

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
Baltimore Division

Consumer Financial Protection Bureau,

Plaintiff,

v.

Federal Debt Assistance Association, LLC
11615 Crossroads Circle, Suite M
Baltimore, Maryland 21220
(Baltimore County),

Financial Document Assistance
Administration, Inc.
11615 Crossroads Circle, Suite M
Baltimore, Maryland 21220
(Baltimore County),

Clear Solutions, Inc.
11615 Crossroads Circle, Suite M
Baltimore, Maryland 21220
(Baltimore County),

Robert Pantoulis
9904 Harford Road
Parkville, Maryland 21234
(Baltimore County),

David Piccione
1825 Ellinwood Road
Baltimore, Maryland 21237
(Baltimore County),

and

Vincent Piccione
1825 Ellinwood Road
Baltimore, Maryland 21237
(Baltimore County),

Defendants.

Complaint for a Civil Case

Case No.

The Consumer Financial Protection Bureau (Bureau) brings this action under the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531(a), 5536(a), 5564 & 5565, and the Telemarketing Sales Rule (TSR), 16 C.F.R. pt. 310, which implements the Telemarketing and Consumer Fraud and Abuse Prevention Act, 15 U.S.C §§ 6101-6108. The Bureau alleges as follows.

INTRODUCTION

1. Targeting financially vulnerable consumers, Defendants promised to eliminate consumers' unsecured debts and improve their credit scores, primarily by using the debt-verification process set forth in the Fair Debt Collection Practices Act (FDCPA). But Defendants' so-called "debt validation" programs were merely debt-management programs that misled consumers about the results that could be achieved under the FDCPA's debt-verification process. Accompanied by false claims of government affiliation, Defendants promised that they would eliminate consumers' debts and improve their credit scores in exchange for thousands of dollars in advance fees. Defendants encouraged consumers to pay these fees by maxing out their credit cards. In the end, Defendants' programs increased consumers' debts, hurt their credit scores, and, in some instances, exposed them to creditors' lawsuits.

JURISDICTION AND VENUE

2. This Court has subject-matter jurisdiction over this action because it is brought under "Federal consumer financial law," 12 U.S.C. § 5565(a)(1), presents a federal question, 28 U.S.C. § 1331, and is brought by an agency of the United States, 28 U.S.C. § 1345.

3. Venue is proper in this district because Defendants are located, reside, and do business in this district. 12 U.S.C. § 5564(f).

THE PARTIES

4. The Bureau is an independent agency of the United States charged with regulating the offering and provision of consumer-financial products and services under “Federal consumer financial law,” including the CFPA and the TSR. 12 U.S.C. §§ 5481(14), 5491(a), 5511, 5531(a); 15 U.S.C. § 6105(d). The Bureau has independent litigating authority to enforce these laws. 12 U.S.C. § 5564(a), (b); 15 U.S.C. § 6105(d).

5. Defendant Federal Debt Assistance Association, LLC (Federal Debt) is a Maryland corporation headquartered at 11615 Crossroads Circle, Suite M, Baltimore, MD 21220. Incorporated on or about January 14, 2016, Federal Debt provides, or purports to provide, advice and assistance to consumers to eliminate all or a portion of their unsecured debts and improve their credit scores. These services are “financial advisory services” provided to consumers primarily for personal, family, or household purposes, including to assist consumers with debt management, and they are consumer-financial products or services under the CFPA. 12 U.S.C. § 5481(5), (15)(A)(viii)(II). Federal Debt is, therefore, a “covered person” under the CFPA. 12 U.S.C. § 5481(6). Federal Debt also is a “seller” and “telemarketer” engaged in “telemarketing” and the provision of “debt relief service[s]” under the TSR. 16 C.F.R. § 310.2(o), (dd), (ff), (gg).

6. Defendant Financial Document Assistance Administration, Inc. (Financial Document) is a Maryland corporation headquartered at 11615 Crossroads Circle, Suite M, Baltimore, MD 21220. Incorporated on or about February 23, 2017, Financial Document provides, or purports to provide, advice and assistance to consumers to eliminate all or a portion of their unsecured debts and improve their credit scores. These services are “financial advisory services” provided to consumers primarily for personal, family, or household purposes, including to assist consumers with debt management, and they are consumer-financial products or services under the CFPA. 12 U.S.C.

§ 5481(5), (15)(A)(viii)(II). Financial Document is, therefore, a “covered person” under the CFPA. 12 U.S.C. § 5481(6). Federal Document also is a “seller” and “telemarketer” engaged in “telemarketing” and the provision of “debt relief service[s]” under the TSR. 16 C.F.R. § 310.2(o), (dd), (ff), (gg).

7. While Federal Debt and Financial Document remain distinct active entities, for all practical purposes, Federal Debt started to operate as Financial Document in early 2017.

