FTC and Illinois Attorney General Halt Chicago-Area Operation Charged with Collecting and Selling Phantom Payday Loan Debts

FOR RELEASE

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TAGS: deceptive/misleading conduct | Finance | Bureau of Consumer Protection | Midwest Region | Consumer Protection | Credit and Finance | Debt Collection

At the request of the Federal Trade Commission and the Illinois Attorney General, a federal court has temporarily halted a Chicago-area operation that allegedly threatened and intimidated consumers to collect phantom payday loan "debts" they did not owe, or did not owe to the defendants. The defendants also allegedly illegally provided portfolios of fake debt to other debt collectors – this is the FTC's first case alleging that practice.

"It's illegal to harass people to pay debts they clearly don't owe, and to sell phony debts to other debt collectors," said Jessica Rich, Director of the FTC's Bureau of Consumer Protection. "We're proud to partner with the Illinois Attorney General to halt these egregious debt collection practices."

"Phantom debt collection is one of the most brazen scams today," Illinois Attorney General Lisa Madigan said. "With the FTC, we are working to protect consumers by shutting down these scam operations."

The case against six companies and three individuals who used names such as Stark Law, Stark Recovery, and Capital Harris Miller & Associates is part of Operation Collection Protection, an ongoing federal-state-local crackdown on collectors that use deceptive and abusive collection practices.

According to the complaint, since at least 2011, the defendants used a host of business names to target consumers who obtained or applied for payday or other short-term loans, pressuring them into paying debts they either did not owe or that the defendants had no authority to collect.

The complaint charges that the defendants called consumers and demanded immediate payment for supposedly delinquent loans, often armed with consumers' sensitive personal and financial information. Defendants also allegedly threatened consumers with lawsuits or arrest, and falsely said they would be charged with "defrauding a financial institution" and "passing a bad check" – even though failing to pay a private debt is not a crime. In addition, the complaint claims that since 2015, the defendants have held themselves out as a law firm with authority to sue and obtain substantial judgments against delinquent consumers.

The defendants also allegedly harassed consumers with improper phone calls, disclosed debts to relatives, friends and co-workers, failed to notify consumers of their right to receive verification of the purported debts, and failed to register as a debt collector in Illinois, as required by state law.

The complaint notes that in response to the defendants' repeated calls and alleged threats, many consumers paid the debts, even though they may not have owed them, because they believed the defendants would follow through on their threats or they simply wanted to end the harassment.

In addition to illegal collection allegations, the defendants are charged with providing bogus payday loan debt portfolios to other debt buyers, who then tried to collect the fake debts. According to the complaint, the defendants represented that the portfolios included delinquent debts owed to specified lenders and that the defendants had the right to market those lenders' debts. However, those lenders had not made loans to the consumers identified in the portfolios, or authorized the defendants to market any of their debts.

The defendants are Stark Law LLC, also doing business as Stark Recovery; Stark Legal LLC; Ashton Asset Management Inc.; CHM Capital Group LLC, also d/b/a Capital Harris Miller & Associates; HKM Funding Ltd.; Pacific Capital Holdings Inc., formerly known as Charles Hunter Miller & Associates Inc. and also d/b/a Pacific Capital; Hirsh Mohindra, also d/b/a Ashton Lending LLC; Gaurav Mohindra; and Preetesh Patel.

The FTC and the Illinois Attorney General's Office thank the Village of Westmont Police Department and Better Business Bureau of Chicago and Northern Illinois for their valuable assistance with this matter.

In addition, since the FTC's Operation Collection Protection announcement in January:

> The Consumer Financial Protection Bureau has resolved four debt collection law enforcement actions and issued Supervisory Highlights, a report highlighting debt collection supervision work generally completed between September and December of 2015.
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> The Minnesota Department of Commerce took eight actions. It imposed fines of up to $50,000 against Alliant Capital Management LLC, Premier Recovery Group JD and Associates, Mountain West Legal Solutions, Credence Resource Management LLC, Selene Finance, and Credit Protection Association for various violations, including failing to obtain a collection agency license, failing to properly register collectors, and using deceptive, abusive, or unlawful collection tactics. It also obtained a court order placing Weinerman and Associates into receivership for improperly handling client funds, failing to maintain a license, and other violations.
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> The Idaho Department of Finance revoked the licenses of Oxford Law LLC and RJM Acquisitions LLC for failing to maintain a surety bond as required by state law.
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> The Colorado Department of Law entered into a stipulated final order against Collecto Inc., d/b/a EOS CAA, imposing a $99,000 penalty for violating notice requirements for consumers and improper credit reporting.
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> The Pennsylvania Attorney General's office filed an Assurance of Voluntary Compliance with Foot and Ankle Surgery Center LLC, providing for $7,000 in civil penalties plus costs of investigation for allegedly unlawful collection notices that falsely indicated that they were official court documents or legal papers.
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> The Indiana Attorney General's Office entered into an Assurance of Voluntary Compliance with RoTech Holdings Ltd. to resolve allegations that the respondents unlawfully harassed and deceived consumers. The AVC prohibits RoTech from collecting debt from Indiana consumers, and orders it to pay nearly $5,000.

The Commission vote authorizing the staff to file the complaint was 4-0. The complaint was filed in the U.S. District Court for the Northern District of Illinois, Eastern Division. The court granted the FTC's request for a temporary restraining order on March 22, 2016.

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 case will be decided by the court.

To learn more, read *Phantom debts and fake collection notices*.

PRESS RELEASE REFERENCE:

FTC and Federal, State and Local Law Enforcement Partners Announce Nationwide Crackdown Against Abusive Debt Collectors

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