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Court Halts Debt Collector's Operations, Freezes Assets

Defendants Behind Buffalo, New York-based Operation Used Lies and Threats to Pursue Fraudulent Debt Collection Strategy, FTC and New York Attorney General Allege

FOR RELEASE

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At the request of the Federal Trade Commission and the New York Attorney General's Office, [a U.S. district court halted](#) a Buffalo, NY-based debt collection operation, froze the operation's assets, and appointed a temporary receiver to take over the defendants' business pending trial.

In a joint complaint, the FTC and [New York Attorney General](#) charged the operation with using lies and threats against consumers in violation of federal and state law. The defendants misrepresented that consumers had committed check fraud or another criminal act; falsely threatened to arrest or imprison consumers, sue them, garnish their wages, or put a lien on their property; failed to back up their claims that consumers owed the debt; charged illegal fees; and improperly revealed consumers' debts to third parties, according to the complaint.

Operating the scheme since February 2010, the defendants have collected at least \$8.7 million dollars in payments for purported debts, according to the complaint. The joint complaint charged that the defendants' tactics [violated the Federal Trade Commission Act, the Fair Debt Collection Act](#) and various New York state laws.

"These debt collectors continued to harass consumers and violate the law after the validity of the debt was called into question, and after the New York Attorney General's office ordered them to stop," said Jessica Rich, director of the FTC's Bureau of Consumer Protection. "By working together with our state partners, we can leverage our resources to stop these illegal tactics."

"All too often, innocent New Yorkers are relentlessly harassed by predatory, abusive debt collectors," Attorney General Eric T. Schneiderman said. "My office, along with partners like the Federal Trade Commission, will keep fighting to protect hardworking consumers and put a stop to unfair financial bullying once and for all."

Part of the [FTC's continuing crackdown](#) on scams that target consumers in financial distress, the agencies have

charged three individuals – Joseph C. Bella, III, Diane Bella, Luis A. Shaw – and 9 interrelated companies they control. Going by various names including National Check Registry, the operation began using another name – eCapital Services, LLC – to evade detection and continue its illegal behavior [after signing an agreement with New York State authorities in October 2013](#) that prohibited it from violating federal and state debt collection laws, according to the complaint.

Also, according to the complaint, the defendants:

told one consumer in Washington State that they would have the “Washington County Police” issue a warrant for her arrest, and another serving in the military that they would bring an action against him under the Uniform Code of Military Justice;

said the only way to avoid arrest, imprisonment, lawsuits, wage garnishments, and seized assets would be to make an immediate payment over the phone;

continued to accuse consumers of check fraud and other crimes even after they produced evidence showing they didn't owe the debt in question;

contacted friends, family members, and co-workers of consumers whom they claimed owed a debt, and in some cases, not only revealed the supposed debt but also said the consumers had committed check fraud, and would be arrested or imprisoned if the debt was not paid;

added an illegal \$8 “processing fee” when consumers made payments on supposed debts over the phone;

failed to provide consumers with debt collection notices and disclosures that are required under state and federal law, making it difficult for consumers to determine whether they owed the debt, and how they could dispute its validity; and

continued trying to collect a debt from a consumer who had discharged the debt in bankruptcy.

In addition to Joseph and Diane Bella, Luis A. Shaw, National Check Registry, LLC, and eCapital Services, LLC, the complaint names as defendants Check Systems, LLC, Interchex Systems, LLC, Goldberg Maxwell, LLC, Morgan Jackson, LLC, Mullins & Kane, LLC, Buffalo Staffing, Inc., and American Mutual Holdings, Inc.

The Commission vote authorizing the staff to file the complaint was 5-0. The FTC and the New York Attorney General's Office filed the complaint and the request for a temporary restraining order in the U.S. District Court for the Western District of New York on June 23, 2014. The court granted the plaintiffs' request for a temporary restraining order with an asset freeze, the appointment of a receiver, immediate access to the business premises and limited discovery on June 24, 2014, and it approved a stipulated preliminary injunction on July 10, 2014.

NOTE: The Commission files a complaint when it has “reason to believe” that the law has been or is being violated and it appears to the Commission that a proceeding is in the public interest. The case will be decided by the court.

The Federal Trade Commission works for consumers to prevent fraudulent, deceptive, and unfair business practices and to provide information to help spot, stop, and avoid them. To file a complaint in English or Spanish, visit the FTC's online [Complaint Assistant](#) or call 1-877-FTC-HELP (1-877-382-4357). The FTC enters complaints into Consumer Sentinel, a secure, online database available to more than 2,000 civil and criminal law enforcement agencies in the U.S. and abroad. The FTC's website provides [free information on a variety of consumer topics](#). Like the FTC on [Facebook](#), follow us on [Twitter](#), and [subscribe to press releases](#) for the latest FTC news and resources.

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