

<p>DISTRICT COURT, CITY AND COUNTY OF DENVER, COLORADO</p> <p>1437 Bannock Street Denver, CO 80202</p> <hr/> <p>JULIE ANN MEADE, ADMINISTRATOR, UNIFORM CONSUMER CREDIT CODE,</p> <p>Plaintiff,</p> <p>v.</p> <p>FREEDOM DEBT RELIEF, LLC, a Delaware limited liability company,</p> <p>Defendant.</p>	<p>DATE FILED: June 28, 2013 11:15 PM FILING ID: ED2773733EA45 CASE NUMBER: 2013CV32901</p> <p>▲ COURT USE ONLY ▲</p>
<p>JOHN W. SUTHERS Attorney General JEANINE M. ANDERSON, Atty. Reg. No. 28206* Senior Assistant Attorney General Ralph L. Carr Colorado Judicial Center 1300 Broadway, 6th Floor Denver, CO 80203 Phone Number: 720-508-6113 FAX Number: 720-508-6033 Email: jeanine.anderson@state.co.us</p> <p>*Counsel of Record</p>	<p>Case No.:</p> <p>Courtroom:</p>
<p>COMPLAINT</p>	

Plaintiff Julie Ann Meade, Administrator of the Uniform Consumer Credit Code (the “Administrator”), by and through the undersigned senior assistant attorney general, for her Complaint, alleges as follows:

NATURE OF THE CLAIMS

1. In these difficult economic times, some Colorado consumers have turned to debt-management providers for help. Debt-management providers encourage consumers to default on their debts and then promise to assist the consumers by settling the consumers’ debts for pennies on the dollar. But after paying thousands of dollars to a debt-settlement provider, consumers often discover

that the provider has done nothing – or very little – to improve the consumers’ financial situation. Recognizing the problems with the industry, the National Conference of Commissioners on Uniform State Laws (the “NCCUSL”) approved and recommended for enactment in all states the Uniform Debt-Management Services Act in 2005, which Colorado adopted, with revisions, in 2008. The Colorado Uniform Debt-Management Services Act (the “DMSA”) protects Colorado consumers by requiring that those who offer to provide, contract to provide, or provide debt-management services in Colorado be registered with the Administrator of the Uniform Consumer Credit Code and refrain from certain activities.

2. Since February 3, 2009, Defendant Freedom Debt Relief, LLC has been registered to provide debt-management services to Colorado residents. Pursuant to C.R.S. § 12-14.5-232(b), the Administrator conducted an examination of the business activities of Freedom Debt Relief to determine whether those business activities complied with the DMSA. That examination revealed that Freedom Debt Relief’s practices violated various requirements of the DMSA. Accordingly, the Administrator brings this action, seeking to revoke Freedom Debt Relief’s registration and to enjoin its unlawful business practices in the state of Colorado, and seeking consumer restitution, disgorgement, damages, civil penalties, and attorneys’ fees and costs.

PARTIES AND JURISDICTION

3. Plaintiff Julie Ann Meade is the Administrator of the Uniform Consumer Credit Code. The Administrator is authorized under C.R.S. § 12-14.5-232 to enforce the DMSA by bringing civil actions against those that violate the act. In such actions, the Administrator may seek registration suspension or revocation, injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys’ fees and costs. *See* C.R.S. §§ 12-14.5-233 through 12-14.5-234.

4. Defendant Freedom Debt Relief, LLC is a Delaware limited liability company with its office and principal place of business located at 1875 South Grant Street, Suite 400, San Mateo, California 94402. Freedom Debt Relief has provided “debt-management services” to Colorado residents under C.R.S. § 12-14.5-202(10).

JURISDICTION AND VENUE

5. This Court has jurisdiction over this case pursuant to C.R.S. § 13-1-124.

6. Pursuant to C.R.S. § 12-14.5-233, venue is proper in Denver County.

PUBLIC INTEREST

7. Defendant Freedom Debt Relief's business practices violate various requirements of the DMSA, as detailed below. Because Defendant continues to solicit and service Colorado consumers, the Administrator believes that Defendant will continue to cause injury, loss, and damage to Colorado consumers, as well as to debt-management companies that do comply with the DMSA. Therefore, these legal proceedings are in the public interest.

