

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

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JAMES W. WIEN, Clerk
BY: [Signature] Deputy Clerk

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

**WILLIAMS, SCOTT &
ASSOCIATES, LLC**, a Georgia
limited liability company,

WSA, LLC, also d/b/a **Warrant
Services Association**, a Nevada limited
liability company, and

JOHN WILLIAMS, individually and
as officer of Williams, Scott &
Associates, LLC, and as manager of
WSA, LLC

Defendants.

Case No. 1:14-CV-1599

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

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

1. The FTC brings this action under Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), and Section 814 of the Fair Debt Collection Practices Act ("FDCPA"), 15 U.S.C. § 1692l, to obtain temporary,

preliminary, and permanent injunctive relief, rescission or reformation of contracts, restitution, the refund of monies paid, disgorgement of ill-gotten monies, an asset freeze, immediate access to Defendants' business premises, appointment of a receiver, 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 in violation of the FDCPA, 15 U.S.C. §§ 1692-1692p, in connection with abusive and deceptive debt collection practices.

JURISDICTION AND VENUE

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

3. 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).

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. The FTC also enforces 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 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). Section 814 of the FDCPA further authorizes the FTC to use all of the functions and powers under the FTC Act to enforce compliance by any person with the FDCPA. 15 U.S.C. § 1692l.

DEFENDANTS

6. Defendant Williams, Scott & Associates, LLC (“Williams Scott”), is a Georgia limited liability company with its principal place of business at 3340 Peachtree Rd. NE, Suite 1800, Atlanta, GA 30326. Williams Scott uses or has used the following addresses: 3850 Holcomb Bridge Road, Suite 150, Norcross, Georgia 30092; 7742 Spalding Drive, Suite 386, Norcross, Georgia 30092; and 5960 Crooked Creek Road, Suite 140, Norcross, GA 30092. Williams Scott also is a subscriber of P.O. Box 921041, Norcross, Georgia 30010. Williams Scott transacts or has transacted business in this district and throughout the United States.

7. Defendant WSA, LLC (“WSA”), is a Nevada limited liability company with

its principal place of business at 8275 S. Eastern Ave., Suite 200, Las Vegas, Nevada 89123. WSA transacts or has transacted business in this district and throughout the United States.

8. Defendant John Williams is the president and CEO of Williams Scott. He organized Williams Scott in November 2000 and served as a managing member and partner of Williams Scott from November 2000 through April 2013. He organized WSA in April 2013 and is a managing member of WSA. Defendant Williams is a signatory on financial accounts belonging to the corporate defendants. At all times material to this Complaint, acting alone or in concert with others, Defendant Williams has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of Williams Scott and WSA, including the acts and practices set forth in this Complaint. Defendant John Williams 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.

COMMERCE

9. 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' UNLAWFUL BUSINESS PRACTICES

10. Since at least as early as 2010, Defendants have engaged in a nationwide debt collection scheme to deceive consumers into paying debts that consumers do not actually owe or that Defendants do not have the authority to collect. They call consumers and make a series of misrepresentations and threats to convince consumers that they must pay the purported debts.

11. In numerous instances, Defendants contact consumers who have previously inquired about, applied for, or received payday loans from online lenders or otherwise.

12. In numerous instances, Defendants telephone consumers and inform the consumers that they are delinquent on a payday loan or other debt. In numerous instances, however, consumers are not delinquent on a payday loan or other debt as purported by Defendants.

13. In numerous instances, Defendants claim to have authority from consumers' lenders to collect the debts. In numerous instances, contrary to their representations, Defendants do not have authority from consumers' lenders to collect those lenders' debts.

14. In numerous instances, Defendants impersonate or claim to be members of

law enforcement authorities or affiliated with law enforcement authorities, for example, federal and state agents, investigators, and members of a government fraud task force. In fact, Defendants are not members of or affiliated with law enforcement authorities.

15. In numerous instances, Defendants claim to be attorneys or working for law firms. In fact, Defendants are not attorneys and are not associated with any law firm.

16. In numerous instances, Defendants threaten consumers with arrest or imprisonment if consumers do not immediately pay the purported delinquent debt. Contrary to their representations, Defendants cannot have consumers arrested or imprisoned for nonpayment of a private debt.

