

**James P. Fox, District Attorney/Public Administrator**



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**FOR IMMEDIATE RELEASE**

**DATE:** December 23, 2009

**TO:** MEDIA MEMBERS

**FROM:** James P. Fox, District Attorney  
Chuck Finney, Deputy District Attorney  
Consumer & Environmental Unit, (650) 363-4097

**SUBJECT:** Consent Judgment

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**District Attorney Announces Consent Judgment  
With Debt Settlement Company**

On December 22, 2009, a Consent Judgment (copy attached) was entered in San Mateo County Superior Court in settlement of a civil case brought by the District Attorney's Office and the California Department of Corporations against a San Mateo based debt settlement company. The civil complaint, filed on October 30, 2008, alleged that Freedom Debt Relief, LLC ("FDR") and a number of affiliated entity and individual defendants engaged in unlawful business practices in the operation of a debt settlement business that solicited consumers who had significant debt. Specifically, the complaint alleged that defendants:

- Acted as a "prorater," (a business that, for compensation, receives money for the purpose of distributing it among a consumer's creditors in payment or partial payment of a consumer's debts) without being licensed by the Department of Corporations;
- Charged consumers fees in excess of those allowed under the prorater laws;
- Entered into "home solicitation contracts" and failed to advise consumers of their right to cancel the contracts within three business days;
- Made misleading statements to consumers.

Defendants denied the allegations. The Consent Judgment, which was signed by Judge Carol Mittlesteadt, was entered against FDR without any findings of liability. The complaint against all other defendants was dismissed with prejudice. The Consent Judgment provides that FDR shall:

- Continue to use specified procedures to ensure that California clients' money is held in separate bank accounts, that California clients are notified of all proposed settlements and that California clients expressly authorize payments to creditors;
- Continue to disclose the time it may take before FDR will begin negotiations with a client's creditors, all fees charged by FDR, FDR's termination policies and how clients can obtain information about the status of their accounts;
- As to California residents who enter into a debt settlement agreement with FDR as a result of a telephonic solicitation, continue to provide a written contract and an advisement that the consumer has three business days within which to cancel the contract;
- Pay \$500,000 into a fund, whereby many of FDR's California clients from November 1, 2004 through May 31, 2008 will be eligible to receive a partial refund of fees paid to the company, subject to execution of an appropriate release. Eligible clients will be notified of the claims process. The amount of the partial refund that a client receives will be determined based on the fees that person paid to FDR and the number of claimants;
- Pay a total of \$360,000 as reimbursement of costs of the District Attorney's Office and the Department of Corporations; and
- Pay \$90,000 under Business and Professions Code section 17206 for the alleged violations of the Home Solicitations Law alleged. It is the District Attorney's policy to require such a payment when resolving cases brought under Business and Professions Code section 17200.

As part of the settlement, the Department of Corporations has withdrawn the desist and refrain order issued on May 29, 2008, which order alleged that, among other things, the defendants were operating as unlicensed proraters.

The case was brought as a result of a joint investigation conducted by the District Attorney's Office and the Department of Corporations. FDR cooperated with the District Attorney and the Department in the resolution of the case. FDR has asked that media inquiries be directed to Robert Linderman, General Counsel (rlinderman@freedomdebtrelief.com).