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FEDERAL TRADE COMMISSION
PROTECTING AMERICA'S CONSUMERS

FTC Shuts Down Promoters of Deceptive Cryptocurrency Schemes

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FOR RELEASE

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At the request of the Federal Trade Commission, a federal court has halted the activities of four individuals who allegedly promoted deceptive money-making schemes involving cryptocurrencies. These schemes falsely promised that participants could earn large returns by paying cryptocurrency such as bitcoin or Litecoin to enroll in the schemes.

In a complaint, the FTC alleges that three defendants – Thomas Dluca, Louis Gatto, and Eric Pinkston – promoted chain referral schemes known as Bitcoin Funding Team and My7Network. Using websites, YouTube videos, social media and conference calls, the defendants promised big rewards for a small payment of bitcoin or Litecoin.

The defendants claimed that Bitcoin Funding Team could turn a payment of the equivalent of just over \$100 into \$80,000 in monthly income. The FTC alleges, however, that the structure of the schemes ensured that few would benefit. In fact, the majority of participants would fail to recoup their initial investments.

According to the FTC, Bitcoin Funding Team and My7Network participants could only generate revenue by recruiting new participants and convincing them to also pay cryptocurrency. For example, Bitcoin Funding Team participants were required to make an initial bitcoin payment to an earlier participant and pay a fee to Bitcoin Funding Team. With these payments, participants were eligible to recruit new members and receive payments from them. Promoters claimed participants could earn bigger rewards if they paid additional bitcoins.

“This case shows that scammers always find new ways to market old schemes, which is why the FTC will remain vigilant regardless of the platform – or currency used,” said Tom Pahl, Acting Director of the FTC’s Bureau of Consumer Protection. “The schemes the defendants promoted were designed to enrich those at the top at the expense of everyone else.”

The FTC alleges that a fourth defendant, Scott Chandler, promoted Bitcoin Funding Team and another deceptive cryptocurrency scheme, Jetcoin. Jetcoin also promoted a recruitment scheme and additionally promised investors a fixed rate of return on their initial bitcoin investments as a result of bitcoin trading. In a series of promotional calls, Chandler claimed Jetcoin participants could double their investment in 50 days. In reality, the FTC complaint alleges, the scheme failed to deliver on these claims and ceased operation within two months of launching.

In its complaint, the FTC charged that the defendants violated the FTC Act’s prohibition against deceptive acts by misrepresenting the chain referral schemes as bona fide money-making opportunities and by falsely claiming that participants could earn substantial income by participating in the three schemes.

As requested by the FTC, the court has issued a temporary restraining order and frozen the defendants’ assets pending trial.

The Commission vote authorizing the staff to file the complaint was 2-0. The complaint was filed in the U.S. District Court for the Southern District of Florida.

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.

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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