #400, Irvine, CA 92618 as its business address in
11 communications with banks and service providers. Elegant Solutions is registered
12 as a foreign corporation in California. Federal Direct Group is registered with the
13 South Dakota Secretary of State as a d/b/a of Elegant Solutions. Elegant Solutions
14 transacts or has transacted business in this District and throughout the United
15 States. At all times material to this Complaint, acting alone or in concert with
16 others, or as part of the common enterprise described in Paragraph 14, Elegant
17 Solutions has advertised, marketed, offered to provide, sold, or provided student
18 loan debt relief services to consumers throughout the United States.
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24 **7. Defendant Trend Capital Ltd., also d/b/a Mission Hills Federal**
25 **(“Trend Capital”)**, is a South Dakota corporation that is registered to do business
26 in California as a foreign corporation and has listed its principal executive office as
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1 110 E. Center St., Ste. 2053, Madison, SD 57042 in its Articles of Incorporation.

2 Trend Capital has used 3 Studebaker, Irvine, CA 92618 as its business address in
3 correspondence with service providers and addresses including 30211 Avenida del
4 las Banderas #200, Rancho Santa Margarita, CA 92688 in bank correspondence.

5 Trend Capital incorporated in South Dakota in June 2016. Mission Hills Federal is
6 registered with the South Dakota Secretary of State as a d/b/a of Trend Capital.
7

8 Trend Capital transacts or has transacted business in this District and throughout
9 the United States. At all times material to this Complaint, acting alone or in
10 concert with others, or as part of the common enterprise described in Paragraph 14,
11 Trend Capital has advertised, marketed, offered to provide, sold, or provided
12 student loan debt relief services to consumers throughout the United States.
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16 **8. Defendant Dark Island Industries, Inc., also d/b/a Federal Direct**
17 **Group and f/k/a Cosmopolitan Funding, Inc. (“Dark Island”)**, is a South
18 Dakota corporation that is registered to do business in California as a foreign
19 corporation. Dark Island has listed its principal executive office as 110 E. Center
20 St., Ste. 2053, Madison, SD 57042 in its Articles of Incorporation. Dark Island has
21 listed 3 Studebaker Irvine, CA 92618 as its business address in public documents.
22
23 Cosmopolitan Funding, Inc., was incorporated in South Dakota in May 2016 and
24 amended to be renamed Dark Island Industries, Inc. in June 2016. Dark Island was
25 separately incorporated in South Dakota in May 2016. Dark Island transacts or has
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1 transacted business in this District and throughout the United States. At all times
2 material to this Complaint, acting alone or in concert with others, or as part of the
3 common enterprise described in Paragraph 14, Dark Island has advertised,
4 marketed, offered to provide, sold, or provided student loan debt relief services to
5 consumers throughout the United States.
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8 **9. Defendant Heritage Asset Management, Inc., also d/b/a National**
9 **Secure Processing (“Heritage”)**, is a South Dakota corporation that is registered
10 to do business in California as a foreign corporation. Heritage has listed its
11 principal executive office as 110 E. Center St., Ste. 2053, Madison, SD 57042 in
12 its Articles of Incorporation. Heritage has also listed 6A Liberty #125, Aliso
13 Viejo, CA 92656 as its business address in public documents. Heritage
14 incorporated in South Dakota in May 2014. National Secure Processing is
15 registered with the South Dakota Secretary of State as a d/b/a of Heritage.
16 Heritage transacts or has transacted business in this District and throughout the
17 United States. At all times material to this Complaint, acting alone or in concert
18 with others, or as part of the common enterprise described in Paragraph 14,
19 Heritage has advertised, marketed, offered to provide, sold, or provided student
20 loan debt relief services to consumers throughout the United States.
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26 **10. Defendant Tribune Management, Inc., also d/b/a The Student**
27 **Loan Group (“Tribune”)**, is a Nevada corporation. Tribune’s Articles of
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1 Incorporation, filed in 2014, identify its registered agent as Corp 95, LLC at 2620
2 Regatta Dr. Suite 102, Las Vegas, Nevada, 89128. Tribune has listed 6A Liberty
3 Ste. 175, Aliso Viejo, CA 92656 as its business address in public documents. The
4 Student Loan Group is registered with the Nevada Secretary of State as a Fictitious
5 Firm Name for Tribune. Tribune filed a Certificate of Dissolution in November
6 2017. Tribune transacts or has transacted business in this District and throughout
7 the United States. At all times material to this Complaint, acting alone or in
8 concert with others, or as part of the common enterprise described in Paragraph 14,
9 Tribune has advertised, marketed, offered to provide, sold, or provided student
10 loan debt relief services to consumers throughout the United States.
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15 **11. Defendant Mazen Radwan** has held himself out as an officer of
16 Elegant Solutions, Trend Capital, Dark Island, Heritage, and Tribune. He has used
17 the name “Michael Radwan” and “Mike Radwan” in bank and service provider
18 documents in connection with the business activities alleged in this Complaint. He
19 has been a signatory on the corporate defendants’ bank and American Express
20 accounts and has served as the customer contact for Defendants’
21 telecommunications and merchant processing agreements. At all times material to
22 this Complaint, acting alone or in concert with others, he has formulated, directed,
23 controlled, had the authority to control, or participated in the acts and practices of
24 the Corporate Defendants, including the acts and practices set forth in this
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1 Complaint. Mazen Radwan resides in this District and, in connection with the
2 matters alleged herein, transacts or has transacted business in this District and
3 throughout the United States.
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5 12. **Defendant Rima Radwan** has held herself out as an officer of
6 Elegant Solutions, Trend Capital, Dark Island, Heritage, and Tribune. She has
7 been a signatory on the Corporate Defendants' bank accounts and has served as the
8 customer contact for Defendants' payroll company. At all times material to this
9 Complaint, acting alone or in concert with others, she has formulated, directed,
10 controlled, had the authority to control, or participated in the acts and practices of
11 the Corporate Defendants, including the acts and practices set forth in this
12 Complaint. Rima Radwan resides in this District and, in connection with the
13 matters alleged herein, transacts or has transacted business in this District and
14 throughout the United States.
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19 13. **Defendant Dean Robbins** has held himself out as an officer of
20 Elegant Solutions, Trend Capital, Dark Island, Heritage, and Tribune. He has been
21 a signatory on the Corporate Defendants' bank and American Express accounts
22 and has served as the customer contact for Defendants' virtual office provider. At
23 all times material to this Complaint, acting alone or in concert with others, he has
24 formulated, directed, controlled, had the authority to control, or participated in the
25 acts and practices of the Corporate Defendants, including the acts and practices set
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1 forth in this Complaint. Dean Robbins resides in this District and, in connection
2 with the matters alleged herein, transacts or has transacted business in this District
3 and throughout the United States.
4

