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BARBARA D. UNDERWOOD

FRANK A. UNGARO, JR., individually and as a corporate officer of Worldwide Processing Group, LLC; ANDREW SHAEVEL, individually and as a corporate officer of Hylan Asset Management, LLC; and JON E. PURIZHANSKY, individually and as a corporate officer of Hylan Asset Management, LLC

Defendants.

Plaintiffs, the Federal Trade Commission (FTC) and the People of the State of New York

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JURISDICTION AND VENUE

3. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. §§ 45~~(a)~~^(b), and 1692I

legal or equitable relief, including rescission or reformation of contracts, restitution, the appointment of a receiver, disgorgement of ill

matters alleged herein, transacts or has transacted business in this district and throughout the United States.

12. Defendant 6P Management Corporation is a New York corporation with its registered address and principal place of business at 25 Viscount Drive, Williamsville, NY 14221. Defendant 6P Management Corporation owns or controls Defendant 6P, Defendant 6P Management Corporation transacts or has transacted business in this district and throughout the United States.

13. Defendant 6P, LLC is a New York limited liability company with its registered address and principal place of business at 25 Viscount Drive, Williamsville, NY 14221. Defendant 6P, LLC currently owns or controls 43.71% of Defendant Hylan. Defendant 6P, LLC transacts or has transacted business in this district and throughout the United States.

14. Defendant Jon E. Purizhansky owns or controls Defendant 6P Management Corporation and is an owner, officer, and director of Defendant Hylan. At times material to this Complaint, acting alone or in concert with others, Purizhansky 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, Purizhansky has controlled Hylan's finances and business operations, purchased debt through it and affiliated entities. Purizhansky 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.

15. Defendant Worldwide Processing Group, LLC is a New York limited liability company with its registered address and principal place of business at 1279 0

Ave., Hamburg, NY 14075. Worldwide Processing, transacts or has transacted business in this district and throughout the United States.

16. Defendant Frank A. Ungaro, Jr. is or has been the owner and an officer of Worldwide Processing. At times material to this complaint, acting alone or in concert with

practices alleged below. Defendants Shaevel and Purizhansky have formulated, directed, controlled, had the authority to control, or participated in the acts and practices of the Defendants that constitute the common enterprise.

COMMERCE

19. 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

20. This is a case against Defendants who have profited from collecting “phantom debt.” Hylan, and its owners Shaevel and Purizhansky, 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” pay loans that fraudulent enterprises fabricated on consumers without their permission. Hylan, Purizhansky, and Shaevel have distributed and profited from these phantom debts despite receiving ample notice that the consumers did not actually owe them.

21. 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’ friends and family members and failed to provide consumers with statutorily required notice of how to dispute the debts.

each consumer identified, the portfolios provide detailed, but fabricated, information about purported payday loans, such as alleged original loan amounts, loan dates, repayment histories, and unpaid balances.

25. In addition, Tucker, through entities he controlled, obtained and sold unauthorized payday loans. Tucker first sold purported payday loans to lenders associated with him. In many instances, these lenders issued loans to consumers identified in the leads without their permission, a practice referred to as “autofunding.” The lenders then attempted to withdraw money from consumers’ bank accounts as “finance charges” without consumers’ consent. When consumers denied the attempted debits, the lenders transferred the unauthorized loans to Tucker as “debts.” In 2014, the FTC and Consumer Financial Protection Bureau (“CFPB”) filed suits against these purported lenders. *FTC v. CWB Services, et al.*, 14-cv-00783 (W.D. Mo.) and *CFPB v. Moseley, et al.*

28. 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.

29. 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.”

30. Hylan purchases debts, and places these portfolios despite having notice that consumers do not owe the purported debts.

31. For example, in July 2014, Mohindra contacted Shaevel and Purizhansky about a portfolio of Tucker debts supposedly owed to online payday lender “500fastcash.” Mohindra proposed that Hylamarket the portfolio and sent it to the company. The portfolio was a counterfeit; 500FastCash never sold its loans to a third party for collection. Shortly thereafter, 500FastCash’s General Counsel warned Purizhansky that “500FastCash has not sold and is not

against Mohindra, CWB Services and Moseley and information from debt buyers, Hylan Shaevel and Purizhansky had not that they were disseminating phantom debts.

