Consumer Financial Protection Bureau

CFPB Sues Debt-Relief Companies Illegally Posing As Federal Government

Bureau Alleges that Three Companies and Their Owners Charged Illegal Advance Fees, Lied About Debt-Relief Results

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WASHINGTON, D.C. – The Consumer Financial Protection Bureau (CFPB) today filed suit in federal court against two companies operating under the name "FDAA," a service provider, and their owners for falsely presenting FDAA as being affiliated with the federal government. The CFPB also alleges that FDAA's so-called "debt validation" programs violated the law by falsely promising to eliminate consumers' debts and improve their credit scores in exchange for thousands of dollars in advance fees. The CFPB's lawsuit seeks to end these deceptive practices, obtain redress for harmed consumers, and impose civil money penalties.

"FDAA and its owners lied to financially vulnerable consumers to line their pockets with cash," said CFPB Director Richard Cordray. "Today's lawsuit seeks to stop these deceptive practices, impose civil money penalties, and return to cheated consumers the fees they paid to these companies."

Federal Debt Assistance Association, LLC and Financial Document Assistance Administration, Inc., both operating as FDAA, are headquartered in Baltimore, Maryland. FDAA claims to provide advice and assistance to consumers to eliminate all or a portion of their debts and improve their credit scores. Clear Solutions, Inc., also headquartered in Baltimore, processed consumer payments for the FDAA companies and provided other services.

Vincent Piccione, David Piccione, and Robert Pantoulis own or owned the FDAA companies and Clear Solutions. Vincent Piccione was the president of and managed the FDAA companies, with responsibility for their marketing materials and solicitation of consumers. David Piccione was the telemarketing sales floor manager of the FDAA companies, managed the telemarketing sales of the companies, and participated in the development of the companies' marketing materials. Robert Pantoulis was the director of client services of the FDAA companies and was responsible for their debt-management programs.

The CFPB's lawsuit alleges that the companies lied about having an affiliation with the federal government to lure financially vulnerable consumers into paying thousands of dollars in illegal advance fees. The CFPB alleges that the FDAA companies falsely promised consumers debt relief and credit repair through so-called "debt validation" programs that involved contacting creditors to dispute debts. Under federal law, when a debt has been timely disputed, the debt collector must cease collection until it can obtain verification of the debt. But the FDAA companies falsely claimed to consumers that the money owed would be eliminated or reduced if the creditor did not respond to the FDAA companies' satisfaction. These practices violated the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Telemarketing Sales Rule. Specifically, the CFPB alleges that the companies and their owners engaged in the following illegal practices:

- **Deceiving consumers about an affiliation with the federal government:** The FDAA companies marketed themselves through direct mailers that were designed to look like an official government notice. The mailers stated that they were a "regulatory notification" with a case number and "entitlement amount." The mailers and envelopes included a seal similar to the Great Seal of the United States. FDAA's direct mailers and telemarketing scripts deceptively misrepresented an affiliation with the federal government. In letters sent to consumers, FDAA would falsely claim they can assist consumers in retrieving restitution from CFPB enforcement actions in the form of credit-card debt reduction.
- **Deceiving consumers about the companies' debt-relief and credit-repair services abilities:** FDAA lied about the results that could be achieved. The companies falsely advertised that they would eliminate or reduce consumers' principal balances by at least 60 percent, that creditors would be unable to collect the debts, and that the programs would increase consumers' credit scores.
- **Failing to make proper disclosures about not paying debts:** FDAA instructed consumers to stop making payments on the debts enrolled in their program. However, they failed to disclose that not making payments may result in the consumer being sued by creditors or debt collectors and may increase the amount of money the consumer owes due to the accrual of fees and interest.

- **Taking illegal advance fees for debt-relief and credit-repair services:** Federal law prohibits the collection of fees before a credit-repair or debt-relief company achieves certain results. FDAA charged and received payment of fees for debt-relief services before altering the terms of consumers' debts. The companies also charged and received fees for credit-repair services without achieving the promised results.

Under the Dodd-Frank Act, the CFPB has the authority to take action against institutions and individuals violating consumer financial protection laws, including engaging in unfair, deceptive, or abusive acts or practices. The complaint against Federal Debt Assistance Association, Financial Document Assistance Administration, Clear Solutions, Vincent Piccione, David Piccione, and Robert Pantoulis seeks monetary relief, injunctive relief, and civil money penalties. The CFPB's complaint is not a finding or ruling that the companies or individuals have actually violated the law.

A copy of the complaint is available here: http://files.consumerfinance.gov/f/documents/201710_cfpb_FDAA-complaint.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.

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