5 **COMMON ENTERPRISE**

6 14. Defendants Elegant Solutions, Trend Capital, Dark Island, Heritage,
7 and Tribune (collectively, "Corporate Defendants") have operated as a common
8 enterprise while engaging in the deceptive acts and practices and other violations
9 of law alleged below. Defendants have conducted the business practices described
10 below through an interrelated network of companies that have common ownership
11 or officers, business functions, employees, office locations, and that commingled
12 funds. Because these Corporate Defendants have operated as a common
13 enterprise, each of them is jointly and severally liable for the acts and practices
14 alleged below. Defendants Mazen Radwan, Rima Radwan, and Dean Robbins
15 have formulated, directed, controlled, had the authority to control, or participated
16 in the acts and practices of the Corporate Defendants that constitute the common
17 enterprise.
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23 **COMMERCE**

24 15. At all times material to this Complaint, Defendants have maintained a
25 substantial course of trade in or affecting commerce, as "commerce" is defined in
26 Section 4 of the FTC Act, 15 U.S.C. § 44.
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2 **DEFENDANTS' DECEPTIVE STUDENT LOAN DEBT**
3 **RELIEF OPERATION**

4 16. Since at least May 2014, Defendants have operated an unlawful debt
5 relief enterprise that preys on consumers with student loan debt. Defendants'
6 scheme has involved promising consumers affordable loan repayment plans,
7 severing consumers' contact with their federal loan servicers, and pocketing the
8 consumers' monthly loan payments.
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11 17. Defendants have lured consumers with telephone calls and emails
12 promising to reduce consumers' monthly student loan payments or loan balances
13 by consolidating their loans or enrolling them in income-based repayment plans.
14 Defendants have promised to service the repayment of consumers' student loans
15 and, in many instances, inform consumers they have already or will "manage" or
16 "take over" the loans. Defendants tell consumers who sign up for Defendants'
17 services to cease making payments to their servicers and, instead, to make monthly
18 loan payments to the Defendants.
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22 18. Defendants have then engaged in a variety of tactics to arrange for
23 consumers' loans to go into forbearance, deferment, or zero dollar monthly
24 payment status where lenders would not expect to receive monthly payments nor
25 contact consumers when payments were not received. In numerous instances,
26 Defendants have required consumers to provide their federal student aid personal
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1 identification numbers (“FSA PINs”), or other personal information, in order to
2 enroll in Defendant’s debt relief program. Defendants have used consumers’ FSA
3 PINs to change the contact information on file with consumers’ federal loan
4 servicers – effectively preventing contact between consumers and their federal loan
5 servicers. 6

