



# Promoters of Deceptive Chain Referral Schemes Involving Cryptocurrencies Agree to Settlement with FTC

**Defendants are permanently barred from multi-level marketing as part of settlement**

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FOR RELEASE

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The promoters of recruitment-based cryptocurrency schemes are permanently banned from operating or participating in any multi-level marketing program, as part of a settlement with the Federal Trade Commission.

The FTC [obtained a court order in March 2018](#) against Thomas Dluca, Eric Pinkston, Louis Gatto, and Scott Chandler that stopped their deceptive marketing practices and froze their assets. The FTC action alleged that Dluca, Pinkston, and Gatto falsely promised participants could earn large returns by paying cryptocurrency such as bitcoin or Litecoin to enroll in schemes marketed under the names Bitcoin Funding Team and My7Network.

According to the FTC, Bitcoin Funding Team and My7Network were chain referral schemes—a type of pyramid scheme. These schemes depend on continual recruitment of new participants to generate revenue. A fourth defendant, Scott Chandler, promoted Bitcoin Funding Team and another deceptive cryptocurrency scheme, Jetcoin, which promised participants a fixed rate of return, but failed to deliver on these claims, the FTC alleged.

The defendants promoted the cryptocurrency programs through websites, YouTube videos, social media, and conference calls, claiming, for example, that Bitcoin Funding Team could turn a payment of the equivalent of just over \$100 into \$80,000 in monthly income. The FTC alleges, however, that the structure of the schemes ensured that few would benefit. In fact, most participants failed to recoup their initial investments.

As part of their proposed settlements with the FTC, [Dluca will pay \\$453,932](#), and [Chandler will pay \\$31,000](#). [Pinkston also agreed to a \\$461,035 judgment](#), which will be suspended upon payment of \$29,491, due to his inability to pay the full amount. If he is later found to have misrepresented his finances, he will be required to pay the full amount.

In addition to the monetary judgment, all three defendants, along with Gatto, are permanently prohibited from operating, participating in, or assisting others in promoting or operating any multi-level marketing program, pyramid, Ponzi, or chain referral scheme. They also are prohibited from misrepresenting as part of a business venture or investment opportunity the amount of income that participants will receive or other aspects of the business venture or investment opportunity.

The Commission vote approving the stipulated final order was 5-0. The FTC filed the proposed order in the U.S. District Court for the Southern District of Florida.

**NOTE:** Stipulated final orders or injunctions, etc. have the force of law when approved and signed by the District Court judge.

The Federal Trade Commission works to promote competition, and protect and educate consumers. You can learn more about consumer topics and file a consumer complaint online or by calling 1-877-FTC-HELP (382-4357). Like the FTC on Facebook, follow us on Twitter, read our blogs, and subscribe to press releases for the latest FTC news and resources.

**PRESS RELEASE REFERENCE:**

[FTC Shuts Down Promoters of Deceptive Cryptocurrency Schemes](#)

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