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RECEIVED  
FEB 24 2009  
AT 8:30  
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CLERK

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

**FEDERAL TRADE COMMISSION,**

Plaintiff,

v.

**UNITED CREDIT ADJUSTERS, INC.,**  
a New Jersey corporation, also d/b/a United  
Credit Adjustors, and UCA,

**UNITED CREDIT ADJUSTORS, INC.,**  
a New Jersey corporation, also d/b/a United  
Credit Adjustors, and UCA,

**UNITED COUNSELING ASSOCIATION, INC.,**  
a New Jersey corporation, also d/b/a UCA,

**BANKRUPTCY MASTERS CORP.,**  
a New Jersey corporation,

**NATIONAL BANKRUPTCY SERVICES CORP.,**  
a New Jersey corporation,

CIVIL ACTION NO.

COMPLAINT FOR  
INJUNCTIVE AND OTHER  
EQUITABLE RELIEF

FILED UNDER SEAL

**FEDERAL DEBT SOLUTIONS LTD.,**  
a New Jersey corporation,

**UNITED MONEY TREE, INC.,**  
a New Jersey corporation,

**AHRON E. HENOCH,**  
also d/b/a United Credit Adjusters, Inc.,  
Bankruptcy Masters Corp., and Federal Debt  
Solutions Ltd.; individually and as an officer or  
director of United Credit Adjusters, Inc.,  
United Credit Adjusters, Inc., United Counseling  
Association, Inc., Bankruptcy Masters Corp.,  
National Bankruptcy Services Corp., Federal Debt  
Solutions Ltd., and United Money Tree, Inc.,

**EZRA RISHTY,**  
also d/b/a United Credit Adjusters, Inc., and  
Bankruptcy Masters Corp.; individually and as an  
officer or director of United Credit Adjusters,  
Inc., and Bankruptcy Masters Corp., and

**GERALD SERINO, a/k/a JERRY SERINO,**  
also d/b/a United Credit Adjusters, Inc.;  
individually and as an officer or director of  
United Credit Adjusters, Inc.,

Defendants.

**COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF**

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

1. The FTC brings this action under Sections 13(b) and 19 of the Federal Trade Commission (FTC Act), 15 U.S.C. §§ 53(b) and 57b, and under Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b), to obtain temporary, preliminary, and

permanent injunctive relief, rescission of contracts and restitution, disgorgement of ill-gotten gains, and other equitable relief against the Defendants for engaging in deceptive acts or practices in connection with the advertising, marketing, promotion, offering for sale, or sale of credit repair services in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the Credit Repair Organizations Act, 15 U.S.C. §§ 1679-1679j.

#### **JURISDICTION AND VENUE**

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

3. Venue in the United States District Court for the District of New Jersey is proper under 15 U.S.C. § 53(b) and 28 U.S.C. § 1391(b).

#### **PLAINTIFF**

4. Plaintiff FTC is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58. The FTC is charged, *inter alia*, with enforcing 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 is charged with enforcing the Credit Repair Organizations Act. 15 U.S.C. § 1679h(a).

5. The FTC is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and the Credit Repair Organizations Act in order to secure such equitable relief as is appropriate in each case, including restitution for injured consumers. 15 U.S.C. §§ 53(b), 57b, and 1679h(b).

#### **DEFENDANTS**

6. Defendant United Credit Adjusters, Inc., also d/b/a United Credit Adjustors, Inc., and UCA (UCA 1), is a New Jersey for-profit corporation that operates or has operated from

locations in Howell, Manasquan, and Lakewood, New Jersey. UCA 1 transacts or has transacted business in this district and throughout the United States.

7. Defendant United Credit Adjustors, Inc., also d/b/a United Credit Adjusters, Inc., and UCA (UCA 2), is a New Jersey for-profit corporation that operates or has operated from locations in Howell and Lakewood, New Jersey. UCA 2 transacts or has transacted business in this district and throughout the United States.

8. Defendant United Counseling Association, Inc., also d/b/a UCA (UCA 3), is a New Jersey for-profit corporation that operates or has operated from locations in Howell and Lakewood, New Jersey. UCA 3 transacts or has transacted business in this district and throughout the United States.