33. In a November 2014 email to Mohindra and Purizhansky 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. 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 SSNs. 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 and Purizhansky that he would provide them with "placement files" and assured them that it was "a non issue," Shaevel replied "Thanks!" Hylan continued to purchase from Mohindra, and sell to third parties, debts originating from Joel Tucker.

34. Likewise, in a November 2014 email forwarded to Shaevel and Purizhansky, a collection agency stated that a "[c]onsiderable number of people are saying that they never received the loan and we were able to get a few bank statements showing that there was no deposit matching the loan amount anywhere near the loan date."

35. In January 2016, Hylan emailed Mohindra an attachment listing 74 alleged debtors who had signed sworn affidavits denying that they owed the debts. Shaevel and Purizhansky

were copied on the email. Nevertheless, Hylan continued to sell and place portfolios for collection with third parties.

36. Hylan, Shaevland Purizhansky also received notice that they had purchased and were selling autofunded "debts." In February 2015, Shaevland and Purizhansky received an email with a news article describing the FTC and CFPB's actions against the companies engaged in autofunding. The article described how the purported lenders in Tucker portfolios "used information from online loan shopping sites to deposit loans in unwitting consumers' accounts and then repeatedly dinged them for finance charges." The article further reported, "When people disputed the debits with their banks, the lenders fabricated documents that purported to show consumers had agreed to the loans." Finally, the article noted that many consumers that

by taking a percentage of collections and remitting the remainder to Prudent email to Prudent and copied to Purizhansky, Shaevel acknowledged that even after the sale, “our affiliates are servicing the paper so in effect we have control of the debt and the cash.”

41. In numerous instances, using information in debt portfolios marketed, distributed, sold, and placed by Hylan Shaevel

45. As part of their attempt to deceive and intimidate consumers into paying these debts, the Worldwide Defendants have often refused to provide consumers with critical information about the debts. And they fail to send statutorily required validation notices that would also provide consumers with information about how to dispute the debts – something critically important here, where the consumers do not actually owe the debts. In addition, these Defendants have threatened to harass consumers' friends and family members.

Attempts to Collect Fake or Unauthorized Debts

46. In numerous instances, since at least 2014, the Worldwide Defendants have attempted to collect money on debts that were either fake or from loans that were not authorized by the consumers.

47. In many of these instances, the Worldwide Defendants have claimed that consumers owed a debt arising from a payday loan. They often assert that the underlying loan was several hundred dollars, and that the debt includes this amount plus hundreds of dollars from interest or fees. In some cases, the Worldwide Defendants state that the loan was from 2010, 2011, 2012, or 2013. And in other cases, they fail to provide a date for when the purported loan was taken out.

48. But many of the consumers that the Worldwide Defendants contact have never taken out a payday loan, do not owe any outstanding debts, or were the victims of an the autofunded loan scam.

49. In numerous instances, consumers have asked for additional information or have explained to the Worldwide Defendants that they do not owe the purported debts. The Worldwide Defendants often respond to these inquiries by reciting consumers' personal information—including addresses, social security numbers, employment history, and banking

information—in an attempt to make the debt appear legitimate—represent that they can collect on the debt regardless of its validity

50. The Worldwide Defendants continued to collect on the debts even after consumers told them that they had never heard of the lenders, did not owe debts, and in some cases provided bank statements and other records to prove it. Worldwide Processing also was the top generator of Better Business Bureau consumer complaints in its geographical region, many of which contained statements by consumers that they did not owe the alleged debts. The Better Business Bureau generally forwarded these complaints to Worldwide Processing, as did the New York Attorney General, who received similar complaints. Even after acknowledging receipt of numerous consumer complaints, Defendants continued to collect on the fake and autofunded debts and failed to make any meaningful attempt to verify the authenticity of the debts.