8. Defendant Clear Solutions, Inc. (Clear Solutions) is a Maryland corporation headquartered at 11615 Crossroads Circle, Suite M, Baltimore, MD 21220. Incorporated on or about March 28, 2014, Clear Solutions is under the common control of the same principals who own and control Federal Debt and Financial Document. Clear Solutions is therefore an “affiliate” of both Federal Debt and Financial Document. 12 U.S.C. § 5481(1). Additionally, because Clear Solutions processed consumer payments for and provided other services, such as maintaining bank accounts, to Federal Debt and Financial Document, Clear Solutions is a “service provider” under the CFPA. 12 U.S.C. § 5481(26), thereby making it a “covered person” under the CFPA. 12 U.S.C. § 5481(6)(B).

9. Defendant Vincent Piccione is or was an owner of Federal Debt, Financial Document, and Clear Solutions, either in his individual capacity or as the sole owner of the holding company Zeus Holding, LLC. At all material times, Vincent Piccione managed, formulated, directed, designed, controlled or had the authority to control, and materially participated in the conduct of the affairs of Federal Debt and Financial Document. He was the president of Federal Debt and Financial Document and was charged with managerial responsibility for the companies. He also developed their marketing materials, oversaw their marketing activities, identified consumers to solicit,

and exercised final decision-making authority over Federal Debt and Financial Document. Vincent Piccione is therefore a “related person” under the CFPA and a “covered person” under the CFPA. 12 U.S.C. § 5481(25)(B) & (C)(i)-(ii).

10. Defendant David Piccione is or was an owner of Federal Debt, Financial Document, and Clear Solutions until about June 2017, either in his individual capacity or as the sole owner of the holding company Federal Debt Relief, LLC. At all material times before about June 28, 2017, David Piccione managed, formulated, directed, designed, controlled or had the authority to control, and materially participated in the conduct of the affairs of Federal Debt and Financial Document. David Piccione was the telemarketing-sales floor manager of Federal Debt and Financial Document and was charged with managerial responsibility for the companies’ telemarketing sales. He also ensured that their personnel followed telemarketing-sales scripts, and he participated in the development of the companies’ marketing materials. David Piccione is therefore a “related person” under the CFPA and a “covered person” under the CFPA. 12 U.S.C. § 5481(25)(B) & (C)(i)-(ii).

11. Defendant Robert Pantoulis is or was an owner of Federal Debt, Financial Document, and Clear Solutions, either in his individual capacity or as the sole owner of the holding company Nickobob, LLC. At all material times, Robert Pantoulis managed, formulated, directed, designed, controlled or had the authority to control, and materially participated in the conduct of the affairs of Federal Debt and Financial Document. He was the director of client services of Federal Debt and Financial Document with managerial responsibility for their debt-management programs. Robert Pantoulis is therefore a “related person” under the CFPA and a “covered person” under the CFPA. 12 U.S.C. § 5481(25)(C)(i)-(ii).

12. Federal Debt, Financial Document, and Clear Solutions operate and have operated as a common enterprise while engaging in the unlawful acts and practices alleged herein. Federal Debt and Financial Document conducted the business practices described below as interrelated companies that have common ownership, officers, managers, employees, office location, and mailing addresses. Clear Solutions is integral to the operation of Federal Debt and Financial Document, was advertised as Federal Debt's and Financial Document's parent company, and, on information and belief, Clear Solutions conducted business only with Federal Debt and Financial Document. The three companies share common ownership and officers as well as an office location and mailing address. Because Federal Debt, Financial Document, and Clear Solutions have operated as a common enterprise, each of them is jointly and severally liable for the acts and practices alleged below. Individual Defendants David Piccione, Vincent Piccione, and Robert Pantoulis formulated, directed, designed, controlled, had the authority to control, and materially participated in the acts and practices of the corporate Defendants that constitute the common enterprise.

FACTS

Defendants' Debt-Relief Services

13. Since about January 14, 2016, Federal Debt and Financial Document have marketed themselves as debt-management companies, offering debt-relief and credit-repair services under the guise of providing so-called debt-validation services. Federal Debt and Financial Document have each operated under the name FDAA.

14. Federal Debt and Financial Document have claimed, through their so-called debt-validation programs, that they ensure that consumers receive a portion of the fines and restitution the Bureau obtains in enforcement actions against banks and credit-card issuers in the form of credit-card-debt reduction. Federal Debt and Financial

Document, however, do not have and never have had any involvement in providing relief or restitution that was obtained by the Bureau for consumers.

15. Touting their programs as being approved by the Federal Trade Commission (FTC), Federal Debt and Financial Document told consumers that they and their agents “are authorized to review, consult, and prepare consumer protection documents on your behalf.” Federal Debt and Financial Document are not and never have been affiliated with, endorsed by, or sponsored by the Bureau or the FTC to provide any relief to consumers, including reducing credit-card debt.

16. Federal Debt and Financial Document have claimed that their debt-management programs were the most beneficial debt-relief options available because they would reduce consumers’ principal debts by “at least 60%” and improve consumers’ credit scores within the first year.