9. Defendant Bankruptcy Masters Corp. (BMC) is a New Jersey for-profit corporation that operates or has operated from locations in Howell, Manasquan, and Lakewood, New Jersey. BMC transacts or has transacted business in this district and throughout the United States.

10. Defendant National Bankruptcy Services Corp. (NBS) is a New Jersey for-profit corporation that operates or has operated from locations in Howell and Lakewood, New Jersey. NBS transacts or has transacted business in this district and throughout the United States.

11. Defendant Federal Debt Solutions Ltd. (FDS) is a New Jersey for-profit corporation that operates or has operated from locations in Howell, Manasquan, and Lakewood, New Jersey. FDS dissolved without assets in January 2008, but continued to conduct business for at least one month past its dissolution date. FDS transacts or has transacted business in this district and throughout the United States.

12. Defendant United Money Tree, Inc. (UMT), is a New Jersey for-profit corporation that operates, and has operated, from locations in Manasquan and Lakewood, New Jersey. UMT transacts or has transacted business in this district and throughout the United States.

13. Defendant Ahron E. Henoch (Henoch) is an officer or director of UCA 1, UCA 2, UCA 3, BMC, NBS, FDS, and UMT. At all times material to this Complaint, acting alone or in concert with others, Henoch has formulated, directed, controlled, or participated in the acts or practices of UCA 1, UCA 2, UCA 3, BMC, NBS, FDS, and UMT, including the acts and practices set forth in this Complaint. Henoch resides in New Jersey, and transacts or has transacted business in this district and throughout the United States.

14. Defendant Ezra Rishty (Rishty) is an officer of UCA 1 and BMC. At all times material to this Complaint, acting alone or in concert with others, Rishty has formulated, directed, controlled, or participated in the acts or practices of UCA 1 and BMC, including the acts and practices set forth in this Complaint. Rishty resides in New Jersey, and transacts or has transacted business in this district and throughout the United States.

15. Defendant Gerald Serino (Serino) is the Chief Operating Officer and Chief Administrative Officer of UCA 1. At all times material to this Complaint, acting alone or in concert with others, Serino has formulated, directed, controlled, or participated in the acts or practices of UCA 1, including the acts and practices set forth in this Complaint. Accordingly, Serino transacts or has transacted business in this district and throughout the United States.

16. "Defendants" means UCA 1, UCA 2, UCA 3, BMC, NBS, FDS, UMT, Henoch, Rishty, and Serino.

17. "UCA" means UCA 1, UCA 2, and UCA 3.

18. "Corporate Defendants" means UCA 1, UCA 2, UCA 3, BMC, NBS, FDS, and UMT.

#### COMMON ENTERPRISE

19. The Corporate Defendants have operated together as a common enterprise while engaging in the violative acts and practices alleged below, through an interrelated network of companies that have common officers, employees, business locations, customers, and/or business functions, and commingle funds.

#### COMMERCE

20. 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' BUSINESS ACTIVITIES

21. Since at least October 2005, and continuing thereafter, Defendants have advertised, marketed, promoted, offered for sale, and sold credit repair services to consumers throughout the United States.

22. In exchange for fees, Defendants deceptively have offered and continue to offer credit repair services that purport to substantially improve consumers' credit reports, profiles, or scores with all three major credit reporting agencies. Defendants falsely promise that they lawfully and permanently can restore consumers' credit scores and profiles by removing negative information from consumers' credit reports, including late payments, charge-offs, collections, inquiries, delinquencies, judgments, and accounts discharged in bankruptcy proceedings, even where such information is accurate and not obsolete.

23. Defendants have advertised their credit repair services through radio advertisements, print ads, and/or third-party Web sites. Through these advertisements, Defendants lure desperate consumers who have poor credit reports and credit scores with promises of guaranteed credit repair. As an example, Defendants' advertisement on [www.homeshoppermagazine.com](http://www.homeshoppermagazine.com), a Web site related to home purchasing in New Jersey, contained statements such as the following:

**CREDIT PROBLEMS?**

Trying To Buy A House?  
Have A Low Credit Score?