GENERAL ALLEGATIONS

a. The Debt-Management Services Act.

8. Plaintiff Meade, the Administrator of the Uniform Consumer Credit Code, is responsible for, among other things, ensuring that those providing "debt-management services" to residents of Colorado ("provider" or "providers") are properly registered to conduct business in Colorado and comply with the provisions of the DMSA.

9. Under the DMSA, "debt-management services" means "services as an intermediary between an individual and one or more creditors of the individual for the purpose of obtaining concessions" C.R.S. § 12-14.5-202(10).

10. To provide debt-management services to residents of Colorado, a provider must obtain a certificate of registration from the Administrator. C.R.S. § 12-14.5-204. To obtain a certificate, a provider must supply information about itself, must meet specified requirements of competency, must obtain insurance against employee dishonesty, and must post a surety bond to ensure its compliance with the DMSA. C.R.S. §§ 12-14.5-205 through 12-14.5-214.

11. In addition, the DMSA establishes requirements for providers to meet in connection with their interaction with the individuals they serve. C.R.S. § 12-14.5-217 prescribes detailed information that must be provided before a provider may enter into an agreement with an individual. C.R.S. §§ 12-14.5-219 through 12-14.5-224 and § 12-14.5-228 govern the content of the agreement, including cancellation rights and limitations on the fees that may be charged. Other provisions address the performance and termination of agreements and miscellaneous other matters. C.R.S. §§ 12-14.5-225, 12-14.5-226, and 12-14.5-228. Providers must comply with these requirements as to all transactions entered into on or after January 1, 2008. C.R.S. § 12-14.5-240.

b. Defendant's Business Practices.

12. Defendant Freedom Debt Relief became registered with the Administrator as a debt-management services provider on February 3, 2009.

13. Before becoming registered, Freedom Debt Relief enrolled Colorado consumers under agreements and using business practices that did not comply with the DMSA.

14. Therefore, as a condition of the Administrator issuing a certificate of registration to Freedom Debt Relief, the Administrator required Freedom Debt Relief to enter into a stipulation (the "Stipulation") under which Freedom Debt Relief was required to provide restitution in the manner specified in the Stipulation. The Stipulation covered pre-October 28, 2008 consumers.

15. Before the Stipulation, Freedom Debt Relief represented that there were 550 such consumers. The Stipulation, therefore, provided that Freedom Debt Relief would make restitution to 550 consumers. As it turned out, however, there actually were 661 pre-Stipulation consumers. The Administrator understands that Freedom Debt Relief provided restitution to all 661 consumers.

16. Per the Stipulation, Freedom Debt Relief also agreed to revise its agreements and business practices to comply fully with the DMSA.

17. From 2010 through 2012, the Administrator examined the post-Stipulation business activities of Freedom Debt Relief to determine whether those business activities complied with the DMSA.

18. During the examination, Freedom Debt Relief's General Counsel represented to the Administrator's staff that Freedom Debt Relief had used four different agreement versions to enroll Colorado consumers after the February 3, 2009 Stipulation: a December 1, 2008 agreement; a February 18, 2009 agreement; an April 2, 2009 agreement; and a September 3, 2009 agreement.

19. Accordingly, the Administrator's staff initially reviewed those four templates to determine whether they complied with C.R.S. § 12-14.5-219 of the DMSA.

20. In addition to the template agreements, the Administrator's staff selected a sample of 201 Colorado client files to review. Of the 201 client files, at

least 12 terminated before the February 3, 2009 Stipulation and therefore were not reviewed as part of the compliance examination.

21. Through the Administrator's staff's review of the remaining files, the Administrator learned that Freedom Debt Relief used seven different agreements to enroll the sampled Colorado clients after Freedom Debt Relief executed the Stipulation: unlabeled version 1 (**Exhibit 1**); unlabeled version 2 (**Exhibit 2**); unlabeled version 3 (**Exhibit 3**); unlabeled version 4 (**Exhibit 4**); version 040209 (**Exhibit 5**); version CO-040209 (**Exhibit 6**); and version CO-080609 (**Exhibit 7**) (collectively, the "Agreements"). Of the Agreements, only one of the four template agreements identified by Freedom Debt Relief's General Counsel was used to enroll any of the sampled Colorado clients.