17. In exchange for an upfront fee of about \$12,000 or installment payments totaling as much as \$19,000, Federal Debt and Financial Document claimed they would achieve a 60% reduction in principal debt and improve credit scores through the following process:

- a. Federal Debt or Financial Document would instruct all consumers to stop making payments on the debts they enrolled in the program.
- b. When a third-party collector or service provider would contact a consumer about an enrolled debt, Federal Debt or Financial Document would respond on the consumer’s behalf with a “Notice and Demand for Verification of Debt” (NDVD).
- c. The NDVD was not tailored to the consumer’s dispute or to the facts surrounding the consumer’s debt; rather, the same boilerplate NDVD

was sent to any third-party collector or service provider that contacted an enrolled consumer.

- d. If, within 30 days, the debt collector or service provider failed to answer all of the questions or failed to submit all of the requested documents in the NDVD, Federal Debt or Financial Document would send the debt collector or service provider a “Notice of Insufficient Response” (NOI) stating that they had not complied with the NDVD.
- e. If Federal Debt or Financial Document did not receive what it considered to be a sufficient response by the 15th day after sending the NOI, it would deem the debt invalid and produce a “commercial record” stating that the debt balance had been reduced to zero.
- f. Federal Debt or Financial Document would then offer consumers “credit restoration as part of the program” that purported to improve consumers’ credit scores.

**Defendants’ Marketing and Advertising
of Their Debt-Relief and Credit-Repair Services**

18. Federal Debt and Financial Document purchased consumer information from national list brokers, selecting consumers who were using at least 85% of the available credit on their credit cards, with at least \$30,000 in debt on those cards, and who were current but had a recent delinquency. Federal Debt and Financial Document focused on individuals who were in financial distress.

19. Federal Debt and Financial Document primarily relied on callbacks from direct mailers, voicemail drops, and avatar calls to attract consumers.

20. Voicemail drops are prerecorded messages directed to consumers' cell-phone voicemails that may not cause the cell phone to ring before delivering the prerecorded voicemail.

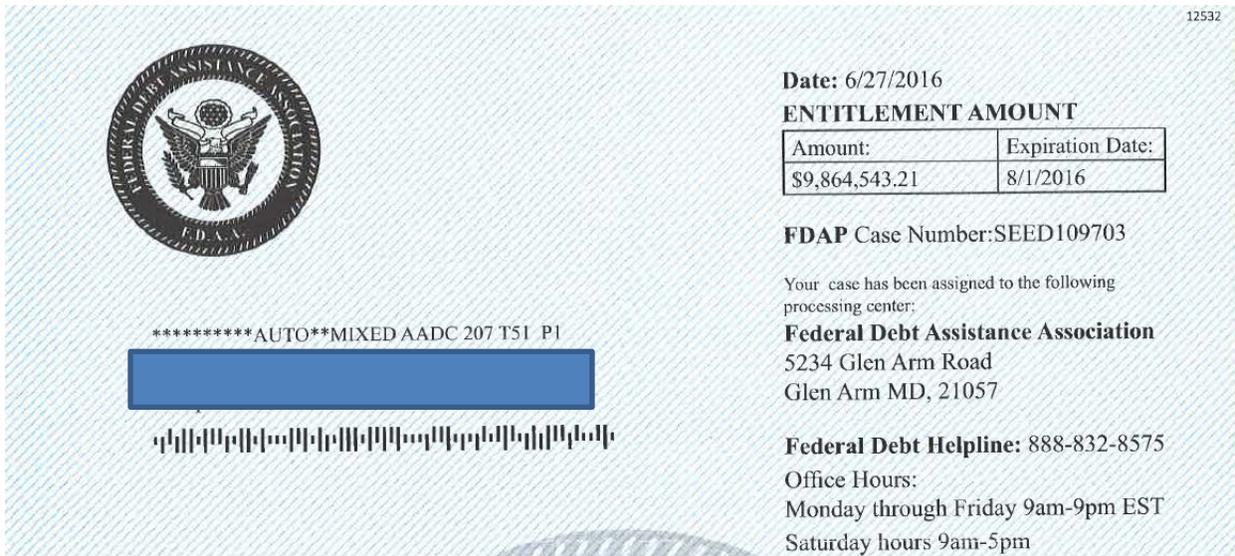
21. Avatar calls are calls made to consumers' phones that play a prerecorded message when consumers answer. Federal Debt's and Financial Document's prerecorded message advised consumers to press 1 to speak with a "Federal Debt Specialist."

22. Federal Debt's and Financial Document's voicemail drops and avatar calls stated that the consumer had credit cards involved in "class-action lawsuits" in which settlements of over \$200 billion in fines and restitution had been reached. To verify the consumer's eligibility to receive a portion of the fines and restitution or a reduction of his or her credit-card debt, the consumer was instructed to contact Federal Debt or Financial Document.

23. Federal Debt's and Financial Document's direct mailers were designed to look like an official government notice.

24. Specifically, the direct mailer referred to itself as a "regulatory notification," listed an "entitlement amount," and assigned the consumer a "case number."

25. While aspects of the direct mailers changed over time (e.g., the name changed from Federal Debt to Financial Document, the mailing address changed, and typographical errors were fixed), the design and substance of the direct mailer did not change throughout the relevant period. Below is a representation of the configuration of the top portion of the direct mailer.



