



4. Venue is proper in this district under 28 U.S.C. § 1391(b)(1), (b)(2), (c)(1), (c)(2), and (d), and 15 U.S.C. § 53(b).

PLAINTIFFS

5. 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. The FTC also enforces the FDCPA, 15 U.S.C. §§ 1692-1692p, which prohibits abusive, deceptive, and unfair debt collection practices and imposes duties upon debt collectors.

6. The FTC is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and the FDCPA 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), 56(a)(2)(A), and 1692l(a).

7. The State of New York, by its Attorney General, is authorized to take action to enjoin (i) repeated and persistent fraudulent and illegal business conduct under New York Executive Law § 63(12); (ii) deceptive business practices under New York General Business Law § 349; and (iii) illegal debt collection practices under General Business Law § 602; and to obtain legal or equitable relief, including rescission or reformation of contracts, restitution, the appointment of a receiver, disgorgement of ill-gotten monies, or other relief as may be appropriate.

DEFENDANTS

8. Defendant **Hylan Asset Management, LLC** (“Hylan”) is a New York corporation, formerly known as Solex Asset Group, LLC, with its registered address and

principal place of business at 5477 Main Street, Amherst, New York, 14221. Hylan transacts or has transacted business in this district and throughout the United States.

9. Defendant **Andrew Shaevel** is or has been an owner, officer, director, member, and/or manager of Defendant Hylan. At times material to this Complaint, acting alone or in concert with others, Shaevel has formulated, directed, controlled, had the authority to control, or participated in Hylan's acts and practices, including the acts and practices set forth in this Complaint. Among other things, Shaevel has controlled Hylan's finances and business operations, purchased debt through it and affiliated entities, and signed corporate papers. Shaevel resides in this district and, in connection with the matters alleged herein, transacts or has transacted business in this district and throughout the United States.

10. Defendant **Worldwide Processing Group, LLC**

12. Defendants Worldwide Processing and Frank A. Ungaro, Jr. (collectively, the “Worldwide Defendants”) are third-party debt collectors that, in many instances, have purchased or received portfolios of allegedly past-due consumer debt and collected payments from consumers nationwide. The Worldwide Defendants are “debt collectors” as defined in Section 803(6) of the FDCPA, 15 U.S.C. § 1692a(6). The Worldwide Defendants have attempted to collect purported debts by contacting consumers using instrumentalities of interstate commerce, including telephone calls, electronic mail, and United States mail.

COMMERCE

13. At all times material to this Complaint, Defendants have 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’ MARKETING AND DISTRIBUTION OF COUNTERFEIT AND UNAUTHORIZED DEBTS

14. This is a case against Defendants who have profited from collecting on “phantom debt.” Hylan, and its owner Shaevel, have purchased and distributed for collection two types of purported debts that consumers did not owe: counterfeit debts fabricated from misappropriated information about consumers’ identities and finances; and debts purportedly owed on bogus “autofunded” payday loans that fraudulent enterprises foisted on consumers without their permission. Hylan and Shaevel have distributed and profited from these phantom debts despite receiving ample notice that the consumers did not actually owe them.

15. The Worldwide Defendants have collected on phantom debts, including many obtained from Hylan. The Worldwide Defendants have also received ample notice that consumers did not actually owe them. To coerce consumers into paying the fake or unauthorized debts, the Worldwide Defendants have made unlawful threats to harass consumers’

sold these portfolios of counterfeit debt in spreadsheet format. The portfolios list consumer names and contact information along with social security numbers and financial account

Mohindra for selling counterfeit debt portfolios. *FTC v. Stark Law, LLC, et al.*, No.

1:16-cv-3463 (N.D. Ill. filed Mar. 21, 2016).

22. On October 27, 2017, Mohindra agreed to entry of a stipulated judgment that, among other things, banned him from the debt collection industry and imposed a \$47,220,491 judgment. *FTC v. Stark Law, LLC*, No. 1:16-cv-3463 (N.D. Ill. Oct. 27, 2017), at *7, *9.