Unlawful Threats to Contact Third Parties

51. In numerous instances, to pressure consumers into paying the purported debts, the Worldwide Defendants have threatened to contact consumers' family members or other third parties—even after the Worldwide Defendants have already spoken with the consumer or 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 debt. The messages claim that "if we cannot verify this information through you, the law ~~owns~~ us to contact all references on file." In fact, the FDCPA limits the parties ~~the~~ 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."

when consumers requested it. As a result, consumers have been unable to exercise their rights under the FDCPA.

VIOLATIONS OF THE FTC ACT

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

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

59. Acts or practices are unfair under Section 5 of the FTC Act if they cause or 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, Bobalew Management Corp., Bobalew, LLC, Andrew Shaevel,
6P Management Corp., 6P, LLC, and Jon E. Purizhansky)

60.

62. By making the representations in Paragraph 51, Defendants placed in the hands of debt collectors the means and instrumentalities by and through which they may mislead consumers regarding their debt obligations.

63. Therefore, Defendants' representations, as set forth in Paragraph 51 of this Complaint are false or misleading, and constitute deceptive acts and practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

Count II by Plaintiff FTC
Distribution of Counterfeit or Unauthorized Debts for Collection
(Against Hylan, Bobalew Management Corp., Bobalew, LLC, Andrew Shaevel,
6P Management Corp., 6P, LLC, and Jon E. Purizhansky)

64. In numerous instances, Defendants have distributed, placed for collection, and (,)Tj /--0.004e

68. In truth and in fact, in numerous instances in which Defendants have made the

74. Throughout this Complaint, the term “consumer,” as defined in Section 803(3) of

Count VI by Plaintiff FTC
False, Deceptive, or Misleading Representations to Consumers
(Against Worldwide Processing and Frank A. Ungaro, Jr.)

78. In numerous instances, in connection with the collection of debts, Defendants have, directly or indirectly, expressly or by implication, used false, deceptive, or misleading

Count VII by Plaintiff FTC
Failure to Provide Statutorily Required Notice
(Against Worldwide Processing and Frank A. Ungaro, Jr.)

79. In numerous instances, in connection with the collection of debts, Defendants have failed to provide consumers, either in the initial communication or a written notice sent within five days after the initial communication, with the information required by Section 809(a) of the FDCPA, 15 U.S.C. § 1692g(a), including information about the debt and consumers' rights to dispute the debt.

VIOLATIONS OF NEW YORK STATE LAW

Count VIII by Plaintiff State of New York
Repeated Fraudulent or Illegal Acts
(Against All Defendants)

80. New York Executive Law § 63(12) empowers the Attorney General to seek restitution and injunctive relief when any person or business entity has engaged in repeated fraudulent or illegal acts or otherwise demonstrates persistent fraud or illegality in the carrying on, conducting, or transaction of business.

81. 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)

82. New York General Business Law § 349 provides that “[d]eceptive acts or practices in the conduct of business” are prohibited. The conduct of a business is defined as the conduct of a person or entity in the course of a trade, profession, occupation, or business, whether or not the person or entity is a natural person, and whether or not the person or entity is a corporation, partnership, or other legal entity.

Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

87. 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.

88. 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. General Business Law Article 29-H, § 602 empowers the Attorney General to bring an action to restrain any violation of Article 29-H, New York's Debt Collection Procedures.

PRAYER FOR RELIEF

Wherefore, Plaintiffs FTC and the State of New York, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), Section 814(a) of the FDCPA, 15 U.S.C. § 1692l(a), New York Executive Law § 63(12), and New York General Business Law §§ 349, 350-d, and 602(2), and the Court's own equitable powers, request that the Court:

A. Award Plaintiffs such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including, but not limited to, temporary and preliminary injunctions with ancillary equitable relief.

B. Enter a permanent injunction to prevent future violations of the FTC Act, the FDCPA, New York General Business Law Articles 22-A and 29-H, and New York Executive Law § 63(12) by Defendants;

C. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act, the FDCPA, New York General Business Law Articles 22-A and 29-H, and New York Executive Law § 63(12), including, but not limited to, rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies;

D. Pursuant to New York General Business Law § 350-d, impose a civil penalty of \$5,000 for each violation of New York General Business Law Article 22-A; and

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