**We Have the Solution for You!**

**WE CAN LEGALLY RESTORE YOUR CREDIT BY  
ELIMINATING**

Late Payments • Collections • Judgments  
• And other negative information

**100% Guarantee**  
to raise your credit score!

**FREE CREDIT CONSULTATION**  
**1-866-543-6364**

24. Defendants also have placed the following advertisement in *The Village Voice*, a free weekly newspaper circulated in the greater New York City area:

**Having Credit Problems?  
Low Credit Score  
We Have the Solution for You!**  
**We can legally repair and restore your credit by removing:  
Late Payments • Collections • Judgments • Negative Info.  
We can also Negotiate ... Your credit card debts and  
other outstanding debts. On Average 50% Savings!**

25. Consumers who read and hear these advertisements are encouraged to contact Defendants via telephone for further information and a free credit consultation. In telephone

discussions with consumers, Defendants typically continue by offering credit repair services that Defendants either cannot or often will not perform. During these calls, Defendants typically represent that they can remove any negative items contained on consumers' credit reports, even where the items are accurate and recent. To induce consumers to purchase the credit repair services, Defendants promise that their services substantially will improve consumers' credit reports and raise consumers' credit scores with all three major credit reporting agencies, making it easier for consumers to obtain extensions of credit.

26. As examples, transcripts of undercover telephone calls with Defendants show that they have represented:

[G]enerally what we would do is remove any negative information that is on her credit report as far as like late payments, charge-offs, collection accounts, inquiries, delinquencies, judgments.

\*\*\*

[W]hen you . . . become 60 days late, what [the creditor] will do is . . . put it on your report that you did become late, which we'll be here to remove for you. . . .

\*\*\*

I can't tell you much because I'll be giving you my trade secrets, but I can definitely guarantee that we'll take care of anything that's derogatory on her credit report. It's all legal.

\*\*\*

[Y]ou're just hiring us to erase any errors or mistakes that you've made in the past that are still appearing on your credit reports and weighing down your credit scores.

27. Defendants also have offered debt settlement and bankruptcy form preparation services in conjunction with their credit repair services. According to consumers, undercover tape recordings, and advertisements, Defendants promise consumers that these services substantially will increase credit scores by settling consumers' debts at up to 50% of their value at the time of enrollment and assisting consumers with bankruptcy filing petitions.

28. During the sales calls, Defendants have asked for consumers' social security numbers in order to access and review their credit reports, also referred to as consumer reports. On the same date as the sales calls, Defendant UMT, using various third-party consumer reporting agencies, obtains the consumer reports, stating that the purpose is for credit or real estate transactions. UMT's access to the consumer reports furthers and supports Defendants' credit repair services by permitting Defendants to review and discuss the consumer reports during credit repair sales calls with consumers. When UMT accesses the reports, inquiries from it appear on the consumer reports.

29. Defendants offer consumers either an eight-month or a one-year contract with a 100% money-back guarantee for credit repair services. Defendants represent that consumers will receive three credit reports—one from each major consumer reporting agency—every month. Defendants tell consumers that they must forward them the credit reports so that they can monitor consumers' credit accounts. Defendants promise that they will send monthly status reports to consumers, which will reflect negative items deleted from consumers' credit reports.

30. In numerous instances, consumers report that they never received any credit reports or monthly status reports, and therefore were unable to forward the credit reports to Defendants or confirm that negative items were deleted from their credit reports. Other consumers report that they received the credit reports and monthly status reports, but only in the first month of service, or never received the promised results after forwarding the credit reports.

31. Defendants' fee schedule for the credit repair services varies from \$300 to \$2000. Defendants always require consumers to pay a deposit, typically \$300. The deposit often is paid in two installments within the first month of service. The balance of the contract price is spread out in monthly payments, often over an eight or ten-month period. Consumers pay the deposit and subsequent monthly payments by providing Defendants with their financial account or credit

card information over the telephone. Defendants have debited consumers' financial accounts prior to receiving consumers' executed written contracts for credit repair services.

