

Case No. _____

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

MONETA MANAGEMENT, LLC, a Florida
corporation,

MONETA MANAGEMENT, INC., a Florida
corporation, and

MICHAEL TODD GREENE, individually and as an
officer or director of Moneta Management, LLC and
Moneta Management, Inc.,

Defendants.

raked in tens of millions of dollars from tens of thousands of consumers. The fraudulent scheme—to which ringleader Brandon Frere pled guilty—targeted financially struggling recipients of federal student loans and used deceptive telemarketing scripts to lure them into paying for phony debt relief services (“the Frere Scam”).

3. From 2013 to 2018, Defendants acted in concert with Frere and his companies to deceptively obtain merchant accounts to further the Frere Scam. Defendants applied for and obtained merchant accounts for Frere’s companies by providing false information to payment processors, misrepresenting the nature of the merchants’ business activity, concealing their true

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11. Michael Todd Greene owns and manages Moneta Management, LLC and Moneta Management, Inc. Greene is the CEO and sole owner of Moneta, a closely held business with no employees other than Greene himself. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or

forgiveness or other programs that would permanently lower or eliminate their loan payments or balances. *See* 15 U.S.C. § 45(a). The FTC further alleged that Frere and his companies violated the TSR by collecting fees for debt relief services before providing those services (*see* 16 C.F.R. § 310.4(a)(5)(i)), and by misrepresenting material aspects of their debt relief services (*see* 16 C.F.R. § 310.3(a)(2)(x)).¹ Frere admitted the a8bj[(C)2 (.F)1 (.R)2 (pbj[(CsTJ-35.125 -20.002 Tw 23.31 0 Tdl)3

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24. By obtaining merchant accounts with members of the credit card networks, merchants are able to accept credit card payments from consumers. By obtaining merchant accounts with members of the ACH Network, merchants are able to accept ACH payments from consumers.

25. The National Automated Clearing House Association (“NACHA”) is a not-for-profit trade association that develops and enforces rules for the ACH Network (“NACHA Rules”) and monitors returned ACH transactions.

26. NACHA and the credit card networks require participants in their networks to comply with detailed rules. These rules require screening and underwriting merchants to ensure that they are legitimate bona fide businesses not engaged in fraudulent or illegal practices.

27. Various entities act as intermediaries between merchants and acquiring banks. These entities include payment processors, independent sales organizations (“ISOs”) and sales agents.

28. Merchant banks contract with payment processors to solicit and monitor merchant accounts, among other things. Payment processors, in turn, hire ISOs and sales agents to solicit new merchant accounts on behalf of the processors. ISOs, in turn, sometimes hire sales agents to help them solicit new merchant accounts on behalf of payment processors.

29. Sales agents refer potential merchants to payment processors and/or ISOs. Sales agents also prepare and submit merchant applications to payment processors and/or ISOs on behalf of merchants.

30. Two primary indicators of fraudulent or deceptive conduct are unauthorized returns and chargebacks. Unauthorized returns are ACH transactions that consumers return and identify as “unauthorized.”

36. Despite card network and NACHA rules and in violation of their own contracts, Defendants knowingly submitted merchant applications with false or deceptive information. They also designed a scheme to conceal the Frere Scam's fraudulent activity from the networks, banks, and processors by artificially suppressing its unauthorized return rates.

37. From 2015 to 2018, Defendants knowingly submitted false information to payment processors to obtain merchant accounts for the Frere Scam. In doing so, Defendants enabled the Frere Scam to circumvent industry underwriting safeguards, avoid .E14 r4

[driver's] license. Believe it or not, some underwriters actually compare signatures.”

B. Later in May 2015, Greene received AFBC's tax forms, which showed that his brother owned only 2.5% of AFBC. In an email to Greene, Frere even flagged in bold, italics, and underlined text, “ _____” That same month, Moneta received AFBC's balance sheet, which showed shareholder payments to Frere and not to his brother.

C. Moneta's own submissions to processors included bank statements showing that Frere, not his brother, was the signatory on the Frere companies' bank accounts.

D. Moneta's own submissions to processors included the Frere companies' incorporating documents, which listed Frere, not his brother, as incorporator.

44. Because of the Frere companies' common ownership—purportedly by Justin Frere—processors evaluating applications for one Frere company began considering any pre-existing accounts with the other Frere companies. The group consideration began posing risks for FEBC, the most profitable of the three companies. AFBC, the oldest of the three companies, was beginning to generate high unauthorized return and chargeback rates. Meanwhile, AFBC's and Ameritech's more overt connections to debt relief activity were causing processors to reject those two entities' applications or terminate their existing accounts.

45. AFBC's and Ameritech's high unauthorized return and chargeback rates as well as their application rejections and account terminations began to compromise FEBC's new merchant applications. In November 2016, for example, one processor rejected a merchant

50. In September 2015, NACHA changed its unauthorized return rate threshold from 1% to 0.5%. That same month, Greene and Frere began to discuss ways to reduce AFBC's unauthorized return rates. Greene designed a scheme to artificially suppress those rates and proffered it to Frere by telephone.