7
8 19. Consumers have discovered, sometimes after years of making
9 monthly loan payments to Defendants, that Defendants failed to apply most or any
10 of their payments to their student loans, but rather diverted consumers’ loan
11 payments to themselves. In numerous instances, Defendants also failed to obtain
12 the lower monthly payment amount or loan balance that they promised consumers.
13

14
15 20. In exchange for the promised debt relief services, Defendants have
16 collected hundreds to thousands of dollars per consumer in illegal advance fees.
17 Defendants have collected a total of more than \$23 million from consumers since
18 at least January 2016. Moreover, because Defendants have failed to apply most or
19 any of consumers’ payments to their student loans, many consumers have accrued
20 additional capitalized interest on the balance of their loans. As a result, many
21 consumers have owed more on the balances of their student loans after signing up
22 with Defendants.
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2 **Background on Student Loan Forgiveness and Repayment Programs**

3 21. Student loan debt is the second largest class of consumer debt; more
4
5 than 42 million Americans collectively owe nearly \$1.5 trillion. The student loan
6 market shows elevated levels of distress relative to other types of consumer debt.
7

8 22. To address this mounting level of distressed debt, the Department of
9 Education (“ED”) and state government agencies administer a limited number of
10 student loan forgiveness and discharge programs. Most consumers, however, are
11 not eligible for these programs because of strict eligibility requirements. For
12 example, one program requires the consumer to demonstrate a total and permanent
13 disability; another applies only to consumers whose school closed while the
14 consumer was still enrolled. A third program, the Borrower Defense to Repayment
15 (“BDR”), may provide a loan discharge if the school, through an act or omission,
16 violated state law directly related to the borrower’s federal student loan or to the
17 educational services for which the loan was provided.
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22 23. Other forgiveness programs require working in certain professions for
23 a period of years. Teacher Loan Forgiveness applies to teachers who have worked
24 full-time for five years in a low-income elementary or secondary school or
25 educational service agency. Public Service Loan Forgiveness (“PSLF”) applies to
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1 employees of governmental units or non-profit organizations who make timely
2 monthly payments for a period of ten years while employed in the public sector.

3
4 24. The federal government also offers loan forgiveness through income-
5 driven repayment (“IDR”) programs that enable borrowers to reduce their monthly
6 payments and have portions of their loans forgiven. IDR programs allow eligible
7 borrowers to limit their monthly payments based on a percentage of their
8 discretionary monthly income. To remain in an IDR program, borrowers must
9 recertify their income and family size annually. Obtaining forgiveness through
10 IDR programs requires a minimum of 20 or 25 years of qualifying payments.
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13 25. Because a borrower’s income is likely to fluctuate over the life of the
14 loan, monthly payments under the IDR programs can vary considerably from year
15 to year. If a borrower’s income were to increase over the repayment period, for
16 example, the monthly payment amount could correspondingly increase to the point
17 where those payments would pay off the loan before any amount could be forgiven
18 at the end of the repayment term.
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21 26. Consumers can apply for BDR, PSLF, IDR, and other loan repayment
22 and forgiveness or discharge programs through ED or their student loan servicers
23 at no cost; these programs do not require the assistance of a third-party company or
24 payment of application fees.
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1 27. ED will grant forbearance while processing applications for an
2 alternative repayment plan, and in some cases of hardship. During forbearance,
3 and, under some circumstances, during deferment, unpaid interest is added to the
4 principal balance.
5

6 **Defendants' Deceptive Marketing of Student Loan Debt Relief Services**
7

8 28. To lure consumers into purchasing their purported student loan debt
9 relief services, Defendants make at least three types of deceptive claims: (1)
10 Consumers who purchase Defendants' debt relief services will be enrolled in a
11 repayment plan that will reduce their monthly payments to a lower, specific
12 amount or have their loan balances forgiven in whole or in part; (2) Most or all of
13 consumers' monthly payments to Defendants will be applied toward consumers'
14 student loans; and (3) Defendants will assume responsibility for the servicing of
15 consumers' student loans.
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19 29. Defendants make outbound telemarketing calls to consumers to offer
20 their services and convince student loan borrowers to sign up with the company. In
21 some instances, consumers view the Defendants' websites and call Defendants'
22 telemarketers for more information.
23

