

WILLIAM BLUMENTHAL
General Counsel

THOMAS A. COHN
Director, Northeast Region

CAROLE A. PAYNTER
ANN F. WEINTRAUB
RONALD L. WALDMAN
NUR-UL-HAQ
Federal Trade Commission
One Bowling Green, Suite 318
New York, New York 10004
(212) 607-2829
Attorneys for Plaintiff

CV-07 4087

RECEIVED
IN CLERK'S OFFICE
U.S. DISTRICT COURT E.D.N.Y.

★ OCT 01 2007 ★

LONG ISLAND OFFICE

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK**

FEDERAL TRADE COMMISSION,)
)
Plaintiff,)
v.)

EDGE SOLUTIONS, INC., a/k/a The Debt)
Settlement Company, and a/k/a The Debt)
Elimination Center, a Delaware corporation,)

EDGE SOLUTIONS, INC., a/k/a The Debt)
Settlement Company, and a/k/a The Debt)
Elimination Center, a New York)
corporation,)

MONEY CARES, INC., a/k/a The Debt)
Settlement Company, and a/k/a The Debt)
Elimination Center, a Florida corporation,)

PAY HELP, INC., a New York corporation,)

MIRIAM LOVINGER, Individually and as an)
Officer of the corporations, and)

ROBERT LOVINGER, Individually and as an)
Officer of the corporations,)

Defendants.)

CIVIL ACTION NO.

CV-07-4087
(Gleeson, J.)
(Tomlinson, M.)

**COMPLAINT
FOR INJUNCTIVE AND
OTHER EQUITABLE RELIEF**

Plaintiff, the Federal Trade Commission (“FTC” or “the 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 preliminary and permanent injunctive relief, rescission or reformation of contracts, restitution, disgorgement, appointment of a receiver, and other equitable relief for Defendants’ violations of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

JURISDICTION AND VENUE

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

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

THE PARTIES

4. **Plaintiff Federal Trade Commission** is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41 *et seq.* The Commission enforces 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 may initiate federal district court proceedings by its own attorneys to enjoin violations of the FTC Act and to secure such equitable relief as is appropriate in each case, including restitution for injured consumers. 15 U.S.C. § 53(b).

5. **Defendant Edge Solutions, Inc., a/k/a The Debt Settlement Company and a/k/a The Debt Elimination Center** is a Delaware for-profit corporation that is registered to do

business in New York (“Edge DE”). Edge DE has offices at 356 Middle Country Rd, Coram, New York 11727 and 3249 Route 112, Suite 3, Medford, New York 11763. Edge DE transacts or has transacted business in the Eastern District of New York and throughout the United States.

6. **Defendant Edge Solutions, Inc., a/k/a The Debt Settlement Company and a/k/a The Debt Elimination Center** is a New York for-profit corporation (“Edge NY”). Edge NY has offices at 356 Middle Country Rd, Coram, New York 11727 and 3249 Route 112, Suite 3, Medford, New York 11763. Edge NY transacts or has transacted business in the Eastern District of New York and throughout the United States. Edge DE and Edge NY are hereinafter collectively referred to as “Edge.”

7. **Defendant Money Cares, Inc., a/k/a The Debt Settlement Company and a/k/a The Debt Elimination Center** (“Money Cares”) is a Florida for-profit corporation. Money Cares has offices at 356 Middle Country Rd, Coram, New York 11727 and 3249 Route 112, Suite 3, Medford, New York 11763. Money Cares transacts or has transacted business in the Eastern District of New York and throughout the United States.

8. **Defendant Pay Help, Inc.** (“Pay Help”) is a New York for-profit corporation. Pay Help has offices at 3249 Route 112, Suite 3, Medford, New York 11763. Pay Help transacts or has transacted business in the Eastern District of New York and throughout the United States.

9. **Defendant Miriam Lovinger** is President of Edge NY, President of Money Cares, Chief Financial Officer of Pay Help, and is married to co-defendant Robert Lovinger. At all times material to this complaint, acting alone or in concert with others, she has formulated, directed, controlled, or participated in the acts and practices of Edge, Money Cares, and Pay

Help, including the acts and practices set forth in this complaint. Miriam Lovinger transacts or has transacted business in the Eastern District of New York and throughout the United States.

