FEDERAL TRADE COMMISSION
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Debt-Negotiation Defendants Agree to Settle FTC Charges in Nationwide Operation that Led Many Into Financial Ruin

Four debt-negotiation companies have agreed to settle Federal Trade Commission charges that they violated federal law by falsely claiming they could reduce consumers' debt by up to 60 percent, leading many people into financial ruin and bankruptcy. The proposed settlements bar them from engaging in further violations of the Federal Trade Commission Act.

The settling defendants were among three individuals and seven companies charged by the FTC with deceptive and unfair practices in violation of the FTC Act (see press releases dated September 21, 2006 and December 5, 2006). All of the defendants in the nationwide operation were charged with misrepresenting how much they could reduce consumers' debt, and not adequately disclosing the likelihood that consumers would be sued if they took the defendants' advice and stopped paying creditors. The FTC also charged the defendants with not disclosing that consumers' account balances would grow from interest, interest rate increases, late fees, and other charges; and falsely advising consumers that negative information that appeared on their credit report as a result of participating in the defendants' program would be removed upon completion of the program.

A court-appointed receiver closed the businesses. The proposed settlement announced today resolves litigation with the remaining defendants in the case, National Support Services LLC, Homeland Financial Services LLC, Financial Liberty Services LLC, and United Debt Recovery LLC. The settlement bars them from falsely representing that enrolling in a debt-negotiation program is likely to enable consumers to pay off their credit-card or other unsecured debts for a substantially reduced amount; that consumers' creditors are likely to negotiate settlements under which they will accept substantially less than the amount owed; that debt negotiators can negotiate better settlements with creditors than consumers can negotiate themselves; or that debt negotiators have an established relationship with creditors that gives them an advantage in negotiating favorable settlements.

The defendants also are barred from falsely representing that negative information that appears on a consumer's credit report as a result of participating in a debt-negotiation program will be removed upon completion of the program; that any such negative effect on a credit rating, credit score or credit report is likely to be minimal or short-term; that creditors are unlikely to sue consumers who participate in a debt-negotiation program or otherwise fail to make minimum monthly debt payments; or that participating in a debt-negotiation program is likely to end most or all harassment or contact from creditors.

The defendants also are barred from falsely representing that creditors will not contact the consumer after a consumer notifies them to stop; that consumers who participate in a debt-negotiation program do not need to worry about balances on their credit accounts increasing while they are in the program; or that any defendant or any other person will begin negotiating

with all of a consumer's creditors immediately upon enrolling in a debt-negotiation program; or misrepresenting any other fact material to a consumer's decision to participate in a debt-negotiation, debt-reduction, or debt-management program, or to buy any good or service.

In addition, they are barred from failing to disclose, clearly and conspicuously, before purchase, all information material to a consumer's decision to buy any debt-negotiation services or credit-related products, programs, or services, including the possibility that, if consumers stop paying creditors, one or more creditors may sue the consumer; the fact that federal law prohibits creditors from misrepresenting a consumer's payment history to credit reporting agencies and that creditors can report accurate negative information such as delinquencies and charge-offs for seven years; and that when consumers stop paying creditors, their credit account balances will increase due to interest, interest rate increases, and late fees and other charges.

The settlement announced today requires the defendants to pay funds held by the receiver and contains record-keeping provisions to allow the FTC to monitor compliance with its order. The Commission vote to authorize staff to file the stipulated final order was 4-0. The order was filed in the U.S. District Court for the Central District of California, Southern Division.

In two related settlements reached in September 2007, the two men who founded and controlled the four companies paid judgments totaling $110,000. Dennis Connelly, who paid $45,000, was banned from telemarketing, and Richard Wade Torkelson paid $65,000 (see stipulated final orders in Related Documents).

NOTE: These stipulated final orders are for settlement purposes only and do not constitute an admission by the defendant of a law violation. A stipulated final order requires approval by the court and has the force of law when signed by the judge.

The Federal Trade Commission works for consumers to prevent fraudulent, deceptive, and unfair business practices and to provide information to help spot, stop, and avoid them. To file a complaint in English or Spanish, visit the FTC's online Complaint Assistant or call 1-877-FTC-HELP (1-877-382-4357). The FTC enters complaints into Consumer Sentinel, a secure, online database available to more than 1,500 civil and criminal law enforcement agencies in the U.S. and abroad. The FTC's Web site provides free information on a variety of consumer topics.

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