26. The body of the direct mailer stated, among other things, “[s]ince the CFPB[’s] creation Bank of America, Citibank, JP Morgan Chase, Capital One Financial, American Express, Discover Financial Services and other financial institutions have been charged fine[s] and restitution to consumers of over \$200 billion dollars for financial malfeasance and credit card misconduct,” and that “[b]ased on these relevant findings within the regulatory provisions the FDAA has established” its program. Federal Debt’s direct mailer referred to its program as “the Federal Debt Assistance Program herein with referred to as FDAP,” and Financial Document’s direct mailer referred to its program as “the Financial Document Assistance Program herein with referred to as FDAP.”

27. The direct mailer also advised the recipient that Federal Debt or Financial Document “has reviewed your credit card records and determined you may be entitled to reduce your credit card debt of [amount of debt] to the amount of [about 40% of the amount of debt]. You have been issued an FDAP case number located in the upper right of this regulatory notification. To register for FDAP call 877-777-7845 and receive your [about 60% of the amount of debt] dollars in credit card reduction.”

28. The seal used on the companies' letterheads and as the watermark on their direct mailers (images on the left below) shared several similarities with the Great Seal of the United States (image on the right below). Both display:

- a. an eagle in the center of the seal holding a ribbon in its mouth and an olive branch and arrows in its talons;
- b. a shield in the center of the eagle with a solid color band above 13 vertical stripes; and
- c. a constellation of 13 stars above the eagle's head.



29. Federal Debt's and Financial Document's direct mailer was sent in an orange envelope that included the seal described above and a Washington D.C. return address, although Federal Debt and Financial Document only operated from Maryland addresses. The envelope also was labeled with an official-looking "WARNING," complete with a citation to the United States Code, threatening a fine or imprisonment for tampering with the letter.

30. The following is an example of the envelope used by Federal Debt and Financial Document to solicit consumers:



Defendants' Misrepresentations about Debt Elimination and Credit Repair

31. Consumers who contacted Federal Debt and Financial Document spoke with a self-proclaimed “federal debt specialist” or “debt specialist.”

32. When speaking to consumers, Federal Debt and Financial Document required their personnel to follow scripts to market services, answer consumers’ questions, and enroll consumers in the debt-management program.

33. Federal Debt and Financial Document ensured that telemarketing personnel were, in fact, following the scripts through quality-control measures, thereby maintaining control over their telemarketers’ interactions with consumers.

34. Telemarketing scripts directed personnel to begin the first call with each consumer by describing actions brought by the Bureau against banks and credit-card issuers.

35. Telemarketing scripts stated, “Now, today I will be going over how the program works and what we do specifically to ensure that you receive a portion of these fines and restitution that these banks are forfeiting, in the form of credit card reduction. We do so by using the Debt Validation program. Debt Validation is an FTC approved

process and our organization and our agents are authorized to review, consult, and prepare consumer protection documents on your behalf.”

36. If a consumer asked, “Is this a government program?” telemarketing scripts directed personnel to respond, “Regulations outlined in the 2009 Credit Card Act and 2010 Dodd Frank Consumer Protection Act allowed for the creation of the Federal Debt Assistance Association.”

37. Telemarketing scripts directed personnel to claim that the offered program was “more beneficial than the other relief programs that exist” because it would reduce consumers’ principal-debt balances “by at least 60%.”

38. Telemarketing scripts directed personnel to claim that the Federal Debt or Financial Document debt-management programs would only take one to two years and would leave the consumer with an improved credit score “potentially allowing you to receive the best rates on the market.”

39. Federal Debt and Financial Document personnel would then gather the consumer’s personal information in order to obtain a copy of the consumer’s credit report and, with the consumer, go through each account on the report to verify the account information.

40. Among the information that Federal Debt and Financial Document personnel verified was whether the consumer’s debts were credit-card debts, the current balances on the accounts, the interest rates on the accounts, and the monthly payments.

41. Based on the account information, Federal Debt and Financial Document personnel would select which unsecured debts, typically credit-card debts, to enroll in the debt-management program.

42. After obtaining all of the required account information, Federal Debt and Financial Document personnel explained how the debt-management program would

work and instructed the consumer that the first step was to “voluntarily stop making payments.”

43. If the consumer asked why he or she should “stop making payments,” Federal Debt and Financial Document scripts directed personnel to respond that “you discontinuing monthly payments is the first step in disputing the validity of the debt. Quite frankly this is what the banks are looking for. Let me give you a little insight on the bank[']s position. Once[] you voluntarily cease making payments to the creditor, they will be able to recoup the remaining balance on every account you enroll in our program. This is done by filing a Lender’s Risk policy claim. Th[is] is an insurance policy that the bank has on every single credit card account [that] allows them to recoup the total amount on the defaulted balance. Next, the bank charges off the account allowing them to write it off on their taxes. Customer Name, the banks are [not] done yet they continue to profit by selling off the account to a third party debt collection company. These immediate gains are astronomical. So, Customer Name, I am sure you can understand now why from a benefit analysis it really makes no sense for the bank to validate the debt.”