10. **Defendant Robert Lovinger** is Director of Money Cares, Chief Executive Officer of Pay Help and of Edge NY, and President of Edge DE, and is married to co-defendant Miriam Lovinger. 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 Edge, Money Cares, and Pay Help, including the acts and practices set forth in this complaint. Robert Lovinger transacts or has transacted business in the Eastern District of New York and throughout the United States.

COMMON ENTERPRISE

11. Edge, Money Cares, and Pay Help have operated together as a common enterprise while engaging in the deceptive acts and practices alleged below. These Defendants have conducted the business practices described below through an interrelated network of companies operating from a common location with common ownership, officers, managers, and business functions. Edge, Money Cares, and Pay Help commingle funds. Individual Defendants Robert and Miriam Lovinger have formulated, directed, and/or controlled, or had authority to control, or participated in the acts and practices of the corporate Defendants that comprise the common enterprise.

COMMERCE

12. At all times relevant to this complaint, Defendants have maintained a substantial course of business in the advertising, marketing, promoting, offering for sale, and sale of debt

settlement services, in or affecting commerce, including the acts and practices alleged herein, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS’ BUSINESS ACTIVITIES

13. Since at least 2000, and continuing thereafter, Defendants have offered debt settlement services to consumers having difficulties with their personal finances. Defendants have promoted their services to prospective purchasers through Defendants’ Internet websites throughout the United States.

14. Defendants market Edge’s and Money Cares’ debt settlement services directly on the Internet websites www.idebthelp.com and www.moneycares.com, and through links found at www.edgesolutions.com and www.ontrackmpower.com.

15. Pay Help markets over the Internet at www.ontrackmpower.com, selling consumers financial services, which are advertised as helping consumers manage their money and pay off their debt faster. Pay Help also offers a bill paying service that Edge and Money Cares use to make consumers’ payments to creditors. Pay Help’s website also links to Money Cares’ website.

16. Defendants offer the “Debt Meltdown Program,” described in their promotional material as “an aggressive method of helping consumers out of the debt trap and away from the bankruptcy path.” Defendants represent, through their websites, that they will negotiate settlements with consumers’ creditors, often enabling consumers “to escape debt at a fraction of the total amount they owe.” Defendants’ websites further represent that consumers end up repaying only “60 cents for every dollar that is owed,” and that “we can reduce your unsecured debt by up to 60% and sometimes more and have you debt free in 18 to 30 months.” Defendants’

websites encourage consumers to fill out a form to have a counselor call them, or to call a toll-free number to learn more about Defendants' debt settlement services.

17. In the initial telephone calls with consumers, Defendants promise to reduce the consumer's debt so he pays only about 55 cents for each dollar of debt, and Defendants tell the consumer that his payments to Defendants will satisfy both the reduced debt and Defendants' fees. Defendants claim their program will enable the consumer to pay off his debt in approximately three years, which is sooner than if the consumer simply paid the monthly minimum amounts. Defendants tell the consumer that they will accomplish this by negotiating with the consumer's creditors to stop future interest and penalties from accruing, and by obtaining settlements with those creditors that will substantially reduce the total debt owed. Defendants tell consumers that Defendants will contact all creditors referred into Defendants' program to negotiate settlements and will begin paying them, within several weeks after consumers join Defendants' program. Defendants tell consumers to stop making payments to their creditors, and to have no further contact with their creditors.

18. During the sales pitch, Defendants tell consumers that they are required to set up a direct debit from their checking account that will be deposited into a bank account set up by Defendants, from which Defendants will debit their fees and leave the remainder available to ultimately pay consumers' creditors.

19. Defendants instruct consumers to stop paying their credit accounts immediately. Defendants represent that by failing to fulfill their financial obligations to their creditors, consumers will be considered to be in a "hardship" condition, and, at that point, Defendants will be able to negotiate with consumers' creditors.

20. Defendants also promise that consumers will be provided with regular one-on-one financial counseling to assist consumers with budgeting and to answer all financial questions. In fact, most consumers never receive this financial counseling.

21. Buried in Defendants' contract documents is an inadequate disclosure that consumers must pay 45% of their total program fee up front to Defendants before Defendants begin paying any of the consumer's creditors, which may take many months, depending on the amount of the consumer's monthly payment to Defendants.

