



**FEDERAL TRADE COMMISSION**  
PROTECTING AMERICA'S CONSUMERS

# FTC Reaches Settlement With Nationwide Debt Relief Provider

FOR RELEASE

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**TAGS:** [deceptive/misleading conduct](#) | [Bureau of Consumer Protection](#) | [Southwest Region](#) | [Consumer Protection](#) | [Credit and Finance](#)

A debt relief company and its principals who allegedly misled consumers and charged illegal advance fees will be banned from those practices under a settlement with the Federal Trade Commission.

According to the FTC's [complaint](#), [United Debt Counselors LLC](#) exaggerated how much money people would save using its services. The company's direct mail ads, which reached up to 100,000 consumers per week, looked like official documents from a bank or attorney, and claimed that typical customers would have their credit card debt cut in half and become debt-free within 36 months.

The defendants allegedly repeated similar claims on their website and by phone when consumers called in response to the mail. They claimed a high success rate and asserted that consumers rarely dropped out of their program. The defendants also claimed they provided consumers with a special savings account that only consumers could control, but according to the FTC, the defendants removed monthly fees from the accounts.

The FTC alleged that consumers who wanted to buy the debt relief services were told they had to meet with an experienced sales representative, but instead the defendants sent notaries public, who had scant product knowledge, to show a sales video and witness contract signings. The defendants typically charged advance fees before they negotiated any savings on credit card debts. Such advance fees violate the FTC's Telemarketing Sales Rule (TSR) unless consumers first meet face-to-face with a knowledgeable sales representative who can fully describe the program and answer questions.

According to the FTC, fewer than half of those who bought the services completed the program, and even fewer were debt-free at the end of 36 months.

The defendants are United Debt Counselors LLC, also known as United Debt Services LLC and also doing business as Department of Negotiations; David Melrose; Kirk Lanahan and Corinne Maples.

Under a [stipulated order](#), the defendants are [banned](#) from making misrepresentations about debt relief and other financial products or services, and making unsubstantiated claims about any products or services. They can charge advance fees only if they comply with the TSR; sales persons making face-to-face sales presentations must have authority to discuss material terms, they must do so in specific detail, and they must be able to answer consumers' questions. The order imposes a \$9 million judgment that represents the amount

of alleged harm to consumers. It will be partially suspended upon payment of \$510,000. The full judgment will become due immediately if the defendants are found to have misrepresented their financial condition.

The FTC has previously instructed debt relief companies that representations about debt relief services are deceptive unless all consumers are included in the calculations, and it has warned businesses not to engage in sham face-to-face presentations. To learn more, read [\*Debt Relief Services & the Telemarketing Sales Rule: A Guide for Business\*](#).

The Commission vote authorizing the staff to file the complaint and stipulated final order was 2-0. The FTC filed the complaint and final order in the U.S. District Court for the Eastern District of Texas, Sherman Division.

**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. Stipulated final injunctions/orders have the force of law when approved and signed by the District Court judge.

The Federal Trade Commission works to promote competition, and [protect and educate consumers](#). You can [learn more about consumer topics](#) and file a [consumer complaint online](#) or by calling 1-877-FTC-HELP (382-4357). Like the FTC on [Facebook](#), follow us on [Twitter](#), read our [blogs](#) and [subscribe to press releases](#) for the latest FTC news and resources.

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