**UNITED STATES DISTRICT COURT**
**FOR THE NORTHERN DISTRICT OF TEXAS**
**DALLAS DIVISION**

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| **FEDERAL TRADE COMMISSION,**<br><br>**Plaintiff,**<br><br>**v.**<br><br>**DEBT RELIEF USA, INC., a corporation,**<br><br>**KELLY REILLY, Individually and as an officer of the corporation,**<br><br>**ALVIN BELL, Individually and as an officer of the corporation,**<br><br>**JAMES WOJCIK, Individually and as an officer of the corporation, and**<br><br>**VALERIE LEATH, Individually and as a manager of the corporation,**<br><br>**Defendants.** | ) | **Case No. 3:11-CV-2059** |

**COMPLAINT FOR PERMANENT INJUNCTION AND OTHER EQUITABLE RELIEF**

Plaintiff, the Federal Trade Commission ("FTC"), for its Complaint alleges:

1. The FTC brings this action under Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), to obtain preliminary and permanent injunctive relief, rescission or reformation of contracts, restitution, the refund of monies paid, disgorgement of ill-gotten monies, and other equitable relief for Defendants' acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

## JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45(a) and 53(b).

3. Venue is proper in this district under 28 U.S.C. § 1391(b) and (c), and 15 U.S.C. § 53(b).

## PLAINTIFF

4. The FTC is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce.

5. The FTC is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and to secure such equitable relief as may be appropriate in each case, including rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b) and 56(a)(2)(A).

## DEFENDANTS

6. Defendant Debt Relief USA, Inc. ("DRUSA") is a Florida for-profit corporation that had its principal place of business at 16200 Addison Road, Suites 100 and 105, Addison, Texas 75001. DRUSA transacted business in this district and throughout the United States. At all times material to this Complaint, acting alone or in concert with others, DRUSA advertised, marketed, distributed, or sold debt relief services to consumers throughout the United States. On June 18, 2009, DRUSA filed a voluntary petition under the reorganization provisions of Chapter 11 of the Bankruptcy Code, 11 U.S.C. § 101 et seq., in the United States Bankruptcy Court for the Northern District of Texas, Case No. 09-33836-SGJ. On June 25, 2009, the Bankruptcy Court converted the

case to Chapter 7, and appointed a Chapter 7 Trustee. The instant action against DRUSA is not staye

10. Defendant Valerie Leath was the Director of Marketing and Director of Information Technology at DRUSA and a three percent shareholder of the company. At times material to this Complaint, acting alone or in concert with others, she formulated, directed, controlled, had authority to control, or participated in the acts and practices of DRUSA, including the acts and practices set forth in this Complaint. Defendant Valerie Leath, in connection with the matters alleged, transacted business in this district and throughout the United States.

COMMERCE

11. At all times material to this Complaint, Defendants maintained a substantial course of trade in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS' BUSINESS ACTIVITIES

12. Since at least 2005, and continuing until approximately June 2009, Defendants DRUSA, Kelly Reilly, Alvin Bell, James Wojcik, and Valerie Leath offered a debt relief service to consumers having difficulty with their personal finances. Defendants targeted consumers with substantial amounts of unsecured debt, often claiming that participation in their debt relief service would result in the elimination of 40 to 60 percent of consumers' debts and that participating consumers would be debt free in 24 to 48 months.

Defendants' Marketing and Advertising

13. Defendants marketed their debt relief service on the websites www.4debtreliefusa.com, www.drusainfo.com, and www.debtreliefusa.us and through national television and radio advertisements.

14. Through their websites, Defendants represented that, for consumers to become debt free, "It typically takes about 24-36 months after we've negotiated the total amount of debt down to 40-60%. This includes all fees"; and stated, "Because we negotiate the debt down to a fraction of what you owe, your savings are far greater than any interest or late fees that could accrue." Defendants' websites encouraged consumers to call a toll-free number to learn more about Defendants' debt relief service.

