

**UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION**

	)
<b>FEDERAL TRADE COMMISSION,</b>	)
	)
	)
Plaintiff,	)
	)
v.	)
	)
<b>SECURITY CREDIT SERVICES, LLC,</b>	)
a limited liability company, and	)
	)
<b>JACOB LAW GROUP, PLLC,</b>	)
a professional limited liability company,	)
	)
Defendants.	)
	)
	)

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

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

1. The FTC brings this action under Sections 13(b) and 19 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57b, and Section 814 of the Fair Debt Collection Practices Act (“FDCPA”), 15 U.S.C.

§ 1692*l*, to obtain 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), and the FDCPA, 15 U.S.C. § 1692 *et seq.*

### **JURISDICTION AND VENUE**

2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and under 15 U.S.C. §§ 45(a), 53(b), 57b and 1692*l*.

3. Venue is proper in this district under 28 U.S.C. §§ 1391(b)-(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, and the FDCPA, 15 U.S.C. §§ 1692-1692p, which prohibits deceptive, abusive, and unfair debt collection practices.

5. The FTC is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and 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), 56(a)(2)(B), 57b, and 1692l(a).

### **DEFENDANTS**

6. Defendant Security Credit Services, LLC (“Security Credit”), is a Mississippi limited liability company with its principal place of business located at 2512 Jackson Avenue, Oxford, Mississippi 38655. At all times relevant to this Complaint, Security Credit Services transacts or has transacted business in this district and throughout the United States.

7. Security Credit is a “debt collector” as defined in Section 803(6) of the FDCPA, 15 U.S.C. § 1692a(6).

8. Defendant Jacob Law Group, PLLC (“Jacob Law”), is a Mississippi professional limited liability company with its principal place of business located at 1420 North Lamar, Suite 101, Oxford, Mississippi 38655. At all times relevant to this Complaint, Jacob Law transacts or has transacted business in this district and throughout the United States.

9. Jacob Law is a “debt collector” as defined in Section 803(6) of the FDCPA, 15 U.S.C. § 1692a(6).

### **COMMERCE**

10. 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 PRACTICES**

11. Since at least 2006, Defendants Security Credit and Jacob Law have engaged in consumer debt collection activities nationwide.

12. Security Credit purchases portfolios of defaulted and charged-off consumer debts from creditors, including credit card issuers, consumer finance companies, financial institutions, telecommunications providers, and retailers. Security Credit has purchased approximately 1.5 million consumer debt accounts and its portfolio of debts in 2011 totaled more than \$463 million.

13. After purchasing consumer debt portfolios, Security Credit assigns the debts to pools of independent investors. Security Credit collects or attempts to collect the debts on behalf of the investor pools using the services of third party debt collectors. The investor pools earn a return on their investment and Security

Credit earns a fee for overseeing or managing the debt collection activities.

14. Security Credit determines a collection strategy for each consumer debt account. In order to do so, Security Credit obtains and uses a recovery score from credit reporting agencies which rates each consumer's propensity to pay a debt. Each consumer debt account is placed into one of three categories, based upon the consumer's recovery score: (a) consumers rated as unlikely to pay are placed into "agency" files; (b) consumers rated likely to pay are placed into "asset" files; and (c) consumers rated only moderately likely to pay are placed into "dark grey" files. Security Credit pursues different collection strategies for each of the three categories of consumer debt accounts.

15. Security Credit places all "agency" files with third party debt collectors for debt collection services that do not include the filing of lawsuits. Security Credit may recall the "agency" files and transfer the accounts from one debt collector to another, but they do not generally authorize the filing of lawsuits to collect these accounts. Instead, Security Credit relies upon traditional debt collection services, including dunning letters and collection calls, to collect "agency" file accounts.

16. Security Credit initially places “asset” and “dark grey” accounts with debt collectors for traditional debt collection services that include dunning letters and collection calls. After six months, Security Credit usually transfers “asset” files to debt collector law firms to collect by continuing traditional debt collection actions as well as by filing lawsuits to collect the debts. Security Credit typically transfers “dark grey” files to debt collector law firms to pursue through the filing of lawsuits after a year or more of collection activity.