22. Contrary to Defendants' representations that consumers' debts will be paid off in a shortened time at a reduced level, and that consumers' financial situations will be improved, in numerous instances, consumers who have retained Defendants' services have in fact increased the amount of their debt by incurring late fees, finance charges and overdraft charges, causing their financial situation to worsen. In numerous instances, as a result of using Defendants' services, consumers' credit reports include significant negative information such as late payments, charge-offs, collections, and garnishments, all of which may appear on consumers' credit reports for a period of up to seven years.

23. In numerous instances, Defendants fail to contact all of consumers' creditors referred into Defendants' program as promised, and consumers continue to be contacted by these creditors about their debts.

24. In numerous instances, Defendants fail to negotiate settlements with all of consumers' creditors referred into Defendants' program and fail to begin paying such creditors, within several weeks after consumers join Defendants' program, if ever. In numerous instances, the failure of consumers to make payments on their debts has resulted in litigation by the

creditor, wage garnishment, or debt collection agency action against consumers. When consumers tell Defendants that they have received a summons, Defendants tell them not to worry about it, that it is just a creditor “scare tactic.”

25. In numerous instances, in addition to the fees already paid to the Defendants, the consumer not only gets sued by his/her creditor but also has to pay the cost of the creditor’s litigation. Furthermore, many consumers who have retained Defendants’ services for the purpose of improving their financial situation have experienced a substantial increase in their debt.

VIOLATIONS OF SECTION 5 OF THE FTC ACT

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

COUNT I

27. In numerous instances, in the course of advertising, marketing, promoting, offering for sale, and sale of their debt settlement services, Defendants or their employees or agents have represented, expressly or by implication, that consumers who purchase Defendants’ debt settlement services will be able to pay off all of their debts referred to Defendants’ program for a substantially reduced amount.

28. In truth and in fact, in numerous instances, consumers who purchase Defendants’ debt settlement services are unable to pay off all of their debts referred to Defendants’ program for a substantially reduced amount.

29. Therefore, Defendants’ representations as set forth in Paragraph 27 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT II

30. In numerous instances, in the course of advertising, marketing, promoting, offering for sale, and sale of their debt settlement services, Defendants or their employees or agents have represented, expressly or by implication, that Defendants will contact all of consumers' creditors referred into Defendants' program to negotiate settlements and will begin paying such creditors, within several weeks after consumers join Defendants' program.

31. In truth and in fact, in numerous instances, Defendants do not contact all of consumers' creditors referred into Defendants' program to negotiate settlements and do not begin paying such creditors, within several weeks after consumers join Defendants' program.

32. Therefore, Defendants' representations as set forth in Paragraph 30 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S. C. § 45(a).

COUNT III

33. In numerous instances, in the course of advertising, marketing, promoting, offering for sale, and sale of their debt settlement services, Defendants or their employees or agents have represented, expressly or by implication, that Defendants will provide personalized one-on-one financial consulting to assist consumers.

34. In truth and in fact, in numerous instances, Defendants do not provide personalized one-on-one financial consulting to assist consumers.

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

CONSUMER INJURY

36. Consumers nationwide have suffered as a result of Defendants' unlawful acts or practices. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THIS COURT'S POWER TO GRANT RELIEF

37. 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 Commission.

38. 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, asset freeze, immediate access to Defendants' business premises, appointment of a receiver 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 gains; and

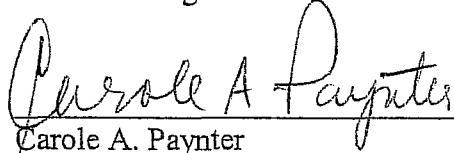
4. Award Plaintiff the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper.

Dated: September 28, 2007

Respectfully submitted,

WILLIAM BLUMENTHAL
General Counsel

THOMAS A. COHN
Director
Northeast Region



Carole A. Paynter
Ann F. Weintraub
Ronald L. Waldman
Nur-ul-Haq
Attorneys for Plaintiff
Federal Trade Commission
One Bowling Green, Suite 318
New York, New York 10004
(212) 607-2829 (phone)
(212) 607-2822 (facsimile)