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5 FEDERAL TRADE COMMISSION

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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.

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7 UNITED STATES DISTRICT COURT
8 CENTRAL DISTRICT OF CALIFORNIA

9 FEDERAL TRADE COMMISSION,

10 Plaintiff,

11 v.

12
13 JUBILEE FINANCIAL SERVICES,
14 INC., a California
corporation;

15 JOHN E. GUSTAVSEN,
16 individually and as President
of Jubilee Financial Services;

17 JABEZ FINANCIAL GROUP, INC., a
18 California corporation; and

19 CURTIS COBB, individually and
as President of Jabez
20 Financial Group, Inc.,

21 Defendants.

CIVIL NO.

02-6468

ABC

(Ex)

COMPLAINT FOR INJUNCTIVE
AND OTHER EQUITABLE
RELIEF

22
23 Plaintiff, the Federal Trade Commission ("FTC" or "the
24 Commission"), for its complaint alleges:

25 1. The FTC brings this action under Sections 5(a) and 13(b) of
26 the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a),
27 53(b), to obtain preliminary and permanent injunctive relief,
28 rescission or reformation of contracts, restitution, disgorgement,

complaint.

1 appointment of a receiver, and other equitable relief for
2 defendants' violations of Section 5(a) of the FTC Act, 15 U.S.C.
3 § 45(a).

4
5 **JURISDICTION AND VENUE**

6 2. Subject matter jurisdiction is conferred upon this Court
7 by 15 U.S.C. §§ 45(a), 53(b), and 28 U.S.C. § § 1331, 1337(a) and
8 1345.

9 3. Venue in the United States District Court for the Central
10 District of California is proper under 15 U.S. C. § 53(b) and 28
11 U.S.C. §§ 1391(b) and (c).

12
13 **THE PARTIES**

14 4. **Plaintiff Federal Trade Commission** ("Commission" or
15 "FTC"), is an independent agency of the United States Government
16 created by statute. 15 U.S.C. §§ 41 et seq.. The Commission
17 enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which
18 prohibits unfair or deceptive acts or practices in or affecting
19 commerce. The Commission may initiate federal district court
20 proceedings by its own attorneys to enjoin violations of the FTC Act
21 and to secure such equitable relief as is appropriate in each case,
22 including restitution for injured consumers. 15 U.S.C. § 53(b).

23 5. **Defendant Jubilee Financial Services, Inc.** ("Jubilee") is
24 a California corporation. Jubilee has offices located at 8280
25 Florence Blvd., Downey California 90240. Jubilee transacts or has
26 transacted business in the Central District of California and
27 throughout the United States.

1 DEFENDANTS' BUSINESS ACTIVITIES

2 10. Since at least some time in 2000 and continuing
3 thereafter, defendants have offered debt negotiation services to
4 consumers throughout the United States. Defendants have promoted
5 their services to prospective purchasers through a variety of means,
6 including their own Internet web sites, unsolicited e-mail,
7 advertising on the Internet web sites of others, and television
8 commercials.

9 11. Defendants promote their debt negotiation services on
10 their Internet web sites at www.jubileefinancial.com and
11 www.jabezfinancial.com.

12 12. Defendants' web sites encourage consumers to request a
13 free analysis of their financial situation or to call the
14 defendants' toll-free numbers to learn more about their debt
15 consolidation or negotiation services. On their web sites and in
16 the course of telephone conversations, defendants tell consumers
17 that defendants can negotiate with consumer's creditors to reduce
18 the amount of the consumer's debt by as much as 60%.

19 13. Consumers who call defendants' toll-free telephone numbers
20 are connected to defendants' telemarketers who represent to
21 consumers that, in exchange for a non-refundable fee, defendants
22 will negotiate with all of the consumer's unsecured creditors.
23 Defendants do not reveal to consumers that the total amount of the
24 fees to be paid to defendants typically amounts to hundreds and even
25 thousands of dollars.

26 14. According to defendants' telemarketers, through
27 defendants' negotiating efforts with creditors, consumers will
28 reduce the amount of the debt they owe to creditors by between 40%

1 and 60% and will pay off their debts in a shortened period of time
2 and improve their financial status.

3 15. Consumers who agree to purchase defendants' services are
4 told to identify all of their unsecured creditors and the total
5 amount of their debt along with their income. Defendants then tell
6 consumers that defendants will calculate an amount that consumers
7 can afford to pay their creditors and withdraw that money
8 automatically every month from the consumer's bank account.
9 Defendants state that the money withdrawn from the consumer's bank
10 account will be held in a trust account for the consumer and that
11 the money will be used to pay off the consumer's debt at a
12 substantially reduced amount.

13 16. Consumers are instructed to immediately stop making any
14 payments to all of their unsecured creditors. Defendants represent
15 that, by failing to fulfill their financial obligations to their
16 creditors, consumers will be considered to be in a "hardship"
17 condition and defendants will be able to negotiate better terms with
18 consumers' creditors.