17. Defendant Jacob Law is a third party debt collector employed by Security Credit. Jacob Law is a Mississippi law firm that specializes in national consumer debt collection and creditor’s rights. Jacob Law provides Security Credit with debt collection services on both non-litigation and litigation files. Jacob Law’s non-litigation services include locating address and contact information concerning consumers (commonly called “skip-tracing”), issuing collection notices and dunning letters, and contacting consumers by telephone to induce payment of the debts. Although it engages in debt collection activities in all 50 states, Jacob Law is only licensed to file debt collection lawsuits in Mississippi, Tennessee, and Arkansas.

18. Prior to 2011, Security Credit was Jacob Law's only client. As of the date of this Complaint, nearly 80 percent of Jacob Law's work is performed for or on behalf of Security Credit. Jacob Law has collected or attempted to collect more than 300,000 consumer debt accounts nationwide on behalf of Security Credit since 2008, and has filed more than 5,600 debt collection lawsuits for Security Credit during that time period.

19. Security Credit forwards consumer debt portfolios to its third party debt collectors, including Jacob Law, in electronic databases for collection on behalf of Security Credit. The electronic databases typically include the consumer account holder's name, last known address and telephone number, the account number and balance (including applicable interest), the last payment date and/or the charge-off date, the consumer's Social Security number, and employment information. Files that Security Credit did not approve for litigation are loaded into an accounts receivable management program called Artiva, while accounts that are approved for litigation are loaded into a database called Collection-Master.

20. After receiving consumer debt accounts and loading the accounts into either Artiva or Collection-Master, Jacob Law updates consumers' address and

contact information, and scrubs the files to remove accounts for consumers who are serving in the U.S. military, have filed for bankruptcy protection, or are incarcerated or deceased.

21. Jacob Law sends initial collection notices to consumers, advising consumers that their Security Credit account has been placed for collections, that they have a right to contest the validity of the debt, and that they may remit payment by contacting an account representative, mailing payment, or paying online at [www.jacoblawgroup.com](http://www.jacoblawgroup.com). The collection notices do not inform consumers that additional fees or charges may be imposed for payments authorized by telephone.

22. In addition to mailing collection notices and dunning letters, Jacob Law attempts to collect debts for Security Credit by telephoning consumers and asking for payment. While collecting debts, Jacob Law pressures consumers to immediately pay the account by authorizing electronic checks or credit or debit card payments over the telephone.

23. Jacob Law's account representatives tell consumers that in addition to paying the debt owed, they must also pay a fee of \$18.95. Jacob Law provides varied and inconsistent explanations to consumers regarding the assessment of the

fee, including that “all payments” are subject to the fee, that the fee covers the costs of “having the account at the attorney’s office,” and that the fee offsets the “costs of communicating with credit reporting agencies or creditors.” When consumers challenge the legality of the fee, Jacob Law’s account representatives assert that the \$18.95 fee is lawful and that consumers must pay the fee.

24. Jacob Law tells consumers that they must pay the \$18.95 fee and leads consumers to believe that the fee is unavoidable. In fact, the fee only applies to transactions that are authorized by telephone and consumers may pay using fee-free alternatives, such as by mailing the payment or paying online at [www.jacoblawgroup.com](http://www.jacoblawgroup.com).

25. Often, Jacob Law’s account representatives falsely represent or imply that consumers who authorize periodic payments by telephone will incur only one \$18.95 fee when, in fact, the consumer will incur an \$18.95 fee for each periodic payment. Likewise, in some instances, Jacob Law tells consumers that fees will be waived, but then charges consumers the fee.

26. Often, consumers who are contacted by debt collectors are in financial distress and the imposition of the additional fees is burdensome. Many consumers are unaware that the \$18.95 fee has been added to their debt. Other

consumers are aware of the fee but, because Jacob Law falsely asserted that the fee had to be paid, did not know that they could avoid the fee by mailing their payment or paying through Jacob Law's website.

27. Since 2008, Defendants have collected at least \$799,958 in fees from consumers using misrepresentations, all of which was paid to Security Credit pursuant to the parties' agreement.

28. While collecting debts, Jacob Law account representatives often threaten that lawsuits will be initiated against consumers if consumers fail to pay their debts. Often, when these threats of suit are made, Jacob Law does not have the authority or intent to initiate such lawsuits either because Security Credit has not approved the account for litigation or because the consumer does not reside in a jurisdiction in which Jacob Law is licensed to file lawsuits.