24 **Deceptive Representations During Calls**
25

26 30. In telephone calls, Defendants' telemarketers have told numerous
27 consumers that Defendants will obtain a student loan repayment schedule for
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1 consumers with specific monthly loan payment amounts that are significantly
2 lower than what the consumer had been paying. Defendants have typically quoted
3 consumers a monthly payment that is half or less than what consumers were then
4 paying their loan servicers at the time. For example, one consumer who had been
5 paying \$200 per month was told her new monthly payment would be \$50; another
6 consumer who had been paying \$130 per month was told the new payment would
7 be \$61. Defendants have told numerous consumers that they will accomplish this
8 reduced payment by consolidating or refinancing the consumers' loans, enrolling
9 them in a loan forgiveness program, or placing consumers into an income-based
10 repayment program. In some instances, Defendants have told consumers their loan
11 balances will be forgiven after the consumer makes lower monthly payments for a
12 specific period of years, for example, after three, seven, ten, or fifteen years of
13 making loan payments to Defendants.
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19 31. In numerous instances, Defendants have represented in calls and
20 emails to consumers that they will be purchasing, taking over, or handling
21 servicing of consumers' loans. Defendants have instructed consumers that
22 Defendants will handle all loan communications and that consumers should stop
23 payments to their "previous" servicers. For example, some consumers received the
24 following in an email from Defendants shortly after signing up:
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1 During this transition you may receive calls and/or correspondence from
2 your previous servicers, please disregard as we will encounter a short
3 transition period.

4 If you are currently enrolled in any automatic payment withdrawals with
5 your previous lenders, it is recommended that you check to make sure that
6 future drafts will not be processed through your bank.

7 32. In numerous instances, Defendants have represented that consumers
8 will make one to three initial or set-up fee payments, followed by monthly loan
9 payments of another amount. In numerous instances, Defendants have also
10 represented that all or most of the consumers' new, lower payments will be applied
11 to their student loans. For example, one consumer reports Defendants "told me
12 that \$10 of the \$51.67 [monthly payment] would be a management fee, and that the
13 other \$41.67 would go toward repaying my loans."

17 **Enrollment in Defendants' Debt Relief Program**

18 33. Defendants have collected consumers' personal information, FSA
19 PINs, and bank account payment information from consumers interested in
20 Defendants' services.
21

22 34. Shortly thereafter, Defendants have emailed consumers a pre-filled
23 electronic contract with an ACH authorization, which allows Defendants to take
24 automatic debits from consumers' bank accounts, and fine-print disclosures that
25 the consumer is requested to sign electronically. Defendants require consumers to
26 pay for their services via ACH withdrawal.
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1 35. Defendants have typically collected one to three “initial” payments
2 ranging from \$100 to \$500, and then collected ongoing monthly payments in
3 another amount, typically ranging from \$50-\$200. Defendants have collected a
4 total of approximately \$773 to \$7,000 for their debt relief services per consumer,
5 the majority of which consumers believe are going towards paying off their student
6 loan debt, but which are instead going to initial and monthly fees to Defendants.
7

8 36. Defendants are not federal loan servicers and despite their
9 representations to consumers, have not taken over or purchased consumers’ student
10 loans.
11

12 37. In numerous instances, Defendants have failed to obtain the promised
13 lower monthly payments. Rather, Defendants have placed consumers’ student
14 loan accounts into deferment or forbearance or enrolled consumers in a repayment
15 plan with a zero dollar monthly repayment. In numerous instances, Defendants
16 applied for zero dollar payment plans for consumers by providing false income or
17 dependent information to consumers’ servicers.
18

19 38. In numerous instances, Defendants failed to apply the majority, if any,
20 of consumers’ payments to their loans. Many consumers report that Defendants
21 made no payments towards their student loans. Other consumers learned that
22 Defendants had only made one payment to their loans in over a year or several
23 years of participation.
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1 39. In some instances, when consumers confronted Defendants to find out
2 what had happened to the payments that had not been applied to their loans,
3 Defendants informed consumers that their entire payments had been collected as
4 “handling” or “management” fees.
5