19 17. Defendants further represent that, if consumers retain
20 defendants, defendants will contact all of the consumer's creditors
21 and tell them that defendants represent the consumer and instruct
22 the creditors and debt collectors to cease all contact with the
23 consumer. Defendants represent that this practice will put a halt
24 to calls the consumers may have been receiving from their creditors
25 or debt collectors. Defendants tell consumers to refuse to speak
26 with any creditors who might attempt to contact them, to send copies
27 of any correspondence from those parties to defendants, and to
28 submit change of address information to creditors so that mail will

1 go directly to defendants.

2 18. Defendants represent to consumers that negative
3 information may appear on the consumer's credit report while they
4 are working with defendants but that the negative information is
5 temporary and will be removed at the conclusion of the program.

6 19. In reality, many of defendants' representations are false.
7 Contrary to the representations that consumers' debts will be paid
8 off in a shortened time at a reduced level and that consumers'
9 financial situations will be improved, in numerous instances,
10 consumers who have retained defendants' services, have, in fact,
11 increased the amount of their debt by incurring late fees, finance
12 charges and overdraft charges, causing their financial situation to
13 worsen. In many cases, as a result of using defendants' services,
14 consumers' credit reports include significant negative information
15 such as late payments, charge-offs, collections and garnishments,
16 all of which may appear on consumers' credit reports for a period of
17 up to seven years.

18 20. In numerous instances, defendants have not contacted
19 consumers' creditors or debt collectors, and consumers have
20 continued to be contacted by creditors and debt collectors about
21 their debts. In addition, defendants have failed to return calls
22 initiated by consumers' creditors or debt collectors to defendants.

23 21. Often, the failure of consumers to make payments on their
24 debts has resulted in litigation by the creditor or debt collection
25 agency against the consumer. In numerous instances, the litigation
26 against the consumer by the creditor or debt collection agency has
27 resulted in the garnishment of the consumer's wages by the creditor
28 or debt collection agency. Many consumers who have retained

1 defendants' services for the purpose of improving their financial
2 situation have experienced such a substantial increase in their debt
3 that they have filed for protection under the bankruptcy laws.
4

5 VIOLATIONS OF SECTION 5 OF THE FTC ACT

6 22. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits
7 unfair or deceptive acts and practices in or affecting commerce.
8

9 COUNT I

10 23. In numerous instances in the course of advertising,
11 marketing, promoting, offering for sale and sale of their debt
12 negotiation services, defendants or their employees or agents have
13 represented, expressly or by implication, that actions taken by
14 them, on behalf of consumers who purchase their services, will
15 enable consumers to pay off all of their unsecured debts for a
16 reduced amount.

17 24. In truth and in fact, in numerous instances, after
18 retaining defendants' services, consumers are unable to pay off all
19 of their unsecured debts for a reduced amount.

20 25. Therefore, defendants' representation as set forth in
21 Paragraph 23 is false and misleading and constitutes a deceptive act
22 or practice in violation of Section 5(a) of the FTC Act, 15 U.S. C.
23 § 45(a).
24

25 COUNT II

26 26. In numerous instances, in the course of advertising,
27 marketing, promoting, offering for sale and sale of their debt
28 negotiation services, defendants or their employees or agents have

1 represented, expressly or by implication, that defendants will
2 contact all of a consumer's unsecured creditors on the consumer's
3 behalf and ensure that creditors do not call or harass consumers
4 about their payments that may be overdue.

5 27. In truth and in fact, in numerous instances, after
6 retaining defendants' services, defendants contact few, if any, of
7 the consumer's unsecured creditors.

8 28. Therefore, defendants' representations as set forth in
9 Paragraph 26 are false and misleading and constitute a deceptive act
10 or practice in violation of Section 5(a) of the FTC Act, 15 U.S. C.
11 § 45(a).

12

13

COUNT III

14 29. In numerous instances, in the course of advertising,
15 marketing, promoting, offering for sale and sale of their debt
16 negotiation services, defendants or their employees or agents
17 represent to consumers that any negative credit information which
18 may be reported on a consumer's credit report as a result of having
19 retained defendants' services for debt negotiation will be removed
20 after one year.

21 30. In truth and in fact, negative credit information that is
22 both accurate and non-obsolete may be reported on an individual's
23 credit report for seven years.

24 31. Therefore, defendants' representation as set forth in
25 Paragraph 29 is false and misleading and constitutes a deceptive act
26 or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C.
27 § 45(a).

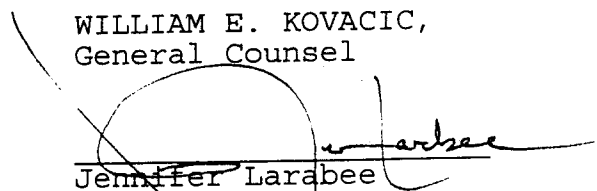
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injury to consumers resulting from the defendants' violations of the FTC Act including, but not limited to, the rescission or reformation of contracts, the refund of monies paid, and the disgorgement of ill-gotten gains, and
d. Award plaintiff the 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,

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General Counsel



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