22. All of the Agreements contained the following violations of § 12-14.5-219:

- a. (a)(6)(E), requiring that agreements disclose each creditor that the provider believes will not participate in the plan and to which the provider will not direct payment;
- b. (a)(6)(F), requiring that agreements disclose how the provider will comply with its obligations under section 12-14.5-227(a);
- c. (a)(6)(G), requiring that agreements disclose that the provider may terminate the agreement for good cause, upon return of unexpended money of the individual;
- d. (a)(6)(H), requiring that agreements disclose that the individual may cancel the agreement as provided in section 12-14.5-220;
- e. (a)(6)(I), requiring that agreements disclose that the individual may contact the Administrator with any questions or complaints regarding the provider;
- f. (d)(1)(A), requiring that agreements disclose that upon termination of the agreement, the provider will refund all unexpended money that the provider received from the individual for the reduction of the individual's debt;

- g. (d)(2), requiring that agreements provide that the individual authorizes any bank in which the provider or its agent has established a trust account to disclose to the Administrator any financial records relating to the trust account;
- h. (d)(3)(A), requiring that the agreements disclose that within five days of learning of a creditor's decision to withdraw from a program, the provider would disclose the identity of the creditor;
- i. (e), mandating that the agreements provide that the provider will obtain the assent of the individual after a creditor has assented to a settlement for more than 50 percent of the actual balance of the debt owed at the time of settlement;
- j. (f)(2), providing that an agreement may not limit procedural rights;
- k. (f)(3), providing that an agreement may not restrict the individual's remedies.

23. In addition to these violations, unlabeled version 4 (Ex. 4), version 040209 (Ex. 5), version CO-040209 (Ex. 6), and version CO-080609 (Ex. 7) violated C.R.S. § 12-14.5-219(f)(1) by providing that the agreement is governed by California law.

24. Version CO-080609 (Ex. 7) also violated C.R.S. § 12-14.5-219(d)(1) by failing to disclose that the individual could terminate an agreement without penalty or obligation.

25. In addition, Freedom Debt Relief does not comply with prerequisites for providing debt-management services, as detailed in the following subsections of C.R.S. § 12-14.5-217:

- a. (a), prohibiting a provider from providing debt-management services unless the provider has provided a clear and conspicuous list, in a record the individual may keep whether or not the individual assents to an agreement, and using the terminology and format prescribed by the statute, of the goods and services and the charges for each;

- b. (b)(2), prohibiting a provider from furnishing debt-management services unless the provider, through the services of a certified counselor or certified debt specialist, has prepared a financial analysis;
- c. (b)(3)(A), prohibiting a provider from furnishing debt-management services unless the provider, through the services of a certified counselor or certified debt specialist, has prepared a plan;
- d. (b)(3)(B), prohibiting a provider from providing debt-management services unless the provider, through the services of a certified counselor or certified debt specialist, has made a determination, based on the provider's analysis of the information provided by the individual and otherwise available to it, that the plan is suitable for the individual and the individual will be able to meet the payment obligations under the plan;
- e. (c)(1), requiring the provider to provide the individual with a copy of the analysis and plan in a record that identifies the provider;
- f. (c)(3)(B), providing that before an individual assents to an agreement to engage in a plan, a provider shall provide the individual with a list of creditors that the provider expects to participate in the plan but not grant concessions;
- g. (c)(3)(C), providing that before an individual assents to an agreement to engage in a plan, a provider shall provide the individual with a list of creditors that the provider expects not to participate in the plan;
- h. (c)(3)(D), providing that before an individual assents to an agreement to engage in a plan, a provider shall, with respect to all creditors identified by the individual or otherwise known by the provider to be creditors of the individual, provide the individual with a list of all creditors not disclosed per subsection (c)(3)(A)-(C); and

- i. (d) and (g), requiring that providers provide, in a record that contains nothing else, that is given separately, and that the individual may keep whether or not the individual assents to the agreement, the “Important Information for You to Consider” disclosure in the form mandated by the sections.