51. During the telephone call, Greene instructed Frere to create a "dummy" reseller company, which AFBC would charge for the purported right to resell AFBC's services. Greene explained that, because Frere would control the dummy reseller, which he referred to as Frere's "proxy," Frere could charge as many fake resale charges as he wanted, ensure that all of these charges were accepted.

could state whatever Frere wanted them to state, and Frere could charge the fake reseller as many times as he wanted.

55. Frere noted, “the key then is to understand on a monthly basis” what the unauthorized return ratio is and “obviously do . . . as many transactions as necessary to keep that number down.” Greene responded, “right.” Frere asked, “What do you think is the maximum number of transactions we could run . . . I guess it doesn’t really matter because once it’s below one half of one percent, nobody’s ever going to look at it.” Greene responded, “right.”

56. Frere concluded, “there’s nothing really to be done here other than . . . set up a dummy corporation and [create] an account.” Green responded, “No shit!” Frere exclaimed, “This is a piece of cake! Good job.”

57. Frere then asked, “Did you come up with this Todd?” Greene replied, “I did. I was thinking about you bro.”

58. Along with submitting fraudulent merchant applications and advising Frere to dilute unauthorized return rates, Defendants additionally knew, should have known, or consciously avoided knowing that the Frere Scam was defrauding consumers and violating the TSR.

59. In August 2015, Defendants submitted a Frere Scam merchant application, including a telemarketing “Enrollment Sales Script,” to a processor. The script stated that the merchant would begin charging consumers “today”—*i.e.*, the day of enrollment, before any debt relief services were provided. The script, in short, provided for an advance fee that violated the TSR. *See* 16 C.F.R. §

60. In September 2015, Defendants received two emails, both including a “Document Preparation and Service Agreement” between one of the Frere merchants and its consumers. Consistent with the telemarketing script, the agreement required consumers to make an advance fee before being “approved for a Federal Student Loan Consolidation or any other repayment plan program available to client through the DOE”—again in violation of the TSR. *See* 16 C.F.R. § 310.4(a)(5)(i). Defendant claimed that the agreement required consumers to make an advance fee before being “approved for a Federal Student Loan Consolidation or any other repayment plan program available to client through the DOE”—again in violation of the TSR. *See* 16 C.F.R. § 310.4(a)(5)(i).

one processor, stating, “this merchant is on our risk monitoring program due to their high chargeback ratios.” That same month, the processor again emailed Greene, writing “[u]nfortunately, the time has come to end our relationship with . . . [Frere’s] three boarded accounts . . . Due to the ongoing excessive returns, their account has been on payout hold for quite some time. . . . [T]his account should have been terminated a while back, but we agreed to an extension due to Brandon’s commitment to improve business practices,” but “the account performance [is] still significantly poor.”

62. In May 2016, a payment processor warned Moneta’s Relationship Manager that it “reviewed the [AFBC] website and s[aw] multiple potential UDAAP issues,” *i.e.*, issues related to unfair, deceptive, or abusive acts or practices.

63. From 2016 to 2018, the Frere companies’ publicly available BBB profiles included numerous complaints from consumers accusing the Frere companies of misrepresenting material aspects of their debt relief service

through June 2017. Defendants also continued to provide support to Frere with account maintenance and new potential applications through March 2018.

65. Based on the facts and violations of law alleged in this Complaint, the FTC has reason to believe that Defendants are violating or are about to violate laws enforced by the Commission because, among other things:

- a. Defendants engaged in their unlawful acts and practices repeatedly from 2015 to 2018;
- b. Defendants engaged in their unlawful acts and practices willfully and knowingly;
- c. Defendants continued their unlawful acts or practices despite knowledge of numerous complaints from consumers as well as denials and terminations by payment processors;
- d. Defendants stopped substantially assisting Frere and his companies only after the FTC sued them and Frere was arrested; and
- e. Until entry of the proposed order, Defendants remain in the payment processing business and maintain the means, ability, and incentive to continue their unlawful conduct.

66. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts or practices in or affecting commerce.”

67.

provides, offers to provide, or arranges for others to provide goods or services to a customer in exchange for consideration. 16 C.F.R. § 310.2(dd). A “telemarketer” means any person who, in connection with telemarketing, initiates or receives teleph. 16 C.F.R. 7.1(e) (1)-(5)

management plan, or other such valid contractual agreement executed by the customer; [and]

B. The customer has made at least one payment pursuant to that settlement agreement, debt management plan, or other valid contractual agreement between the customer and the creditor or debt collector”

16 C.F.R. § 310.4(a)(5)(i).

77. The TSR prohibits any “person” from “provid[ing] substantial assistance or support to any seller or telemarketer when that person knows or consciously avoids knowing that the seller or telemarketer is engaged in any act or practice that violates §§ 310.3(a), (c) or (d), or § 310.4” of the TSR. 16 C.F.R. § 310.3(b).

78. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. § 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the TSR constitutes an unfair or deceptive act or practice in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

79. In numerous instances, Defendants provided substantial assistance or support to sellers or telemarketers who Defendants knew, or consciously avoided knowing:

a.

