

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO**

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FEDERAL TRADE COMMISSION,)
)
Plaintiff,)
)
v.)
)
DEBT SET, INC.,)
a Colorado corporation;)
)
DEBT-SET,)
a Nevada corporation;)
)
RESOLVE CREDIT COUNSELING, INC.,)
a Colorado corporation;)
)
WILLIAM "BILL" RIGGS, individually and as an)
officer or director of Debt Set, Inc. and)
Debt-Set;)
)
MICHELLE TUCKER, a.k.a. Michelle Mangan,)
individually and as an officer or director of)
Resolve Credit Counseling, Inc.;)
)
LEE TUCKER, a.k.a. Leo Mangan, individually,)
and as an officer or director of Debt-Set; and))
)
ISAAC KHAN, a.k.a. Issac M. Klan or Ishaq)
Mohammad Khan, individually,)
and as an officer or director of Debt-Set;)
)
Defendants.)
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Case No. _____

COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF

Plaintiff, the Federal Trade Commission ("FTC" or "Commission"), for its Complaint alleges:

1. The FTC brings this action under Sections 5(a) and 13(b) of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 45(a) and 53(b), to obtain temporary, preliminary, and permanent injunctive relief, rescission of contracts, restitution, disgorgement, appointment of a receiver, and other equitable relief for the defendants’ violations of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

JURISDICTION AND VENUE

2. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C. § 53(b). This action arises under 15 U.S.C. § 45(a)(1).

3. Venue in the United States District Court for the District of Colorado is proper under 28 U.S.C. §§ 1391(b) and (c), and 15 U.S.C. § 53(b).

THE PARTIES

4. **Plaintiff, the Federal Trade Commission**, is an independent agency of the United States Government created by statute. 15 U.S.C. § 41 *et seq.* The Commission is charged, *inter alia*, with enforcement of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce. The Commission is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act in order to secure such equitable relief as may be appropriate in each case, and to obtain consumer redress. 15 U.S.C. § 53(b).

5. **Defendant Debt Set, Inc. (“Debt Set Colorado” or “Debt Set CO”)**, is a Colorado for-profit corporation with its principal place of business at 2060 Broadway, Suite 1, Boulder, CO 80302, which is an office space that Debt Set Colorado shared with codefendant

Resolve Credit Counseling, Inc. until mid-2006, when Resolve Credit Counseling, Inc. moved their offices, as described below. Debt Set Colorado enrolls consumers in debt reduction programs and transfers its debt settlement accounts to Resolve Credit Counseling, Inc. Debt Set Colorado transacts or has transacted business in the District of Colorado.

6. **Defendant Debt-Set (“Debt-Set Nevada”)** is a Nevada for-profit corporation with its principal place of business at a commercial mail receiving company at 1945 North Carson Street, Carson City, NV 89701. The officers of Debt-Set Nevada are all officers or employees of Debt Set Colorado. Debt-Set Nevada’s advertising includes a toll-free telephone number that, when dialed, connects consumers to Debt Set Colorado’s offices in Boulder, Colorado. Debt-Set Nevada transacts or has transacted business in the District of Colorado.

7. **Defendant Resolve Credit Counseling, Inc. (“Resolve”)**, is a Colorado for-profit corporation with its principal place of business at 1327 Spruce Street, Boulder, CO 80302. Until at least mid-2006, Resolve shared offices with codefendant Debt Set Colorado at 2060 Broadway, Suite 1, Boulder, CO 80302. Resolve oversees debt settlement accounts that are transferred to Resolve from Debt Set Colorado. Resolve transacts or has transacted business in the District of Colorado.

8. **Defendant William “Bill” Riggs** is the Chief Executive Officer of Debt Set Colorado and the President of Debt-Set Nevada. At all times material to this Complaint, acting alone or in concert with others, Riggs has formulated, directed, controlled, or participated in the acts and practices of the corporate defendants and the common enterprise, including the acts and practices set forth in this Complaint. Riggs resides, transacts or has transacted business in the District of Colorado.

9. **Defendant Michelle Tucker, also known as Michelle Mangan**, is the sole director and executive officer of Resolve, and is married to codefendant Lee Tucker, also known as Leo Mangan. At all times material to this Complaint, acting alone or in concert with others, Michelle Tucker has formulated, directed, controlled, or participated in the acts and practices of the corporate defendants and the common enterprise, including the acts and practices set forth in this Complaint. She resides, transacts or has transacted business in the District of Colorado.

10. **Defendant Lee Tucker, also known as Leo Mangan**, is the Secretary of Debt-Set Nevada and is married to codefendant Michelle Tucker, a.k.a. Michelle Mangan. At all times material to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled or participated in the acts and practices of the corporate defendants, including the acts and practices set forth in this Complaint. Lee Tucker resides, transacts or has transacted business in the District of Colorado.