#### **VIOLATIONS OF THE FAIR DEBT COLLECTION PRACTICES ACT**

29. In 1977, Congress passed the FDCPA, 15 U.S.C. §§ 1692 *et seq.*, which became effective on March 20, 1978, and has been in force since that date. Section 814 of the FDCPA, 15 U.S.C. § 1692*l*, authorizes the Commission to use all of its functions and powers under the FTC Act to enforce compliance with the FDCPA by any debt collector, irrespective of whether that debt collector is

engaged in commerce or meets any other jurisdictional tests set by the FTC Act. The authority of the Commission in this regard includes the power to enforce the provisions of the FDCPA in the same manner as if the violations of the FDCPA were violations of a Commission trade regulation rule.

### **COUNT I**

30. Section 807 of the FDCPA, 15 U.S.C. § 1692e, prohibits debt collectors from using any false, deceptive, or misleading representation or means in connection with the collection of any debt.

31. In numerous instances, in connection with the collection of debts, Defendants represent, directly or indirectly, expressly or by implication, that consumers are required to pay a fee of \$18.95.

32. In truth and in fact, consumers are not required to pay an \$18.95 fee. An \$18.95 fee applies only to payments that consumers authorize by telephone. Consumers are not told that they may pay using fee-free payment options, including mailing payments or paying online at [www.jacoblawgroup.com](http://www.jacoblawgroup.com).

33. The act or practice alleged in Paragraph 31 constitutes a violation of Section 807 of the FDCPA, 15 U.S.C. § 1692e. Pursuant to Section 814(a) of the FDCPA, 15 U.S.C. § 1692l(a), the act or practice alleged in Paragraph 31 also

constitutes an unfair or deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

**COUNT II**

34. Section 807(5), 15 U.S.C. § 1692e(5), prohibits a debt collector from threatening to take any action that cannot legally be taken or that is not intended to be taken.

35. In numerous instances, in connection with the collection of debts, Defendants represent, directly or indirectly, expressly or by implication, that nonpayment of a past due debt will result in the filing of a lawsuit against the consumer.

36. In truth and in fact, in numerous instances, Defendants do not have authority to or do not intend to file a lawsuit against the consumer.

37. The act or practice alleged in Paragraph 35 constitutes a violation of Section 807(5) of the FDCPA, 15 U.S.C. § 1692e(5). Pursuant to Section 814(a) of the FDCPA, 15 U.S.C. § 1692l(a), the act or practice alleged in Paragraph 35 also constitutes an unfair or deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

**VIOLATIONS OF SECTION 5 OF THE FTC ACT**

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

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

**COUNT III**

40. In numerous instances, in connection with the collection of debts, Defendants represent, directly or indirectly, expressly or by implication, that consumers are required to pay Defendants a fee of \$18.95.

41. In truth and in fact, consumers are not required to pay the \$18.95 fee. In fact, the \$18.95 fee applies only to payments authorized by telephone and consumers are not told that they may pay using fee-free payment options, including mailing payments or paying online at [www.jacoblawgroup.com](http://www.jacoblawgroup.com).

42. Defendants’ representation as set forth in Paragraph 40 is false or misleading and constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

**COUNT IV**

43. In numerous instances, in connection with the collection of debts,

Defendants represent, directly or indirectly, expressly or by implication, that nonpayment of an account will result in the filing of a lawsuit against the consumer.

44. In truth and in fact, in numerous instances, Defendants do not have authority to or do not intend to file a lawsuit against the consumer.

45. Defendants' representation set forth in Paragraph 43 is false and misleading and constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

#### **CONSUMER INJURY**

46. Consumers have suffered and will continue to suffer substantial injury as a result of Defendants' violations of the FTC Act and FDCPA. 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**

47. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers 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.

48. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section 814(a) of the FDCPA, 15 U.S.C. § 1692l(a), authorize this Court to grant such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FDCPA, including the rescission or reformation of contracts, and the refund of money.

### **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, Section 814(a) of the FDCPA, 15 U.S.C. § 1692l, and the Court's own equitable powers, respectfully requests that the Court:

A. Enter a permanent injunction to prevent future violations of the FTC Act and FDCPA by Defendants;

B. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act and FDCPA, including, but not limited to, rescission or reformation of contracts, restitution, the

refund of monies paid, and the disgorgement of ill-gotten monies; and

C. 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: March 13, 2013

Respectfully submitted,

DAVID SHONKA  
Acting General Counsel

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