44. Federal Debt and Financial Document scripts directed personnel to explain that they must wait until “the debt is sold off to a debt collector or another 3rd party servicer” to send the NDVD, and to inform consumers that if in the collector’s response to the NDVD, “one question or document is missing, then at that point the creditor/debt collector is in violation of the law.”

45. Federal Debt and Financial Document scripts directed personnel to advise consumers about the purported legal basis of the debt-management programs when the debt collector or service provider did not respond to the NDVD to Federal Debt’s or Financial Document’s satisfaction.

46. Specifically, scripts stated, “The law specifically states SILENCE IS AQUIESCENCE which means essentially they are indirectly acknowledging violations have been committed. At this point the debt becomes invalid, uncollectable, and in conclusion the debt must be expunged from your credit report.”

47. Federal Debt and Financial Document scripts further directed personnel to state that after the debt collector or service provider failed to respond to their satisfaction, “By law they are legally responsible to report to all 3 credit bureau[s] leaving no negative reflections on your credit report.”

48. In response to a consumer asking about establishing new lines of credit, Federal Debt and Financial Document scripts directed personnel to respond, “we offer credit restoration as part of the program . . . which will assist in increasing your credit score well beyond where it was when you started this program.”

49. In response to a consumer asking whether the bank could sue the consumer after the debt is deemed by Federal Debt or Financial Document to be invalid, scripts directed personnel to respond, “No, once the debt has been proven invalid we produce a commercial record indicating the balances have been reduced to zero, and based upon this record it is removed in its entirety from your credit report.”

50. At no point before enrollment did Federal Debt or Financial Document advise consumers that they could be subject to lawsuits or incur additional fees or interest as a result of ceasing to make payments on their debts.

51. At no point before enrollment did Federal Debt or Financial Document advise consumers that their programs would not eliminate debt as a matter of law.

52. At no point before enrollment did Federal Debt or Financial Document inform consumers that for debt collectors subject to the FDCPA, where the debt has

been timely disputed, the debt collector must “cease collection of the debt” only until the debt collector obtains verification of the debt. 15 U.S.C. § 1692g(b).

53. At no point did Federal Debt or Financial Document provide their credit-restoration programs to consumers.

Defendants’ Enrollment Process and Advance-Fee Collection

54. Federal Debt and Financial Document required consumers to pay a fee of about \$12,000 to enroll in their programs, which they required consumers to pay as an upfront fee or through an installment plan.

55. If a consumer was unable to pay the entire \$12,000 at enrollment, Federal Debt and Financial Document offered payment plans that included a down payment and monthly installments until the entire cost of the program was paid; such installment plans could total as much as \$19,000.

56. Federal Debt and Financial Document encouraged potential customers to make the largest down payment possible.

57. From about April 1, 2016, to February 14, 2017, the companies’ scripts instructed personnel to state, “I can see that you have _____ available on _____ card and _____ available on _____ card. My suggestion is to make the largest down payment possible because we are enrolling these credit cards into the program and you are voluntarily ceasing making payments as of today on these cards. So in essence there is no out of pocket expense. And of course that will shorten your term of monthly payments.”

58. If there was an outstanding balance after the down payment, Federal Debt and Financial Document offered consumers the ability to automatically debit monthly payments from the consumer’s checking or savings account until the balance was paid.

59. Before Federal Debt and Financial Document performed any work or prepared any letters on the consumer's behalf, they required both a down payment and a signed contract from the consumer.

60. Federal Debt and Financial Document have requested and received millions of dollars from hundreds of consumers seeking debt-relief and credit-repair services.

COUNT I
(Abusive Advance Fees for Debt-Relief Services Under the TSR)

61. The allegations in paragraphs 1 to 60 are incorporated here by reference.

62. It is a violation of the TSR for any seller or telemarketer to request or receive payment of any fee or consideration for any debt-relief service until and unless:

- a. the seller or telemarketer has renegotiated, settled, reduced, or otherwise altered the terms of at least one debt pursuant to a settlement agreement, debt-management plan, or other such valid contractual agreement executed by the customer;
- b. the customer has made at least one payment pursuant to that settlement agreement, debt-management plan, or other valid contractual agreement between the customer and the creditor or debt collector; and
- c. to the extent that debts enrolled in a service are renegotiated, settled, reduced, or otherwise altered individually, the fee or consideration either (1) bears the same proportional relationship to the total fee for renegotiating, settling, reducing, or altering the terms of the entire debt balance as the individual debt amount bears to the entire debt amount; or (2) is a percentage of the amount saved as a result of the

renegotiation, settlement, reduction, or alteration. 16 C.F.R.

§ 310.4(a)(5)(i).