17. In numerous instances, Defendants claim that consumers have committed crimes, such as check fraud and theft by deception, by failing to pay payday loans or other debts that the consumers allegedly owe. Contrary to Defendants' representations, the consumers have not committed check fraud or another criminal act related to the debts that could give rise to criminal sanctions.

18. In numerous instances, Defendants threaten consumers that their drivers' licenses will be suspended or revoked if the consumers fail to pay the alleged delinquent debt. Contrary to their representations, Defendants cannot

suspend or revoke or cause the suspension or revocation of consumers' drivers' licenses for non-payment of a private debt.

19. In numerous instances, Defendants disclose consumers' alleged debts to third parties, such as family members, employers, and co-workers.

20. Defendants often possess or claim to possess the consumers' private information such as Social Security numbers, financial account numbers, or the names and contact information of relatives, leading consumers to believe that the calls are legitimate collection efforts and that consumers must pay the purportedly delinquent debts.

21. In numerous instances, in their initial communications with consumers, Defendants do not inform consumers that they are debt collectors who are attempting to collect a debt from consumers and that any information obtained from consumers will be used for that purpose.

22. In numerous instances, Defendants use profane language when they call consumers and repeatedly contact consumers on their home, cell and work numbers, as a means of intimidating and harassing consumers to convince them to pay the alleged debt. For example, Defendants (i) call consumers multiple times per day or excessively over an extended period of time and (ii) call consumers' places

of employment, even though consumers have told Defendants that such calls are inconvenient or prohibited by consumers' employers.

23. In numerous instances, Defendants fail to provide consumers, within five days after the initial communication with consumers, a written notice containing: (1) the amount of the debt; (2) the name of the creditor to whom the debt is owed; (3) a statement that unless the consumer disputes the debt, the debt will be assumed valid; and (4) a statement that if the consumer disputes the debt in writing, Defendants will obtain verification of the debt.

24. Many consumers pay the alleged debt that Defendants purport to be collecting because they are afraid of the repercussions threatened by Defendants if they fail to pay, they believe that Defendants are legitimately collecting debt, or they want to stop Defendants' harassing collection calls.

25. Generally, consumers make these payments to Defendants by using credit cards, debit cards, electronic transfers, or other methods of payments from their financial accounts.

26. In some instances, once Defendants obtain consumers' financial information Defendants withdraw or attempt to withdraw additional amounts from consumers' financial accounts without obtaining consumers' authorization or express informed consent.

27. Through their abusive and deceptive collection practices, Defendants have caused over \$3.5 million in consumer injury.

VIOLATIONS OF THE FTC ACT

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

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

COUNT I

30. In numerous instances, in connection with the collection of alleged debts, Defendants have represented, directly or indirectly, expressly or by implication, that:

- (a) the consumer is delinquent on a payday loan or other debt that Defendants have the authority to collect;
- (b) the consumer has a legal obligation to pay Defendants;
- (c) Defendants are affiliated with government entities, including law enforcement agencies;
- (d) Defendants are attorneys or are associated with a law firm;
- (e) the consumer has committed check fraud, theft by deception or another criminal act;

- (f) the consumer will be arrested or imprisoned for failing to pay Defendants; and
- (g) the consumer will lose his or her driver's license for failing to pay Defendants.

31. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 30 of this Complaint:

- (a) the consumer is not delinquent on a payday loan or other debt that Defendants have the authority to collect;
- (b) the consumer is not legally obligated to pay Defendants;
- (c) Defendants are not affiliated with government entities, including law enforcement agencies;
- (d) Defendants are not attorneys and are not associated with a law firm;
- (e) the consumer has not committed check fraud, theft by deception or another criminal act;
- (f) the consumer will not be arrested or imprisoned for failing to pay Defendants; and
- (g) the consumer will not lose his or her driver's license for failing to pay Defendants.

32. Therefore, Defendants' representations as set forth in Paragraph 30 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).

VIOLATIONS OF THE FDCPA

33. In 1977, Congress passed the FDCPA, 15 U.S.C. §§ 1692-1692p, which became effective on March 20, 1978, and has been in force since that date. Section 814 of the FDCPA, 15 U.S.C. § 1692l, provides that a violation of the FDCPA shall be deemed an unfair or deceptive act or practice in violation of the FTC Act.