15. In their national television and radio advertisements, Defendants made claims such as "you can settle your credit card debt for pennies on the dollar without filing for bankruptcy" and "you typically save about half of what you owe and can truly be debt free in less than 36 months." Defendants' radio and television advertisements urged interested consumers to call a toll-free number for a e

stated that, based on Defendants' special relationships with creditors, Defendants could negotiate significant discounts for consumers.

Client Settlement Agreement

18. Consumers who agreed to enroll in Defendants' debt relief service were required to authorize a bank account debit over the telephone for the initial monthly payment prior to receiving enrollment documents. Among the enrollment documents were a Client Settlement Agreement ("Agreement"), forms authorizing recurring monthly withdrawals from consumers' bank accounts, and a form used to identify the amounts owed to various creditors.

19. The Agreement was a five or six page single-spaced document. The Agreement contained provisions that often were not previously disclosed or were contrary to the representations on Defendants' websites or in Defendants' sales calls. For example, the Agreement stated "in no manner has DRUSA represented that Client stop making payments to their Creditors." This contradicted the instruction in the sales call that consumers must agree to stop paying their creditors for Defendants' debt relief service to work. The Agreement also indicated that creditors may choose not to participate in Defendants' service.

Defendants' Fees

20. Defendants charged consumers fees, including administrative fees, monthly maintenance fees, and negotiation fees. Defendants took these fees from the monthly recurring withdrawals consumers authorized. Pursuant to the Agreement, administrative fees were non-refundable unless consumers cancelled enrollment in Defendants' debt relief service during a seven day period following enrollment.

21. Defendants charged consumers an upfront administrative fee that was calculated as 8 to 10 percent of the amount of debt that consumers owed their unsecured creditors at the time of enrollment.

22. Defendants also charged a monthly maintenance fee of $29.95 or $39.95 for each month consumers were enrolled in Defendants' debt relief service.

23. Defendants also charged a negotiation fee for each account settled. The negotiation fee was calculated as 13 to 15 percent of the purported savings the company obtained in the settlement. Many consumers never paid a negotiation fee because Defendants did not settle any of their debts.

Defendants' Reference Booklet

24. After consumers enrolled in Defendants' debt relief service, they received a reference booklet from Defendants. The booklet provided additional information about Defendants' debt relief service.

25. The booklet stated it could take up to six months for DRUSA to achieve the first settlement. Additionally, consumers were instructed not to tell creditors to call DRUSA, and that DRUSA would inform creditors of consumers' involvement in its service only when consumers were financially ready to settle one or more accounts. In numerous instances, Defendants did not disclose this information to consumers prior to their enrollment.

Failure to Deliver Promised Results

26. In numerous instances, Defendants did not contact or commence settlement negotiations with consumers' creditors immediately upon consumers' enrollment in Defendants' debt relief service. Typically, Defendants did not contact or initiate negotiations with any creditor

until after (a) consumers had paid the administrative fee in full and (b) consumers had accumulated enough funds in a "set aside" account to settle the debt with that creditor. Often, the first time Defendants mentioned this fact was in the Reference Booklet, which consumers received after enrollment.

27. For numerous consumers, it took over six months after enrollment to pay Defend

30. Few consumers enrolled in Defendants' debt relief service ever completed the service and received the promised results. In numerous instances, consumers cancelled or dropped out of Defendants' debt relief service before any debt was negotiated because they could not afford to pay Defendants' substantial fees and also accumulate money to pay off their debts. Other consumers cancelled or dropped out because of harassment and escalating collection attempts by their creditors. Consumers who cancelled or dropped out after the seven day cancellation period typically forfeited all fees paid to Defendants.

31. Consumers who purchased Defendants' debt relief services frequently sought a refund from the Defendants. Defendants routinely denied consumers' refund requests.

relied on calculations of past consumers' results that: (a) included only consumers' debts that Defendants actually settled, omitting those debts that Defendants were unable to or did not settle; (b) were based on the amounts consumers owed at the ti

D. Award Plaintiff the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper

Dated: August 17, 2011

Respectfully submitted,

WILLARD K. TOM
General Counsel

DEANYA T. KUECKELHAN
Regional Director

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