63. In numerous instances, in connection with telemarketing its debt-relief services, Federal Debt and Financial Document requested and received payment of a fee or consideration for a debt-relief service:

- a. before renegotiating, settling, reducing, or otherwise altering the terms of at least one debt pursuant to a settlement agreement, debt-management plan, or other such valid contractual agreement executed by the customer; or
- b. where the fee or consideration (1) did not bear the same proportional relationship to the total fee for renegotiating, settling, reducing, or altering the terms of the entire debt balance as the individual debt amount bears to the entire debt amount, and (2) was not a percentage of the amount saved as a result of the renegotiation, settlement, reduction, or alteration. 16 C.F.R. § 310.4(a)(5)(i).

64. Federal Debt and Financial Document engaged in abusive telemarketing acts or practices in violation of the TSR. 16 C.F.R. § 310.4(a)(5)(i).

65. Clear Solutions, David Piccione, Vincent Piccione, and Robert Pantoulis violated the TSR by providing substantial assistance or support to Federal Debt and Financial Document while they knew or consciously avoided knowing that Federal Debt and Financial Document had engaged in an act or practice that violated the TSR. 16 C.F.R. § 310.3(b).

COUNT II
(Abusive Advance Fees for Credit-Repair Services under the TSR)

66. The allegations in paragraphs 1 to 60 are incorporated here by reference.

67. It is a violation of the TSR for any seller or telemarketer to request or receive payment of any fee or consideration for goods or services represented to remove derogatory information from, or improve, a person's credit history, credit record, or credit rating until and unless:

- a. the time frame in which the seller has represented all of the goods or services will be provided to that person has expired; and
- b. the seller has provided the person with documentation in the form of a consumer report from a consumer-reporting agency demonstrating that the promised results have been achieved, such report having been issued more than six months after the results were achieved. 16 C.F.R. § 310.4(a)(2).

68. In numerous instances, in connection with telemarketing its credit-repair services, Federal Debt and Financial Document requested and received payment of a fee or consideration for a credit-repair service before: (a) the time frame in which they represented all of the goods or services would be provided to the consumer expired; and (b) they provided the consumer with documentation in the form of a consumer report from a consumer-reporting agency demonstrating that the promised results were achieved, with the report having been issued more than six months after the results were achieved. 16 C.F.R. § 310.4(a)(2).

69. Federal Debt and Financial Document engaged in abusive telemarketing acts or practices in violation of the TSR. 16 C.F.R. § 310.4(a)(2).

70. Clear Solutions, David Piccione, Vincent Piccione, and Robert Pantoulis violated the TSR by providing substantial assistance or support to Federal Debt and Financial Document while they knew or consciously avoided knowing that Federal Debt and Financial Document had engaged in an act or practice that violated the TSR. 16 C.F.R. § 310.3(b).

COUNT III
(Deceptive Telemarketing Acts or Practices Related to Material Aspects of Debt-Relief and Credit-Repair Services under the TSR)

71. The allegations in paragraphs 1 to 60 are incorporated here by reference.

72. It is a violation of the TSR for any seller or telemarketer to misrepresent, directly or by implication, in the sale of goods or services, any material aspect of the performance, efficacy, nature, or central characteristics of goods or services that are the subject of a sales offer. 16 C.F.R. § 310.3(a)(2)(iii).

73. In numerous instances, in connection with telemarketing their debt-relief services and credit-repair services, Federal Debt and Financial Document misrepresented the following material aspects of their programs:

- a. their debt-relief programs would eliminate consumers' principal balances by at least 60%;
- b. their debt-relief programs would leave consumers' creditors without recourse on the debts when Federal Debt or Financial Document deemed the debts invalid; and
- c. their credit-restoration programs would increase consumers' credit scores to higher than when the consumers enrolled.

74. Federal Debt's and Financial Document's programs did not eliminate principal debt balances as a matter of law.

75. Consumers' creditors, therefore, may be able to take legal action against enrolled consumers.

76. The originating creditor of an enrolled consumer's debt could have a basis to sue the consumer to collect the debt even after the consumer has completed Federal Debt's or Financial Document's program and Federal Debt or Financial Document has deemed the debt "invalid."

77. Federal Debt and Financial Document did not track the amount of consumers' debts that their programs eliminated and, therefore, lacked a reasonable basis for claiming that they could eliminate debt.

78. Federal Debt's and Financial Document's credit-restoration programs were never provided to any consumers, and they, therefore, lacked a reasonable basis for claiming they could improve consumers' credit scores.

79. Federal Debt and Financial Document, therefore, engaged in deceptive telemarketing acts or practices in violation of the TSR, 16 C.F.R. § 310.3(a)(2)(iii).

80. Clear Solutions, David Piccione, Vincent Piccione, and Robert Pantoulis violated the TSR by providing substantial assistance or support to Federal Debt and Financial Document while they knew or consciously avoided knowing that Federal Debt and Financial Document had engaged in an act or practice that violated the TSR. 16 C.F.R. § 310.3(b).