34. Defendants are “debt collectors” as defined by Section 803(6) of the FDCPA, 15 U.S.C. § 1692a(6).

35. A “consumer,” as defined in Section 803(3) of the FDCPA, 15 U.S.C. § 1692a(3), “means any natural person obligated or allegedly obligated to pay any debt.”

36. A “debt,” as defined in Section 803(5) of the FDCPA, 15 U.S.C. § 1692a(5), “means any obligation or alleged obligation of a consumer to pay money arising out of a transaction in which the money, property, insurance or services which are the subject of the transaction are primarily for personal, family, or household purposes, whether or not such obligation has been reduced to judgment.”

COUNT II

37. In numerous instances, in connection with the collection of debts, without having obtained directly the prior consent of the consumer or the express permission of a court of competent jurisdiction, Defendants have communicated with consumers at times or places known, or which should be known, to be inconvenient to consumers or at consumers' places of employment when Defendants know, or have reason to know, that consumers' employers prohibit consumers from receiving such communications, in violation of Section 805(a) of the FDCPA, 15 U.S.C. § 1692c(a).

COUNT III

38. In numerous instances, in connection with the collection of debts, Defendants have communicated with third parties for purposes other than acquiring location information about a consumer, without having obtained directly the prior consent of the consumer or the express permission of a court of competent jurisdiction, and when not reasonably necessary to effectuate a post-judgment judicial remedy, in violation of Section 805(b) of the FDCPA, 15 U.S.C. § 1692c(b).

COUNT IV

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

Defendants engage in conduct the natural consequence of which is to harass, oppress, or abuse the consumer, in violation of Section 806 of the FDCPA, 15 U.S.C. § 1692d, including, but not limited to, using profane language in violation of 806(2) of the FDCPA, 15 U.S.C. § 1692d(2), and causing a telephone to ring or engaging a person in telephone conversation repeatedly or continuously with intent to annoy, abuse, or harass a person at the called number, in violation of Section 806(5) of the FDCPA, 15 U.S.C. § 1692d(5).

COUNT V

40. In numerous instances, in connection with the collection of debts, Defendants have used false, deceptive, or misleading representations or means, in violation of Section 807 of the FDCPA, 15 U.S.C. § 1692e, including, but not limited to:

- (a) Falsely representing the character, amount, or legal status of any debt, in violation of Section 807(2)(A) of the FDCPA, 15 U.S.C. § 1692e(2)(A);
- (b) Falsely representing or implying that Defendants are affiliated with the United States or any State, in violation of Section 807(1) of the FDCPA, 15 U.S.C. § 1692e(1);

- (c) Falsely representing or implying that Defendants are attorneys or associated with law firms, in violation of Section 807(3) of the FDCPA, 15 U.S.C. § 1692e(3);
- (d) Falsely representing or implying that nonpayment of any debt will result in the arrest or imprisonment of any person when Defendants do not intend to take such action, in violation of Section 807(4) of the FDCPA, 15 U.S.C. § 1692e(4);
- (e) Threatening to take an action that is not lawful or that Defendants do not intend to take, such as the suspension or revocation of a consumer's driver's license for failure to pay a private debt, in violation of Section 807(5) of the FDCPA, 15 U.S.C. § 1692e(5);
- (f) Falsely representing or implying the consumer has committed a crime or other conduct in order to disgrace the consumer, in violation of Section 807(7) of the FDCPA, 15 U.S.C. § 1692e(7);
- (g) Using false representations or deceptive means to collect or attempt to collect a debt or to obtain information concerning a consumer, in violation of Section 807(10) of the FDCPA, 15 U.S.C. § 1692e(10); and
- (h) Failing to disclose in the initial oral communication with consumers

that Defendants are debt collectors attempting to collect a debt and that any information obtained by Defendants from consumers will be used for the purpose of attempting to collect a debt, and failing to disclose in subsequent communications that the communication is from a debt collector, in violation of Section 807(11) of the FDCPA, 15 U.S.C. § 1692e(11).

COUNT VI

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

CONSUMER INJURY

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

43. 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.

PRAYER FOR RELIEF

Wherefore, Plaintiff FTC, pursuant to 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), and the Court's own equitable powers, requests that the Court:

A. 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, immediate access, and the appointment of a receiver;

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

C. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act and the 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

D. 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: May 27, 2014

Respectfully submitted,

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