11. **Defendant Isaac Khan, also known as Issac Klan or Ishaq Mohammad Khan**, is the Treasurer of Debt-Set Nevada. At all times material to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled or participated in the acts and practices of the corporate defendants, including the acts and practices set forth in this Complaint. He resides, transacts or has transacted business in the District of Colorado.

COMMON ENTERPRISE

12. The Corporate Defendants, Debt Set Colorado, Debt-Set Nevada and Resolve, and Individual Defendants, William Riggs, Michelle Tucker, Lee Tucker and Isaac Khan have operated as a common enterprise while engaging in the deceptive acts and practices and other violations of law alleged below. Because these Defendants operate and have operated as a

common enterprise, each of them is jointly and severally liable for the deceptive acts and practices alleged below.

COMMERCE

13. At all times relevant to this Complaint, the defendants have maintained a substantial course of trade in the offering for sale and sale of debt reduction services, in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

THE DEFENDANTS’ BUSINESS PRACTICES

14. Since at least July 2004, and continuing thereafter, the defendants have offered for sale debt reduction services to consumers having difficulties with their personal finances. The defendants promote themselves as industry leaders of debt management and debt reduction providers to prospective purchasers throughout the United States.

15. The defendants promote Debt Set Colorado, Debt-Set Nevada and Resolve’s debt reduction services on their Internet websites at www.debt-set.com and www.resolvecredit.com, and through advertisements on television and radio. The defendants’ websites are nearly identical, bearing the same graphics and fonts, and each website promises to “Reduce Debt Now!” and to “Eliminate Harassing Calls.” The defendants’ websites also claim, “It’s Free” and “No Fee Application” and encourage consumers to submit an online request for more information or to call the defendants’ toll-free telephone numbers to reduce their debt.

16. The consumers who call the defendants’ toll-free telephone numbers are connected to Debt Set Colorado telemarketers. In the initial telephone calls with consumers, the defendants ask consumers to disclose the total amount of unsecured debt they owe and the payment status of those accounts. Depending on how overdue a consumer’s payments are, the

defendants then promise to reduce the consumer's debts by either: (1) consolidating the consumer's debts and negotiating special interest rates with the consumer's creditors (hereafter, "debt consolidation program"); or (2) negotiating lump-sum settlements with the creditors for "fifty cents on the dollar" or "50 to 60%" of the consumer's total unsecured debts owed (hereafter, "debt settlement program"). The defendants generally promote the debt consolidation program to consumers who are on-time or up to one month overdue in their payments to creditors, and their debt settlement program to consumers who are more than one month overdue in their payments.

17. In the initial telephone calls with consumers, the defendants represent that the consumer will make monthly payments to the defendants. In turn, the defendants represent that they will pay the consumer's creditors through either the debt consolidation program or the debt settlement program. The defendants estimate the consumer's monthly payment amount and schedule a date by which consumers must pay the defendants to begin the program.

18. In numerous instances, the defendants represent that they will not charge consumers any upfront fees or costs prior to the defendants paying the consumer's creditors. In some instances, defendants represent that any fees or costs they charge consumers will be a *de minimus* portion of consumers' monthly payment and that the remaining portion of the monthly payment will be paid to the consumer's creditors once defendants achieve the promised debt reduction.

19. The defendants also represent that participation in their programs will stop the consumer's creditors from placing collections calls or suing the consumer.

20. Consumers who agree to enroll in either the debt consolidation program or the debt settlement program are sent an initial set of enrollment documents from Debt Set Colorado. During their telephone pitches, the defendants' telemarketers also exhort consumers to fill out the enrollment documents and return the papers as quickly as possible. The defendants' telemarketers discourage consumers from reading the enrollment documents by, for example, claiming they are "not a contract," they are "just information," that "there's no obligation at all," and that the defendants cannot begin providing debt relief services until they receive the signed documents. The enrollment documents themselves purport to impose no obligation on the consumer. Included in these documents are forms for the consumer to authorize direct withdrawals from the consumer's checking account, to identify the amounts owed to various creditors, and a Client Agreement.

21. Buried in the middle of the Client Agreement page of the enrollment documents is an inadequate disclosure of the defendants' program fees. This buried fee information is sent to consumers who already heard the defendants' oral misrepresentations, agreed to purchase the defendants' debt reduction services, and who are rushed by the defendants' telemarketers to quickly sign and send back the enrollment documents to the defendants.