COUNT IV
(Deceptive Telemarketing Acts or Practices
Related to Material Aspects of Debt-Relief Services under the TSR)

81. The allegations in paragraphs 1 to 60 are incorporated here by reference.

82. It is a violation of the TSR for any seller or telemarketer to misrepresent, directly or by implication, in the sale of goods or services, any material aspect of any debt-relief service, including but not limited to the amount of money or the percentage

of the debt amount that a customer may save by using such service, and the effect of the service on collection efforts of the customer's creditors or debt collectors. 16 C.F.R. § 310.3(a)(2)(x).

83. In numerous instances, in connection with telemarketing its debt-relief services, Federal Debt and Financial Document misrepresented the following material aspects of their programs:

- a. their programs would eliminate consumers' principal balances by at least 60%; and
- b. their programs would leave consumers' creditors without recourse on the debts when Federal Debt or Financial Document deemed the debts invalid.

84. Federal Debt's and Financial Document's programs did not eliminate principal debt balances as a matter of law.

85. Consumers' creditors, therefore, may be able to take legal action against consumers on enrolled debts.

86. The originating creditor of an enrolled consumer's debt could have a basis to sue the consumer to collect the debt even after the consumer has completed the program and Federal Debt or Financial Document has deemed the debt "invalid."

87. Federal Debt and Financial Document did not track the amount of consumers' debts that their programs eliminated and, therefore, lacked a reasonable basis for claiming that they could eliminate debt.

88. Federal Debt and Financial Document, therefore, engaged in deceptive telemarketing acts or practices in violation of the TSR, 16 C.F.R. § 310.3(a)(2)(x).

89. Clear Solutions, David Piccione, Vincent Piccione, and Robert Pantoulis violated the TSR by providing substantial assistance or support to Federal Debt and

Financial Document while they knew or consciously avoided knowing that Federal Debt and Financial Document had engaged in an act or practice that violated the TSR. 16 C.F.R. § 310.3(b).

COUNT V
(Deceptive Telemarketing Acts or Practices
Related to Failing to Make Disclosures under the TSR)

90. The allegations in paragraphs 1 to 60 are incorporated here by reference.

91. It is a violation of the TSR for any seller or telemarketer, in the sale of a debt-relief service that relies upon or results in the customer's failure to make timely payments to creditors or debt collectors, to not clearly and conspicuously disclose before the consumer consents to pay, that the use of the debt-relief service: (1) may result in the customer being subject to collections or sued by creditors or debt collectors, and (2) may increase the amount of money the customer owes due to the accrual of fees and interest. 16 C.F.R. § 310.3(a)(1)(viii)(C).

92. In connection with telemarketing its debt-relief services, Federal Debt and Financial Document instructed consumers to stop making payments on the debts they enrolled in their programs, but they failed to disclose that not making payments may result in consumers being sued by creditors or debt collectors and may increase the amount of money consumers owe due to the accrual of fees and interest.

93. Federal Debt and Financial Document, therefore, engaged in deceptive telemarketing acts or practices in violation of the TSR, 16 C.F.R. § 310.3(a)(1)(viii)(C).

94. Clear Solutions, David Piccione, Vincent Piccione, and Robert Pantoulis violated the TSR by providing substantial assistance or support to Federal Debt and Financial Document while they knew or consciously avoided knowing that Federal Debt and Financial Document had engaged in an act or practice that violated the TSR. 16 C.F.R. § 310.3(b).

COUNT VI
(Deceptive Telemarketing Acts or Practices
Related to Affiliation with the Federal Government under the TSR)

95. The allegations in paragraphs 1 to 60 are incorporated here by reference.

96. It is a violation of the TSR for any seller or telemarketer to misrepresent, directly or by implication, in the sale of goods or services, a seller's or telemarketer's affiliation with, or endorsement or sponsorship by, any government entity. 16 C.F.R. § 310.3(a)(2)(vii).

97. In connection with telemarketing its debt-relief services, Federal Debt and Financial Document represented that they were affiliated with, or were endorsed or sponsored by, the Federal government, specifically the Consumer Financial Protection Bureau and the FTC.

98. Federal Debt and Financial Document are not, and never have been, affiliated with, endorsed by, or sponsored by the Consumer Financial Protection Bureau, the FTC, or any other state or federal-government agency.

99. Federal Debt and Financial Document, therefore, engaged in deceptive telemarketing acts or practices in violation of the TSR, 16 C.F.R. § 310.3(a)(2)(vii).

100. Clear Solutions, David Piccione, Vincent Piccione, and Robert Pantoulis violated the TSR by providing substantial assistance or support to Federal Debt and Financial Document while they knew or consciously avoided knowing that Federal Debt and Financial Document had engaged in an act or practice that violated the TSR. 16 C.F.R. § 310.3(b).

COUNT VII
(Deceptive Acts or Practices Related to Material Aspects of
Debt-Relief and Credit-Repair Services under the CFPA)

101. The allegations in paragraphs 1 to 60 are incorporated here by reference.

102. In numerous instances, in connection with the offering or provision of their services, Federal Debt and Financial Document misrepresented that:

- a. their programs would eliminate consumers' principal balances by at least 60%;
- b. their programs would leave consumers' creditors without recourse on the debts when Federal Debt or Financial Document deemed the debts invalid; and
- c. their credit-restoration programs would increase consumers' credit scores to be higher than when the consumers enrolled in their programs.