6 **Defendants’ Efforts to Perpetuate Their Unlawful Scheme**
7

8 40. Defendants have engaged in additional tactics to string consumers
9 along and prevent consumers from learning of Defendants’ scheme. For example,
10 in numerous instances, Defendants have obtained consumers’ sign-in information
11 and changed consumers’ contact information in their federal loan account files,
12 effectively hindering or entirely preventing consumers’ loan servicers from
13 communicating with consumers.
14
15

16 41. Defendants have used virtual office addresses and commercial
17 corporate registrations to obscure the location and identity of the entities and
18 individuals responsible for their actions. Defendants also informed consumers who
19 had enrolled with National Secure Processing that National Secure Processing had
20 been purchased by Mission Hills Federal and, as a result, that consumers’ accounts
21 were being transferred to Mission Hills Federal. In fact, Mission Hills Federal has
22 been operated by the same individual defendants.
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26 42. In some instances, when consumers have contacted Defendants to
27 cancel their enrollment in Defendants’ program, Defendants have told consumers
28

1 that they could suffer adverse credit consequences if they cancel or that they would
2 be turned over to debt collectors. In many instances, Defendants have refused or
3 ignored requests for refunds by consumers.
4

5 43. Consumers have often ended up owing more on their student loans
6 after signing up for Defendants' services based on interest that accrued while
7 Defendants failed to repay consumers' loans.
8

9 44. Based on the facts and violations of law alleged in this Complaint, the
10 FTC has reason to believe that Defendants are violating or are about to violate laws
11 enforced by the Commission.
12

13 **THE FTC ACT**

14 45. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or
15 deceptive acts or practices in or affecting commerce."
16

17 46. Misrepresentations or deceptive omissions of material fact constitute
18 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.
19

20 **VIOLATIONS OF THE FTC ACT**

21 **Count I**

22 **Deceptive Representations**

23 47. In numerous instances, in connection with the advertising, marketing,
24 promotion, offering for sale, or sale of student loan debt relief services, Defendants
25 have represented, directly or indirectly, expressly or by implication that:
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1 a. Consumers who purchase Defendants' debt relief services will be
2 enrolled in a repayment plan that will reduce their monthly
3 payments to a lower, specific amount or have their loan balances
4 forgiven in whole or in part;

6 b. Most or all of consumers' monthly payments to Defendants will be
7 applied toward consumers' student loans; or

9 c. Defendants will assume responsibility for the servicing of
10 consumers' student loans.
11

12 48. In truth and in fact, in numerous instances in which Defendants have
13 made the representations set forth in Paragraph 47 of this Complaint, such
14 representations were false or not substantiated at the time Defendants made them.
15

16 49. Therefore, Defendants' representations as set forth in Paragraph 47 of
17 this Complaint are false or misleading and constitute deceptive acts or practices in
18 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).
19

20 THE TELEMARKETING SALES RULE

21
22 50. Congress directed the FTC to prescribe rules prohibiting abusive and
23 deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15
24 U.S.C. §§ 6101-6108. The FTC adopted the original TSR in 1995, extensively
25 amended it in 2003, and amended certain provisions thereafter. 16 C.F.R. Part
26 310.
27
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1 51. Defendants are “seller[s]” or “telemarketer[s]” engaged in
2 “telemarketing” as defined by the TSR, 16 C.F.R. § 310.2(dd), (ff), and (gg). A
3 “seller” means any person who, in connection with a telemarketing transaction,
4 provides, offers to provide, or arranges for others to provide goods or services to a
5 customer in exchange for consideration. 16 C.F.R. § 310.2(dd). A “telemarketer”
6 means any person who, in connection with telemarketing, initiates or receives
7 telephone calls to or from a customer or donor. 16 C.F.R. § 310.2(ff).
8
9 “Telemarketing” means a plan, program, or campaign which is conducted to
10 induce the purchase of goods or services or a charitable contribution, by use of one
11 or more telephones and which involves more than one interstate telephone call. 16
12 C.F.R. § 310.2(gg).
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16 52. Defendants are sellers or telemarketers of “debt relief services” as
17 defined by the TSR, 16 C.F.R. § 310.2(o). Under the TSR, a “debt relief service”
18 means any program or service represented, directly or by implication, to
19 renegotiate, settle, or in any way alter the terms of payment or other terms of the
20 debt between a person and one or more unsecured creditors, including, but not
21 limited to, a reduction in the balance, interest rate, or fees owed by a person to an
22 unsecured creditor or debt collector. 16 C.F.R. § 310.2(o).
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1 53. The TSR prohibits sellers and telemarketers from requesting or
2 receiving payment of any fees or consideration for any debt relief service until and
3 unless:
4

