



PROTECTING AMERICA'S CONSUMERS

MAIN MENU

SEARCH

Debt Collectors in Memphis and New York State Settle with FTC Concerning Multiple Federal Law Violations

Two Operations to Pay Total of Two Million Dollars in Civil Penalties

FOR RELEASE

August 7, 2014

TAGS: [Bureau of Consumer Protection](#) | [Southeast Region](#) | [Consumer Protection](#) | [Debt Collection](#)

A Memphis-based debt collector has agreed to stop deceiving and harassing consumers and otherwise violating federal debt collection laws, and will pay a \$1.5 million civil penalty to settle Federal Trade Commission charges, while a debt collection operation headquartered outside New York City will pay \$490,000 as a penalty to settle a separate FTC complaint.

“The FTC is committed to protecting consumers from all types of deceptive and harassing debt collection tactics,” said Jessica Rich, Director of the Commission’s Bureau of Consumer Protection.

Regional Adjustment Bureau

In its [complaint against Regional Adjustment Bureau](#), the FTC charges that the Memphis-based company used unfair and deceptive collection tactics, such as repeatedly calling consumers and accusing them of owing debts that they did not owe, contacting consumers at work while knowing that their employers did not allow the calls, making unauthorized withdrawals from consumers’ bank accounts, and disclosing confidential information about debtors to third parties. The company collects on about a million consumer accounts a year and is charged with violating the FTC Act and the Fair Debt Collection Practices Act (FDCPA).

Under the [proposed order settling the FTC’s charges](#) Regional Adjustment Bureau is permanently prohibited from engaging in false, deceptive, unfair, and harassing debt collection practices. The order requires the company to address specific problematic conduct alleged in the Commission’s complaint -- whenever a consumer disputes the validity or the amount of a debt, Regional Adjustment Bureau must either close the account and end its collection efforts, or suspend collection, until it has conducted a reasonable investigation and verified that the information about the debt is accurate and complete. The order also restricts situations in which the company can leave voicemails that disclose the alleged debtor’s name and the fact that he or she may owe a debt.

The Commission is grateful for the critical assistance provided by the Tennessee State Attorney General’s Office during the course of its investigation of this matter.

Credit Smart, LLC

In the second case announced today, the [complaint, which names Suffolk County-based Credit Smart, LLC](#) and several associated companies and individuals, charges that Credit Smart used unfair and deceptive tactics, such as leaving pre-recorded messages for consumers that pretended to offer financial relief. The messages provided a number to call, and promised to provide information about a “Tax Season Relief Program,” a “stimulus relief package,” or a “balance transfer program.” In reality, there was no financial relief plan, and the messages were merely a ruse to get consumers on the line with debt collectors, according to the FTC.

The complaint also alleges that when collectors spoke to consumers, they would falsely threaten to sue them, which they had no plans to do; garnish their wages, which they could not do without a court order; or arrest them, which they had no legal right to do. The defendants also allegedly threatened to collect on old debts that were beyond the statute of limitations, refused to provide information about the debt that consumers were legally entitled to request, continued to attempt to collect on debts without a reasonable basis for telling consumers they owed the debt, told consumers they owed interest on debts when they didn’t, and revealed the debt to consumers’ relatives, employers, and coworkers. The FTC charges that Credit Smart’s tactics violated the FTC Act and the FDCPA.

Under the [proposed order settling the FTC’s charges](#), the defendants must halt their illegal debt collection tactics, including making false threats to sue and arrest consumers and garnish their wages, pretending to be financial counselors, falsely insisting that consumers owed large amounts of interest, and otherwise violating the federal debt collection law. They also must provide consumers with a disclosure that explains their rights regarding the collection of time-barred debt, and another explaining how to file a complaint with the FTC if they feel they are being treated unfairly. The order also imposes a \$1.2 million civil penalty. Due to the defendants’ inability to pay, however, all but \$490,000 of the penalty is suspended.

For consumer information about dealing with debt collectors, see [Debt Collection](#).

The Commission vote authorizing the staff to refer the Regional Adjustment Bureau complaint to the Department of Justice and to approve the proposed consent order was 4-0-1, with Commissioner Terrell McSweeney not participating. The DOJ filed the complaint and proposed consent decree on behalf of the Commission in the U.S. District Court for the Western District of Tennessee, Western Division, and it was entered on July 14, 2014.

The Commission vote authorizing the staff to refer the Credit Smart, LLC complaint to the DOJ and to approve the proposed consent order was 5-0. The Consumer Protection Branch of the Justice Department’s Civil Division, together with the U.S. Attorney’s Office for the Eastern District of New York, brought this case on behalf of the United States on August 5, 2014. The proposed order is subject to court approval.

NOTE: The Commission authorizes the filing of 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. Settlement orders have the force of law when signed by the District Court judge.

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.

CONTACT INFORMATION

MEDIA CONTACT:

Mitchell J. Katz
Office of Public Affairs
202-326-2161

STAFF CONTACTS:

Sana Coleman Chriss
FTC Southeast Regional Office
404-656-1364
(Regional Adjustment Bureau)

Colin Hector
Bureau of Consumer Protection
202-326-3376
(Credit Smart, LLC)



Related Cases

[Credit Smart, LLC](#)

[Regional Adjustment Bureau, Inc](#)

For Consumers

[Blog: When is debt collection illegal?](#)

[Debt collection](#)

[Time-barred debts](#)

For Businesses

[Blog: Debt collection double feature](#)

[Debt collection](#)

Media Resources

Our [Media Resources](#) library provides one-stop collections of materials on numerous issues in which the FTC has been actively engaged. These pages are especially useful for members of the media.

[Contact](#)
[Stay Connected](#)
[Privacy Policy](#)
[FTC en español](#)

ABOUT THE FTC

[What We Do](#)
[Our History](#)
[Commissioners](#)
[Bureaus & Offices](#)
[Biographies](#)
[Budgets](#)
[Performance](#)
[Office of Inspector General](#)
[FOIA](#)
[Careers at the FTC](#)

NEWS & EVENTS

[Press Releases](#)
[Commission Actions](#)
[Media Resources](#)
[Events Calendar](#)
[Speeches](#)
[Audio/Video](#)
[Social Media](#)
[Blogs](#)

ENFORCEMENT

[Cases and Proceedings](#)
[Premerger Notification Program](#)
[Merger Review](#)
[Anticompetitive Practices](#)
[Rules](#)
[Statutes](#)
[Consumer Sentinel Network](#)

Criminal Liaison Unit

POLICY

Advocacy

Advisory Opinions

Cooperation Agreements

Federal Register Notices

Reports

Testimony

Public Comments

Policy Statements

International

TIPS & ADVICE

For Consumers

Business Center

Competition Guidance

I WOULD LIKE TO...

Submit a Consumer Complaint to the FTC

File a Comment

Get a Free Copy of My Credit Report

List a Number on the National Do Not Call Registry

Report An Antitrust Violation

File Documents in Adjudicative Proceedings

SITE INFORMATION

Privacy Policy

Website Policy

No FEAR Act

USA.gov

Accessibility

Digital Government Strategy

Open Government

FEDERAL TRADE COMMISSION

Headquarters:

600 Pennsylvania Avenue, NW

Washington, DC 20580

Contact Us

Stay Connected with the FTC