32. After the sales call, Defendants generally send consumers a package containing written materials, including a written contract for credit repair services, via U.S. mail or e-mail. Defendants' credit repair contract fails to include a conspicuous and boldfaced statement regarding consumers' right to cancel the contract without penalty or obligation at any time before midnight of the third business day after the date on which the consumers sign the contract. Instead, the disclosure has at times materially contradicted and altered the consumers' right to cancel the contract without penalty or obligation from three business days after signing a contract to within 72 hours of verbally agreeing to the services. At other times, the disclosure has materially contradicted and altered the consumers' right to cancel by stating that consumers are required to pay for work completed before the cancellation date.

33. Defendants' credit repair contract contains required Notice of Cancellation forms, but the forms advise consumers that they may only cancel without obligation by cancelling before midnight on the third day after the consumers *verbally* agreed to the credit repair services, instead of giving consumers until three business days after the consumers *signed* the contracts, as required by law. Moreover, consumers often report that upon calling to cancel the credit repair services, they are told the same thing. Many consumers report that they do not even receive the written contract with the Notice of Cancellation form until after this three-day verbal cancellation period expires.

34. At times, Defendants fail to provide consumers with a separate and required written statement, "Consumer Credit File Rights Under State and Federal Law," prior to the time consumers sign the credit repair contracts. When provided, these statements deviate from language prescribed by federal law.

35. Following the telephone sales calls, Defendants do little, if anything, to fulfill the promises made to consumers. Defendants' credit repair services, if provided at all, consist of little more than swamping credit reporting agencies with multiple dispute letters regarding negative items on consumers' accounts. This practice generally is useless when the negative information is accurate and current. Often, Defendants provide little to no credit repair services to consumers even when these services can be provided, such as when consumers' credit reports contain negative information that is inaccurate or untimely. Ultimately, consumers find that their credit reports and credit scores do not substantially improve or increase as a result of Defendants' credit repair services.

#### **THE CREDIT REPAIR ORGANIZATIONS ACT**

36. The Credit Repair Organizations Act took effect on April 1, 1997, and has since that date remained in full force and effect.

37. The Credit Repair Organizations Act defines a "credit repair organization" as:

[A]ny person who uses any instrumentality of interstate commerce or the mails to sell, provide, or perform (or represent that such person can or will sell, provide or perform) any service, in return for the payment of money or other valuable consideration, for the express or implied purpose of . . . improving any consumer's credit record, credit history, or credit rating . . . .

15 U.S.C. § 1679a(3).

38. The purposes of the Credit Repair Organizations Act, according to Congress, are:

(1) to ensure that prospective buyers of the services of credit repair organizations are provided with the information necessary to make an informed decision regarding the purchase of such services; and (2) to protect the public from unfair or deceptive advertising and business practices by credit repair organizations.

15 U.S.C. § 1679(b).

39. The Credit Repair Organizations Act prohibits all persons from making or using any untrue or misleading representation of the services of the credit repair organization.

15 U.S.C. § 1679b(a)(3).

40. The Credit Repair Organizations Act prohibits credit repair organizations from charging or receiving any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform before such service is fully performed. 15 U.S.C. § 1679b(b).

41. The Credit Repair Organizations Act requires credit repair organizations to provide consumers with a written statement containing prescribed language concerning “Consumer Credit File Rights Under State and Federal Law” before any contract or agreement is executed. 15 U.S.C. § 1679c(a).

42. The Credit Repair Organizations Act requires credit repair organizations to include, in any contract or agreement for services, specific conspicuous statements regarding the consumers’ right to cancel the contract without penalty or obligation at any time before midnight of the third business day after the date on which the consumers sign the contract or agreement. 15 U.S.C. § 1679d(b)(4).

43. The Credit Repair Organizations Act requires credit repair organizations to provide consumers with a “Notice of Cancellation” form, in duplicate, containing prescribed language concerning consumers’ three-day right to cancel that consumers can use to cancel the contract. 15 U.S.C. § 1679e(b).

44. Pursuant to Section 410(b)(1) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b)(1), any violation of any requirement or prohibition of the Credit Repair Organizations Act constitutes an unfair or deceptive act or practice in commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

**VIOLATIONS OF THE CREDIT REPAIR ORGANIZATIONS ACT**

**COUNT ONE**

45. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of services to consumers by a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have made untrue or misleading representations to induce consumers to purchase their credit repair services, including, but not limited to, the representation that Defendants can or will improve substantially consumers' credit reports, profiles or scores by lawfully and permanently removing negative information from consumers' credit reports, even where such information is accurate and not obsolete.