5 a. The seller or telemarketer has renegotiated, settled, reduced, or
6 otherwise altered the terms of at least one debt pursuant to a
7 settlement agreement, debt management plan, or other such
8 valid contractual agreement executed by the customer; and
9

10 b. The customer has made at least one payment pursuant to that
11 settlement agreement, debt management plan, or other valid
12 contractual agreement between the customer and the creditor;
13 and
14

15 c. To the extent that debts enrolled in a service are renegotiated,
16 settled, reduced, or otherwise altered individually, the fee or
17 consideration either:
18

19 i. Bears the same proportional relationship to the total fee
20 for renegotiating, settling, reducing, or altering the terms
21 of the entire debt balance as the individual debt amount
22 bears to the entire debt amount. The individual debt
23 amount and the entire debt amount are those owed at the
24 time the debt was enrolled in the service; or
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1 ii. Is a percentage of the amount saved as a result of the
2 renegotiation, settlement, reduction, or alteration. The
3 percentage charged cannot change from one individual
4 debt to another. The amount saved is the difference
5 between the amount owed at the time the debt was
6 enrolled in the service and the amount actually paid to
7 satisfy the debt. 16 C.F.R. § 310.4(a)(5)(i).
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10 54. The TSR prohibits sellers and telemarketers from misrepresenting
11 directly or by implication, any material aspect of any debt relief service, including,
12 but not limited to, the amount of money or the percentage of the debt amount that a
13 customer may save by using the service. 16 C.F.R. § 310.3(a)(2)(x).
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16 55. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. §
17 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of
18 the TSR constitutes an unfair or deceptive act or practice in or affecting commerce,
19 in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).
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1 indirectly, expressly or by implication, material aspects of their debt relief services,
2 including, but not limited to that:

- 3 a. Consumers who purchase Defendants' debt relief services will be
4 enrolled in a repayment plan that will reduce their monthly
5 payments to a lower, specific amount or have their loan balances
6 forgiven in whole or in part;
7
8 b. Most or all of consumers' monthly payments to Defendants will be
9 applied toward consumers' student loans; or
10
11 c. Defendants will assume responsibility for the servicing of
12 consumers' student loans.
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15 59. Defendants' acts and practices, as set forth in Paragraph 58 of this
16 Complaint violate Section 310.3(a)(2)(x) of the TSR, 16 C.F.R. § 310.3(a)(2)(x).

17 **CONSUMER INJURY**
18

19 60. Consumers are suffering, have suffered, and will continue to suffer
20 substantial injury as a result of Defendants' violations of the FTC Act and the TSR.
21 In addition, Defendants have been unjustly enriched as a result of their unlawful
22 acts or practices. Absent injunctive relief by this Court, Defendants are likely to
23 continue to injure consumers, reap unjust enrichment, and harm the public interest.
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THIS COURT’S POWER TO GRANT RELIEF

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61. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations of any provision of law enforced by the FTC. The Court, in the exercise of its equitable jurisdiction, may award ancillary relief, including rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies, to prevent and remedy any violation of any provision of law enforced by the FTC.

62. Section 19 of the FTC Act, 15 U.S.C. § 57(b), Section 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b) and Section 626 of the Omnibus Act authorize this Court to grant such relief as the Court finds necessary to redress injury to consumers resulting from Defendants’ violations of the TSR, including the rescission or reformation of contracts, and the refund of money.

PRAYER FOR RELIEF

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

A. Award Plaintiff such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including a

1 temporary and preliminary injunction, asset freeze, appointment of a receiver, an
2 evidence preservation order, and expedited discovery;

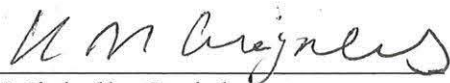
3 B. Enter a permanent injunction to prevent future violations of the FTC
4 Act and the TSR by Defendants;

5 C. Award such relief as the Court finds necessary to redress injury to
6 consumers resulting from Defendants' violations of the FTC Act and the TSR,
7 including rescission or reformation of contracts, restitution, the refund of monies
8 paid, and the disgorgement of ill-gotten monies; and
9

10 D. Award Plaintiff the costs of bringing this action, as well as such other
11 and additional relief as the Court may determine to be just and proper.
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16 Dated: July 8, 2019
17

18
19 Respectfully submitted,
20 ALDEN F. ABBOTT
21 General Counsel

22 
23 K. Michelle Grajales
24 Samuel Jacobson
25 Attorneys for Plaintiff
26 FEDERAL TRADE COMMISSION
27
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