26. Further, the Colorado consumers on whose behalf Freedom Debt Relief performed debt-management services were not provided with the “Notice of Right to Cancel” disclosures in the form mandated by C.R.S. § 12-14.5-220.

27. Still further, the contracts under which Freedom Debt Relief provides debt-management services provide for a \$20.00 draft modification fee, in violation of C.R.S. § 12-14.5-223(a).

28. In addition, Freedom Debt Relief collected charges without having a signed agreement that complies with C.R.S. §§ 12-14.5-219 and 12-14.5-228, in violation of C.R.S. § 12-14.5-223(b).

29. Moreover, upon termination of an agreement, Freedom Debt Relief did not immediately return to the individual any money of the individual held in trust, in violation of C.R.S. § 12-14.5-226(b)(1); nor did it refund 65 percent of any portion of the set-up fee received pursuant to C.R.S. § 12-14.5-223(d)(2) that was not credited against settlement fees, in violation of C.R.S. § 12-14.5-226(b)(2).

30. Further, Freedom Debt Relief does not provide the required accountings upon cancellation or termination and at least once a month, in violation of C.R.S. § 12-14.5-227(a); it does not provide each individual for whom it has established a plan an accounting of the total amount and terms of the settlement, the amount of the debt when the individual assented to the plan, the amount of the debt when the creditor agreed to the settlement, and the calculation of a settlement fee, in violation of C.R.S. § 12-14.5-227(b)(5); and it does not maintain records for each individual for whom it provides debt-management services, in violation of C.R.S. § 12-14.5-227(c).

31. Finally, Freedom Debt Relief used electronic versions of contracts and disclosures without complying with section 101(c)(1) of the federal act, in violation of C.R.S. § 12-14.5-218(b), and failed to list the names under which it does business on its website, in violation of C.R.S. § 12-14.5-218(g).

COUNT ONE
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT
(C.R.S. § 12-14.5-219)

32. The Administrator incorporates by reference the allegations of paragraphs 1 through 31 above as if fully set forth herein.

33. The DMSA sets forth specific requirements concerning the content of agreements to provide debt-management services. C.R.S. § 12-14.5-219.

34. The agreements under which Freedom Debt Relief provides services do not contain the requisite content.

35. Therefore, Freedom Debt Relief has violated the DMSA.

36. As a result of Defendant's violations of the DMSA, the Administrator is entitled to registration suspension or revocation, injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. *See* C.R.S. §§ 12-14.5-233 through 12-14.5-234.

COUNT TWO
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT
(C.R.S. § 12-14.5-217)

37. The Administrator incorporates by reference the allegations of paragraphs 1 through 36 above as if fully set forth herein.

38. The DMSA requires that providers provide consumers with certain cautionary disclosures and information, fully described in C.R.S. § 12-14.5-217.

39. Freedom Debt Relief does not provide the requisite disclosures and information.

40. Therefore, Freedom Debt Relief has violated the DMSA.

41. As a result of Defendant's violations of the DMSA, the Administrator is entitled to registration suspension or revocation, injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. *See* C.R.S. §§ 12-14.5-233 through 12-14.5-234.

COUNT THREE
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT
(C.R.S. § 12-14.5-220)

42. The Administrator incorporates by reference the allegations of paragraphs 1 through 41 above as if fully set forth herein.

43. The DMSA provides for specific cancellation rights that consumers shall have, and sets forth the procedures providers must comply with in notifying consumers of their right to cancel an agreement. C.R.S. § 12-14.5-220.

44. Freedom Debt Relief does not comply with the requirements set forth in C.R.S. § 12-14.5-220.

45. Therefore, Freedom Debt Relief has violated the DMSA.

46. As a result of Defendant's violations of the DMSA, the Administrator is entitled to registration suspension or revocation, injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. *See* C.R.S. §§ 12-14.5-233 through 12-14.5-234.

COUNT FOUR
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT
(C.R.S. § 12-14.5-223)

47. The Administrator incorporates by reference the allegations of paragraphs 1 through 46 above as if fully set forth herein.