46. Defendants have thereby violated Section 404(a)(3) of the Credit Repair Organizations Act. 15 U.S.C. § 1679b(a)(3).

**COUNT TWO**

47. In numerous instances, in connection with their operation as a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have charged or received money or other valuable consideration for the performance of credit repair services that Defendants have agreed to perform before such services were fully performed.

48. Defendants have thereby violated Section 404(b) of the Credit Repair Organizations Act. 15 U.S.C. § 1679b(b).

**COUNT THREE**

49. In numerous instances, in connection with their operation as a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have failed to provide the written statement of "Consumer

Credit File Rights Under State and Federal Law,” in the form and manner required by the Credit Repair Organizations Act, to consumers before any contract or agreement was executed.

50. Defendants have thereby violated Section 405(a) of the Credit Repair Organizations Act. 15 U.S.C. § 1679c(a).

#### **COUNT FOUR**

51. In numerous instances, in connection with their operation as a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have failed to include on their consumer contracts conspicuous statements regarding the consumer’s right to cancel the contract without penalty or obligation at any time before the third business day after the date on which the consumer signed the contract.

52. Defendants have thereby violated Section 406(b)(4) of the Credit Repair Organizations Act. 15 U.S.C. § 1679d(b)(4).

#### **COUNT FIVE**

53. In numerous instances, in connection with their operation as a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have failed to provide the written “Notice of Cancellation” required by Section 407(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679e(b), in the form and manner required by that Act, to each consumer before any contract or agreement between the consumer and Defendants was executed.

54. Defendants have thereby violated Section 407(b) of the Credit Repair Organizations Act. 15 U.S.C. § 1679e(b).

**VIOLATION OF SECTION 5 OF THE FTC ACT**

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

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

**COUNT SIX**

57. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of credit repair services, Defendants have represented, expressly or by implication, that they can or will improve substantially consumers' credit reports, profiles or scores by lawfully and permanently removing negative information from consumers' credit reports, even where such information is accurate and not obsolete.

58. In truth and in fact, in numerous of these instances, Defendants cannot or do not improve substantially consumers' credit reports, profiles or scores by lawfully and permanently removing negative information from consumers' credit reports, even where such information is accurate and not obsolete.

59. Therefore, Defendants' representations set forth in Paragraph 57 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act. 15 U.S.C. § 45(a).

**CONSUMER INJURY**

60. Consumers have suffered, and continue to suffer, substantial monetary loss as a result of Defendants' violations of the FTC Act and the Credit Repair Organizations Act. In addition, Defendants have been unjustly enriched as a result of their unlawful acts and practices. Absent injunctive relief, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public.

**THIS COURT'S POWER TO GRANT RELIEF**

61. Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, and Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b), empower this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations of the FTC Act and the Credit Repair Organizations Act. The Court, in the exercise of its equitable jurisdiction, may award other ancillary relief, including, but not limited to, rescission of contracts and restitution, and the disgorgement of ill-gotten gains, to prevent and remedy injury caused by Defendants' law violations.

**PRAYER FOR RELIEF**

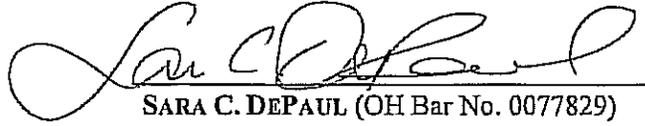
WHEREFORE, Plaintiff FTC, pursuant to Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, and Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b), and the Court's own equitable powers, requests that this Court:

1. Award Plaintiff 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, an order freezing assets, and an accounting;
2. Enter a permanent injunction to prevent future violations of the FTC Act and the Credit Repair Organizations Act by Defendants;
3. Award such equitable relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act and the Credit Repair Organizations Act, including, but not limited to, rescission of contracts and restitution, and the disgorgement of ill-gotten gains by Defendants; and
4. 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: February 24, 2009

Respectfully submitted,

DAVID C. SHONKA  
Acting General Counsel

A handwritten signature in black ink, appearing to read "Sara C. DePaul", written over a horizontal line.

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