23. Hylan does not collect on phantom portfolios directly. Instead, it “places” them with debt-collection agencies, including the Worldwide Defendants. It also sells phantom debt to other brokers or collectors.

24. Hylan purchases, sells, and places these portfolios despite having notice that consumers do not owe the purported debts. For example, by the fall of 2014, a Hylan employee was raising issues internally about the accuracy and veracity of the information contained in the portfolios. And by November 2014, Hylan and its owner, Defendant Andrew Shaevel began receiving from collection agencies reports of a high number of consumer complaints stating that consumers did not owe the alleged debts. From their discussions with Mohindra, the federal government enforcement actions against Mohindra, CWB Services, and Moseley, and information from debt buyers, Hylan and Shaevel had notice that they were disseminating phantom debts.

25. In a November 2014 email to Mohindra regarding a debt portfolio that originated from Tucker, Shaevel stated, “There is a MAJOR problem with data on this file. Either there was a data transformation error or there is major FRAUD with this file. [A Hylan employee] discovered that there are debtors with the same name and address that have different SSNs, same bank accounts but different names and/or SSN’s. THIS IS NOT KOSHER!” Mohindra assured Shaevel that, “Joel [Tucker] would not and is not frauding over these amounts,” and one

of Mohindra's employees blamed consumers who input incorrect Social Security numbers during the application process. The employee added that Tucker was willing to replace the \$4.79 million of disputed loans. Shaevel remained unconvinced, stating, "We understand the business and the data. These problems are not consistent with the data we have received in the last \$500m of payday loans. This is a problem that needs to be fixed." After Mohindra told Shaevel that he would provide him with "replacement files" and assured him that it was "a non issu[e]," Shaevel replied "Ok thanks!" Hylan continued to purchase from Mohindra, and sell to third parties, debts originating from Joel Tucker.

26. Likewise, in a November 2014 email, a collection agency informed Shaevel that a

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loan portfolios immediately cease. . . . Furthermore, Hylan Asset Management, LLC is directed to immediately cease the sale of any loans allegedly originated by any of the Receivership Defendants.” He also demanded that Hylan provide him, “with an accounting of any loan or loan portfolio containing loans originated by any of the Receivership Defendants. . . .”

31. Despite these reports and voluminous complaints from consumers asserting that they did not actually owe the debts, Hylan and Shaevel did not stop purchasing, selling, and placing Tucker portfolios for collection. Nor did they recall Tucker portfolios that they had already placed, or tell purchasers of these portfolios that they contained phantom debt.

32. In numerous instances, using information in debt portfolios marketed, distributed, sold, and placed by Hylan and Shaevel, debt collectors have contacted these consumers, demanded payment, and successfully induced consumers to pay the purported debts. In many instances, the debts in these portfolios were counterfeit or from “autofunded” loans.

33. Consumers cannot reasonably avoid collection on these phantom portfolios. Consumers are not aware that their personal information has been misappropriated and used to create a counterfeit debt or an unauthorized loan. From the portfolios, debt collectors, including the Worldwide Defendants, obtain consumers’ private personal information and sensitive financial information, such as Social Security numbers, bank account numbers, and names of references. Debt collectors recite such information to consumers to convince them that the purported loan is legitimate or that the collectors will be able to coerce the consumers to pay, even if they do not legitimately owe the loan. Using this detailed information, collectors intimidated consumers into paying the purported debts.

otherwise verified the consumer's location information. In many of these instances, the Worldwide Defendants have sent pre-recorded messages from "Sarah" that state the call "is regarding our location and tracing efforts" for the purported debtor. The messages claim that "if we cannot verify this information through you, the law allows us to contact all references on file." In fact, the FDCPA limits the parties that a debt collector may contact, particularly when the collector has already obtained location information about the consumer, and the law does not give a debt collector carte blanche to contact "all references on file."

Unlawful Contacts with Third Parties

43. In numerous instances, the Worldwide Defendants have communicated with third parties where they already possessed contact information for the consumer, including the consumer's place of abode, telephone number, or place of employment.

