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ATTORNEY GENERAL MADIGAN CONTINUES CRACKDOWN ON DEBT SETTLEMENT INDUSTRY***Attorney General Files Lawsuit, Proposes Legislation to Prohibit Abusive Practices by Firms Promising to Reduce Credit Card Debt***

Chicago — Attorney General Lisa Madigan today took further action to reform an abusive debt settlement industry that wreaks havoc on financially strapped consumers who are increasingly desperate to manage their rising debts in these difficult economic times. Madigan proposed legislation to prohibit debt settlement firms from engaging in unfair practices that harm consumers including charging upfront fees for services. She also filed a lawsuit against a Dallas-based debt settlement company for employing deceptive marketing practices and charging excessive fees without effectively improving consumers' financial standing. Today's actions continue Madigan's ongoing efforts to protect consumers and reign in the practices of debt settlement companies.

"With credit card debt at an all-time high, increasing numbers of families have become prime targets for debt settlement companies who lure consumers in with elaborate, deceptive promises to dramatically reduce consumers' debt," Madigan said. "Based on my office's lawsuits and investigations of this industry, we've learned that consumers seldom, if ever, see their debts settled and often end up owing more than the credit card debt they originally incurred.

"It's time to put an end to these abusive, deceptive practices and enact comprehensive reforms that require these companies to earn the fees they charge," Madigan said.

Attorney General Madigan's legislative proposal seeks to ban all debt settlement companies from operating in Illinois, unless they meet the following requirements:

- provide true, individualized credit counseling;
- charge no up-front fees;
- obtain a license and a bond;
- disclose to consumers the risks involved in entering into a debt settlement contract; and
- provide a written contract and a right to cancel the contract.

Madigan said her office has seen a sharp rise in debt- and credit-related consumer complaints. Over the last few years, the Attorney General's office has received more than 12,000 complaints regarding debt and credit issues. Last year, at the height of the economic downturn, consumer debt-related issues surged to the top category of complaints filed with the Attorney General's Consumer Fraud Bureau, including credit card debt, abusive collections and deceptive debt settlement practices.

Consumers with debt settlement complaints typically report that, after they enroll in debt settlement programs, the firms charge excessive upfront fees and advise consumers to stop paying their credit card bills. All too often, consumers report that after they make many upfront monthly settlement payments, the debt settlers fail to negotiate with consumers' credit card companies. As a result, the credit card companies add interest, fees and penalties to consumers' credit card balances and begin collection efforts to recoup the debt, which in turn negatively impacts consumers' credit reports. In many instances, credit card companies have sued consumers enrolled in debt settlement agreements in an attempt to collect the balance of the consumers' accounts.

In addition to her legislative proposal, Madigan continued her aggressive enforcement efforts against debt settlement companies, today filing a lawsuit against Credit Solutions of America (CSA) and its CEO Douglas Van Arsdale in Christian County. The Attorney General's complaint alleges that the company falsely claims that its services can help to reduce consumers' credit card debt by 50 percent. But, according to Madigan's lawsuit, the company continually fails to negotiate with consumers' creditors even though consumers cease to pay their creditors directly and, instead, make months of upfront payments to CSA. As a result of CSA's failure

to take any effective debt settlement action on behalf of consumers, according to Madigan's lawsuit, creditors frequently sue consumers to collect on the outstanding balances.

Madigan's lawsuit charges defendants with violating the Illinois Consumer Fraud and Deceptive Business Practices Act by misrepresenting the services that the company can provide to consumers and the effect the services will have on consumers' credit. The Attorney General is seeking a permanent injunction barring the defendants from engaging in debt settlement in Illinois and asking the court to order the defendants to pay restitution for aggrieved consumers, civil penalties of \$50,000 for violating the Consumer Fraud Act, and an additional \$50,000 for each violation committed with the intent to defraud. This is the third lawsuit that Madigan has filed this year against debt settlement firms, following complaints against SDS West Corporation and Debt Relief USA.

Earlier this month, Madigan received national recognition for her extensive work to crack down on the debt settlement industry. On Sept. 16, the National Foundation for Credit Counseling honored Madigan with its "Making the Difference Award" for aggressively enforcing consumer protection laws, raising consumer awareness and financial literacy, and pursuing enforcement actions against debt settlement companies over the last decade. Madigan was one of the first Attorneys General in the country to target sham nonprofit debt management firms that competed with legitimate credit counseling agencies. Madigan filed two lawsuits against Ameridebt and Cambridge Credit, based on allegations that, among other things, the entities charged more than the statutory maximum allowed fees for its debt counseling services, failed to make timely payments to consumers' creditors, and claimed to be nonprofit entities, yet outsourced virtually every function to related for-profit entities. The Attorney General subsequently secured settlements in both cases that signaled to sham operations that only legitimate credit counseling would be permitted in the state, which contributed to putting fraudulent debt management companies out of business in Illinois.

Along with enforcement and legislative efforts, Madigan's office conducts outreach to educate consumers on how to avoid deceptive debt settlement companies and find legitimate financial assistance. Madigan encourages consumers in financial trouble to consider credit counseling instead of debt settlement services. The Attorney General advises consumers to look for credit counseling services that charge modest fees and provide true financial and budget counseling based on a consumer's personal circumstances.

Madigan provided the following tips on choosing a credit counseling service:

- Find a legitimate credit counseling firm in your area by visiting the National Foundation for Credit Counseling at www.nfcc.org.
- Check with the Illinois Department of Financial and Professional Regulation at http://www.idfpr.com/dfi/ccd/licensees/Debt_Management_Licensees.HTM for a list of credit counseling companies licensed in Illinois.
- Check with the Attorney General's Consumer Fraud Hotline and the Better Business Bureau to determine if any consumers have filed complaints against the company. Visit www.illinoisattorneygeneral.gov or call:

Chicago Consumer Fraud Hotline: 1-800-386-5438

Springfield Consumer Fraud Hotline: 1-800-243-0618

Carbondale Consumer Fraud Hotline: 1-800-243-0607

Spanish Language Hotline: 1-866-310-8398

- Before agreeing to any credit counseling service, ask for and review the terms and conditions of the service in writing. Ask about all fees-the amounts, whether they must be paid upfront, if they are refundable-and what exact services are provided.

-30-

[Return to September 2009 Press Releases](#)