48. The DMSA prohibits providers from imposing fees except as expressly permitted by C.R.S. § 12-14.5-223.

49. Freedom Debt Relief imposes fees not permitted by C.R.S. § 12-14.5-223.

50. Therefore, Freedom Debt Relief has violated the DMSA.

51. As a result of Defendant's violations of the DMSA, the Administrator is entitled to registration suspension or revocation, injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. *See* C.R.S. §§ 12-14.5-233 through 12-14.5-234.

COUNT FIVE
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT
(C.R.S. § 12-14.5-226)

52. The Administrator incorporates by reference the allegations of paragraphs 1 through 51 above as if fully set forth herein.

53. The DMSA sets forth specific procedures for terminating agreements and providing consumer refunds upon termination. C.R.S. § 12-14.5-226.

54. Freedom Debt Relief has failed to comply with the procedures mandated by C.R.S. § 12-14.5-226.

55. Therefore, Freedom Debt Relief has violated the DMSA.

56. As a result of Defendant's violations of the DMSA, the Administrator is entitled to registration suspension or revocation, injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. See C.R.S. §§ 12-14.5-233 through 12-14.5-234.

COUNT SIX
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT
(C.R.S. § 12-14.5-227)

57. The Administrator incorporates by reference the allegations of paragraphs 1 through 56 above as if fully set forth herein.

58. Under the DMSA, a provider must provide accountings upon settlement, in accordance with C.R.S. § 12-14.5-227(b)(5).

59. The DMSA further requires that a provider maintain records for each individual for whom it provides debt-management services. C.R.S. § 12-14.5-227(c).

60. Freedom Debt Relief failed to provide the required accountings and maintain the required records.

61. Therefore, Freedom Debt Relief has violated the DMSA.

62. As a result of Defendant's violations of the DMSA, the Administrator is entitled to registration suspension or revocation, injunctive relief, consumer

restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. See C.R.S. §§ 12-14.5-233 through 12-14.5-234.

COUNT SEVEN
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT
(C.R.S. § 12-14.5-218)

63. The Administrator incorporates by reference the allegations of paragraphs 1 through 62 above as if fully set forth herein.

64. The DMSA provides that a provider may satisfy the requirements of C.R.S. §§ 12-14.5-217, 12-14.5-219, or 12-14.5-227 by means of the internet or other electronic means only if the provider obtains the consumer's consent in the manner provided by section 101(c)(1) of the federal act. C.R.S. § 12-14.5-218(b).

65. Freedom Debt Relief delivers its contracts and disclosures by electronic means, but does not obtain the consumer's consent in the manner provided by section 101(c)(1) of the federal act.

66. Therefore, Freedom Debt Relief has violated the DMSA.

67. As a result of Defendant's violations of the DMSA, the Administrator is entitled to registration suspension or revocation, injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. See C.R.S. §§ 12-14.5-233 through 12-14.5-234.

PRAYER FOR RELIEF

ACCORDINGLY, the Administrator prays for entry of judgment in her favor and against Defendant, and requests the Court provide the following relief:

- A. Revoke Defendant's registration to provide debt-management services in Colorado;
- B. Issue a preliminary and permanent injunction, enjoining Defendant from providing debt-management services to Colorado residents in violation of the DMSA's requirements;
- C. Impose civil penalties against Defendant under C.R.S. § 12-14.5-233;

- D. Order Defendant to make restitution of money to the persons aggrieved by the violations;
- E. Order Defendant to disgorge all profits from its unlawful activities in the state of Colorado;
- F. Award costs, expenses, and attorneys' fees incurred by the Administrator;
- G. Award pre- and post-judgment interest; and
- H. Award such other relief as the Court deems proper and just.

DATED: Denver, Colorado
June 28, 2013

JOHN W. SUTHERS
Attorney General

/s/ Jeanine M. Anderson

JEANINE M. ANDERSON, 28206*
Senior Assistant Attorney General
Consumer Credit Unit
Consumer Protection Section
Attorneys for the Administrator

Counsel of Record*

Pursuant to C.R.C.P. 121, § 1-26(7), the original of this document with original signatures is maintained in the Offices of the Colorado Attorney General, Ralph L. Carr Colorado Judicial Center, 1300 Broadway, Sixth Floor, Denver, Colorado 80203, and will be made available for inspection by other parties or the Court upon request.