Failure to Provide Statutorily Required Disclosures and Notices

44. In numerous instances, in initial calls to consumers, the Worldwide Defendants' collectors have not disclosed that the call is coming from a debt collector who is attempting to collect a debt from the consumer and that any information obtained from the consumer will be used for that purpose.

45. In numerous instances, in subsequent communications with consumers, the Worldwide Defendants' collectors have failed to disclose that they are debt collectors.

46. In numerous instances, the Worldwide Defendants also have failed to provide consumers with a statutorily required notice, either orally in their initial communication with the consumer or in writing within five days of the initial oral communication, setting forth the following: (1) the amount of the alleged debt; (2) the name of the creditor to whom the purported debt is owed; (3) a statement that unless the consumer disputes the debt within 30

days, the debt will be assumed valid; (4) a statement that if the consumer disputes all or part of the debt in writing within 30 days, the debt collector will obtain verification of the debt and mail it to the consumer; and (5) a statement that, upon the consumer's written request within the 30-day period, the debt collector will provide the name and address of the original creditor, if different from the current creditor.

47. In numerous instances, the Worldwide Defendants have refused to provide consumers with this notice. Indeed, the Worldwide Defendants did not provide this notice even when consumers requested it. As a result, consumers have been unable to exercise their rights under the FDCPA.

VIOLATIONS OF THE FTC ACT

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

49. Misrepresentations or deceptive omissions of material fact constitute deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

50. Acts or practices are unfair under Section 5 of the FTC Act if they cause or are likely to cause substantial injury to consumers that consumers cannot reasonably avoid themselves and that is not outweighed by countervailing benefits to consumers or competition. 15 U.S.C. § 45(n).

Count I by Plaintiff FTC Means and Instrumentalities to Mislead (Against Hylan Asset Management, LLC and Andrew Shaevel)

51. In numerous instances, in connection with their marketing, distribution, sale, and placement of purported payday loan debt portfolios, Defendants have represented, directly or indirectly, expressly or by implication, that consumers listed in those portfolios owe unpaid

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Count V by Plaintiff FTC
Unlawful Communications with Third Parties
(Against Worldwide Processing Group, LLC and Frank A. Ungaro, Jr.)

68. As described in Paragraph 43, in numerous instances, in connection with the collection of debts, Defendants have communicated with persons other than the consumer, the consumer's attorney, a consumer reporting agency if otherwise permitted by law, the creditor,

72. Defendants have engaged in repeated fraudulent or illegal acts or otherwise demonstrated persistent fraud or illegality in the carrying on, conducting, or transaction of their debt collection business for purposes of Executive Law § 63(12).

Count IX by Plaintiff State of New York
Deceptive Acts or Practices
(Against All Defendants)

73. New York General Business Law § 349 provides that “[d]eceptive acts or practices in the conduct of any business [...] in this state are hereby declared unlawful.”

74.

76. In numerous instances, Defendants have violated New York General Business Law § 601 by engaging in prohibited debt collection practices under that statute.

CONSUMER INJURY

77. Consumers have suffered and will continue to suffer substantial injury as a result of Defendants' violations of the FTC Act, the FDCPA, New York Executive Law § 63(12), and New York General Business Law Articles 22-A and 29-H. In addition, Defendants have been unjustly enriched as a result of their unlawful acts or practices. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

78. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and Section 814(a) of the FDCPA, 15 U.S.C. § 1692l(a), empower this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations of any provision of law enforced by the FTC. The Court, in the exercise of its equitable jurisdiction, may award ancillary relief, including rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies, to prevent and remedy any violation of any provision of law enforced by the FTC.

79. New York Executive Law § 63(12) empowers the Attorney General to seek injunctive relief, restitution, damages, disgorgement, and other relief when any person or business entity has engaged in repeated fraudulent or illegal acts, or has otherwise demonstrated persistent fraud or illegality in the carrying on, conducting, or transaction of business. New York General Business Law § 349 prohibits deceptive business practices and empowers the Attorney General to seek injunctive relief, restitution, and civil penalties when violations occur.