22. In numerous instances, after consumers have submitted their payment information and signed the required enrollment documents, Debt Set Colorado transfers their files to Resolve. Consumers are typically mailed a second set of documents that have "Resolve Credit Counseling, Inc." printed at the top, including a Power of Attorney, Program Acknowledgement, and Debt Settlement Agreement. In numerous instances, consumers receive this second set of documents from Resolve after they already have submitted payment information to the

defendants and after they paid the defendants their first monthly payment. Consumers are instructed to sign and return these documents to Resolve.

23. Contrary to the defendants' earlier representations, the defendants, in numerous instances, fail to reduce the consumer's debts by lowering their interest rates, or achieving the promised settlements for substantially reduced amounts such as fifty cents on the dollar or 50-60% of the debts owed with the consumers' creditors. Many consumers who have retained the defendants' services have, in fact, experienced an increase in their total amount of unsecured debt, due to accumulated interest, late fees, and finance charges.

24. Contrary to their earlier representations, in numerous instances, the defendants charge a percentage-based fee, generally 8% of the consumer's total unsecured debt, that must be paid in full before defendants or their agents will contact any of the consumers' creditors.

25. Contrary to their earlier representation, in numerous instances, the defendants have failed to contact consumers' creditors or debt collectors at all, and consumers have continued to be contacted by creditors and debt collectors about their debts.

26. Consumers who have purchased the defendants' debt reduction services frequently seek a refund from the corporate defendants. Many of these consumers eventually reach Defendant William Riggs or Defendant Michelle Tucker, who personally deny the consumers any refunds.

VIOLATIONS OF SECTION 5 OF THE FTC ACT

27. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or deceptive acts or practices in or affecting commerce."

COUNT I

Misrepresentations Regarding Debt Reduction

28. In numerous instances the defendants have represented, expressly or by implication, that consumers who purchase the defendants' debt reduction services will receive specific benefits including, but not limited to:

- a. a substantial reduction in consumers' interest rates, such as to "between zero and nine percent;" or
- b. settlements with consumers' creditors for a substantially reduced amount such as "fifty cents on the dollar" or "50% to 60%" of the total amount of unsecured debt owed at the time the consumers enroll in the defendants' programs.

29. In truth and in fact, in numerous instances, consumers who purchase the defendants' debt reduction services do not receive the specific benefits represented including, but not limited to:

- a. a substantial reduction in consumers' interest rates, such as to "between zero and nine percent;" or
- b. settlements with consumers' creditors for a substantially reduced amount such as "fifty cents on the dollar" or "50% to 60%" of the total amount of unsecured debt owed at the time the consumers enroll in the defendants' programs.

30. Therefore, the defendants' representations as set forth in Paragraph 28 are false and misleading and constitute a deceptive act or practice in violation of Section 5(a) of the FTC

Act, 15 U.S.C. § 45(a).

COUNT II

Misrepresentations Concerning Fees

31. In numerous instances the defendants have represented, expressly or by implication that there are no upfront fees or costs for their debt reduction programs.

32. In truth and in fact, the defendants require consumers to pay through monthly payments an upfront fee of approximately 8% of the consumers' total unsecured debt.

33. Therefore, the defendants' representations as set forth in Paragraph 31 are false and misleading and constitute a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT III

Misrepresentations About Collections

34. In numerous instances the defendants have represented, expressly or by implication, that enrollment in the defendants' debt reduction programs will prevent or assist consumers with preventing creditors from calling, harassing, or commencing collections litigation against the consumer.

35. In truth and in fact, enrolling in the defendants' programs does not prevent or assist consumers in preventing creditors from calling, harassing, or commencing collections litigation against the consumer.

36. Therefore, the defendants' representations as set forth in Paragraph 34 are false and misleading and constitute a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

CONSUMER INJURY

37. Consumers nationwide have suffered or will suffer substantial monetary loss as a result of the defendants' ongoing violations of Section 5(a) of the FTC Act. Absent injunctive relief by this Court, the defendants are likely to continue to injure consumers and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

38. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and other ancillary relief, including consumer redress, disgorgement and restitution, to prevent and remedy any violations of any provision of law enforced by the Federal Trade Commission.

39. This Court, in the exercise of its equitable jurisdiction, may award ancillary relief to remedy injury caused by the defendants' law violations.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Federal Trade Commission, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and the Court's own equitable powers, requests that the Court:

1. Award Plaintiff such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including, but not limited to a temporary restraining order, appointment of a receiver, asset freeze, immediate access to the defendants' business premises, and a preliminary injunction;

2. Enter a permanent injunction to prevent future violations of the FTC Act by Defendants;

3. Award such relief as the Court finds necessary to redress injury to consumers resulting from the defendants' violations of the FTC Act, including but not limited to, rescission or reformation of contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten monies; and

4. Award Plaintiff the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper.

Respectfully submitted,
WILLIAM BLUMENTHAL
General Counsel

Dated: March 19, 2007

Respectfully submitted,

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