103. Federal Debt's and Financial Document's programs did not eliminate principal debt balances as a matter of law.

104. The originating creditor of an enrolled consumer's debt could have a basis to sue the consumer to collect the debt even after the consumer completed the program and Federal Debt or Financial Document deemed the debt "invalid."

105. Federal Debt and Financial Document did not track the amount of consumers' debts that their programs eliminated and, therefore, lacked a reasonable basis for claiming that their programs could eliminate debt.

106. Federal Debt's and Financial Document's credit-restoration programs were never provided to any of its consumers, and Federal Debt and Financial Document, therefore, lacked a reasonable basis for claiming that their programs could improve consumers' credit scores.

107. These misrepresentations are material and likely to mislead a reasonable consumer.

108. Federal Debt's and Financial Document's misrepresentations as set forth herein constitute deceptive acts or practices in violation of the CFPA. 12 U.S.C. §§ 5531, 5536(a)(1).

109. Defendants David Piccione, Vincent Piccione, and Robert Pantoulis each committed or engaged in deceptive acts or practices in connection with the offering of a consumer-financial product or service by directly contributing to the development, review, and approval of materials containing the aforementioned misrepresentations. 12 U.S.C. §§ 5531(a), 5536.

110. Defendants Clear Solutions, David Piccione, Vincent Piccione, and Robert Pantoulis violated the CFPA by knowingly or recklessly providing substantial assistance to Federal Debt's and Financial Document's deceptive acts or practices. 12 U.S.C. § 5536(a)(3).

COUNT VIII
(Deceptive Act or Practice Related to Affiliation
with the Federal Government under the CFPA)

111. The allegations in paragraphs 1 to 60 are incorporated here by reference.

112. In connection with the offering or provision of its services, Federal Debt and Financial Document represented, expressly or by implication, the net impression that Federal Debt and Financial Document are or were affiliated with, endorsed by, or sponsored by the Federal government, specifically by the Consumer Financial Protection Bureau and the FTC.

113. Federal Debt and Financial Document are not, and never have been, affiliated with, endorsed by, or sponsored by the Consumer Financial Protection Bureau, the FTC, or any other state or federal-government agency.

114. This misrepresentation of government affiliation, endorsement, or sponsorship is material and likely to mislead a reasonable consumer.

115. Federal Debt's and Financial Document's misrepresentations constitute deceptive acts and practices in violation of the CFPA. 12 U.S.C. §§ 5531, 5536(a)(1).

116. Defendants David Piccione, Vincent Piccione, and Robert Pantoulis each committed or engaged in deceptive acts or practices in connection with the offering of a consumer-financial product or service by directly contributing to the development, review, and approval of materials containing the aforementioned misrepresentations. 12 U.S.C. §§ 5531(a), 5536.

117. Defendants Clear Solutions, David Piccione, Vincent Piccione, and Robert Pantoulis violated the CFPA by knowingly or recklessly providing substantial assistance to Federal Debt's and Financial Document's deceptive acts or practices. 12 U.S.C. § 5536(a)(3).

PRAYER FOR RELIEF

WHEREFORE, the Bureau requests that the Court, as permitted by 12 U.S.C. § 5565:

- a. award injunctive relief as may be necessary to prevent consumer injury during the pendency of this action and to preserve the possibility of effective final relief;
- b. permanently enjoin Defendants from committing future violations of the TSR and the CFPA;
- c. order Defendants to pay redress to consumers harmed by their unlawful conduct;
- d. order disgorgement of ill-gotten revenues against Defendants;
- e. impose civil money penalties against Defendants;
- f. order Defendants to pay the Bureau's costs incurred in connection with proceeding with this action; and

g. award additional relief as the Court may determine to be just and proper.

Dated: October 12, 2017

Respectfully submitted,

ANTHONY ALEXIS
Enforcement Director
JEFFREY PAUL EHRLICH
Deputy Enforcement Director
KARA MILLER
Assistant Litigation Deputy

/s/

Mary Olson (District of Maryland Bar No. 807644; Illinois Bar No. 6297334)
Carmen L. Christopher (District of Maryland Bar No. 92566; California Bar No. 231508)
Enforcement Attorneys
Consumer Financial Protection Bureau
230 S. Dearborn St., Suite 1590
Chicago, IL 60604
Telephone (Olson): 312-610-8977
Telephone (Christopher): 312-610-8961
Fax: 312-610-8971
Mary.Olson@cfpb.gov
Carmen.Christopher@cfpb.gov

and

Stephanie Duff-O'Bryan (Texas Bar No. 24087448; NY Bar No. 5026224)*
Enforcement Attorney
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552
Telephone (Duff-O'Bryan): 202-435-9358
Fax: 202-435-7722
Stephanie.Duff-OBryan@cfpb.gov

Attorneys for the Consumer Financial Protection Bureau

* Special appearance for federal government attorney application is pending