



**Federal Trade
Commission**
Protecting America's

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FTC: Bogus "Nonprofit" Debt Negotiation Companies Misled Consumers in Financial Trouble and Violated Do Not Call Registry

The Federal Trade Commission has filed a complaint against a group of defendants masquerading as a nonprofit debt negotiation organization that has made millions of dollars deceiving consumers into enrolling in their debt negotiation program by promising to reduce their debts. The FTC alleges that National Consumer Council's (NCC) business practices violate the FTC Act, which bars deceptive practices, and have harmed consumers throughout the country. The FTC also charges that the defendants violated the Telemarketing Sales Rule (TSR) by calling consumers who placed their phone numbers on the National Do Not Call Registry. At the FTC's request, a U.S. district court judge has issued a temporary restraining order barring the defendants' illegal activities.

"These defendants demonstrate contempt for consumer privacy and the law," said FTC Chairman Timothy J. Muris. "The National Do Not Call Registry empowers American consumers to control the volume of calls they receive at home. We're pleased that the overwhelming majority of legitimate companies are complying with the Do Not Call Registry. Nonetheless, we will continue to pursue those that ignore consumers' wishes not to be called."

The FTC alleges that the defendants, operating a complex web of companies advertised as National Consumer Council, leave pre-recorded messages on consumers' home answering machines claiming NCC is a nonprofit organization that will stop creditors' collection efforts and significantly reduce consumers' debt. Consumers responding to these solicitations allegedly are encouraged to enroll in a debt negotiation program. In reality, the FTC contends, the defendants' "program" is, in many cases, ineffective in reducing consumers' debt and has inflicted severe harm on consumers. According to papers filed with the court, the defendants' program worsened the financial situation of many consumers so that they had little choice but to file for bankruptcy.

According to the FTC, the defendants fail to tell consumers that in the debt negotiation program, defendants often will not begin negotiating a consumer's debts for six months or longer, and that creditors' collection efforts not only do not stop, but often become more aggressive. The FTC also alleges that the defendants fail to disclose other negative consequences, including that: a) consumers' accounts will become delinquent; b) late fees, penalties, and interest may accrue on their debt; c) consumers' creditors may sue to collect on debts, and if a judgment is obtained, may garnish consumers' wages; d) creditors may raise the interest rates applicable to accounts because no one is making minimum monthly payments on the accounts; e) in those instances where defendants negotiate a reduced debt amount, consumers may be liable for federal and state taxes on the amount their debt is reduced; and f) in those instances when defendants negotiate a reduced debt amount, a negative "settled for less than full amount" notation may appear on their credit reports.

The FTC further alleges that the defendants take hundreds of dollars from consumers' monthly payments as fees, which they do not always disclose, and that consumers' monthly payments will not be applied to their trust accounts until these fees are paid in full. As a consequence, many consumers are shocked to see that after making hundreds of dollars in monthly payments to defendants, their debts actually have increased.

"NCC was calling people they shouldn't have been calling, and claiming things they shouldn't have been claiming," said Howard Beales, Director of the FTC's Bureau of Consumer Protection. "These defendants lied about their nonprofit status, and intentionally put consumers in harm's way financially. Stopping this kind of illegal activity is what the FTC is all about."

According to the FTC, the defendants also violated the TSR by calling consumers who have registered their telephone numbers on the National Do Not Call Registry and by continuing to call consumers who previously have stated that they do not wish to receive calls from the defendants. The FTC also alleges that the defendants have called phone numbers in area codes throughout the country without first paying the access fee for the Registry and without removing from their call lists those phone numbers that appear on the Registry. This is the FTC's first case alleging violations involving the Do Not Call Registry.

The Do Not Call Registry was launched on June 27, 2003, and currently contains nearly 60 million phone numbers. The FTC staff had predicted that the Registry would reach 60 million registrations in June 2004.

Finally, the FTC's complaint alleges that four corporate defendants, London Financial Group; National Consumer Council, a Nevada corporation; National Consumer Debt Council, LLC; and Solidium, LLC, violated the Gramm-Leach-Bliley Act by failing to provide consumers with required written privacy notices.

The FTC received invaluable assistance on this case from the California Department of Corporations and the Better Business Bureau of the Southland.

The agency's complaint names as defendants 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 d/b/a Solidium Credit Recovery Services; United Consumers Law Group; 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. On May 3, 2004, a U.S. district court judge issued a temporary restraining order that imposed an asset freeze on all but one corporate defendant, United Consumers Law Group, and appointed a temporary receiver as to all but defendant United Consumers Law Group and the six

individual defendants.

The Commission vote to authorize staff to file the complaint was 5-0.

The FTC recently established a hotline to provide consumers with the most current information on this case. Consumers may call 202-326-3435.

NOTE: The Commission files 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 complaint is not a finding or ruling that the defendant has actually violated the law. The case will be decided by the court.

Copies of the Commission's complaint are available from the FTC's Web site at <http://www.ftc.gov> and also 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 in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint, or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1 877-382-4357), or use the complaint form at <http://www.ftc.gov>. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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Related Documents:

Federal Trade Commission v. 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 Zvansky; Martha K. Levitsky a/k/a Martha E. Kerchen; Mary Beth Harper a/k/a Mary Beth Scholz (United States District Court Central District of California, Western Division) Case No. SACV 04-0474 CJC (JWJx)

- [Complaint for Permanent Injunction and Other Equitable Relief \[PDF 1M\]](#)

Consumer Information:

- [Building a Better Credit Record](#)
- [Fiscal Fitness: Choosing a Credit Counselor](#)
- [Knee Deep in Debt](#)
- [Are You Getting Telemarketing Calls You Don't Want? Here's How to Stop Them](#)

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