

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT TACOMA

Consumer Financial Protection Bureau,  
  
Plaintiff,  
  
v.  
  
Meracord LLC and Linda Remsberg,  
  
Defendants.

COMPLAINT

**Introduction**

The Consumer Financial Protection Bureau (the Bureau) brings this action against Meracord LLC (Meracord) and Linda Remsberg, its president, CEO, and controlling shareholder, under the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5531(a), 5536(a), 5564(a), and the Telemarketing and Consumer Fraud and Abuse Prevention Act, 15 U.S.C. §§ 6102(c)(2), 6105(d), based on violations of the Telemarketing Sales Rule (TSR), 16 C.F.R. pt. 310, and sections 1031(a) and 1036(a) of the CFPA. In particular, this action is based on Meracord’s facilitation of TSR violations by debt-relief service providers (DRSPs) with which it does business.

1 **Jurisdiction and Venue**

2 1. This Court has subject-matter jurisdiction because this action is brought under a federal  
3 consumer-financial law, 12 U.S.C. § 5565(a)(1), presents a federal question, 28 U.S.C. § 1331, and is  
4 brought by an agency of the United States, 28 U.S.C. § 1345.

5 2. Venue is proper in this district because a substantial part of the events or omissions  
6 giving rise to the claims occurred here, Meracord is located and does business here, and Meracord  
7 and Remsberg reside here. 28 U.S.C. § 1391(b)(1)-(2); 12 U.S.C. § 5564(f).

8 **Parties**

9 3. The Bureau is an agency of the United States. 12 U.S.C. § 5491(a). It has independent  
10 litigating authority, 12 U.S.C. § 5564(a)-(b), including the authority to enforce the TSR as it applies  
11 to persons subject to the CFPA, 12 U.S.C. § 5531(a); 15 U.S.C. §§ 6102(c)(2), 6105(d).

12 4. As a significant part of its business, Meracord offers and provides account-maintenance  
13 and payment-processing services to DRSPs and consumers. These services are consumer-financial  
14 services under the CFPA. 12 U.S.C. § 5481(5), (15)(A)(iv), 15(A)(vii), 15(A)(viii)(II). Meracord is  
15 therefore a “covered person.” 12 U.S.C. § 5481(6).

16 5. Remsberg is Meracord’s president, CEO, and controlling shareholder. She has  
17 managerial responsibility for Meracord and materially participates in the conduct of its affairs,  
18 including its payment-processing services for DRSPs. Remsberg is therefore a “related person”  
19 under the CFPA. 12 U.S.C. § 5481(25)(C)(i)-(ii).

20 **Facts**

21 6. In exchange for a fee, DRSPs promise to help consumers reduce or eliminate their  
22 unsecured debts.

1           7. Generally, when consumers enroll in a debt-relief program, they also enter into a  
2 separate agreement with a payment processor, which establishes and maintains a “dedicated  
3 account” for the consumer.

4           8. At the time of enrollment, the DRSP instructs the consumer to stop paying his or her  
5 unsecured debts and, instead, to make monthly payments to the payment processor.

6           9. These monthly payments cover three things: (i) the DRSP’s fee for debt-relief services,  
7 (ii) the payment processor’s fee for account-maintenance services, and (iii) the consumer’s savings,  
8 which are set aside for future settlements of the consumer’s debts, as negotiated by the DRSP.

9           10. Since October 27, 2010, Meracord processed payments for more than 250,000  
10 consumers receiving debt-relief services from more than 250 DRSPs, including Payday Loan Debt  
11 Solution, Inc., American Debt Settlement Solutions, Inc., Mission Settlement Agency, the Law  
12 Office of Michael Levitis, Premier Consulting Group, LLC, the Law Office of Michael Lupolover,  
13 E.M.A. Nationwide, Inc., New Life Financial Solutions, Inc., and 1UC Inc.

14           11. Each month, in amounts directed by DRSPs, Meracord withdrew funds from  
15 consumers’ bank accounts and deposited them into their dedicated accounts. Meracord then  
16 transmitted funds from the dedicated accounts to the DRSPs to cover their debt-relief fees and to  
17 itself to cover its account-maintenance fees. When instructed by DRSPs, Meracord transmitted  
18 funds from consumers’ dedicated accounts to their unsecured creditors.

19           12. Since October 27, 2010, the TSR has prohibited DRSPs from charging fees before  
20 consumers’ debts are settled. Specifically, the TSR has banned DRSPs from requesting or receiving  
21 fees from a consumer for debt-relief services before (i) the DRSP has renegotiated, settled, reduced,  
22 or otherwise altered the terms of at least one of the consumer’s debts and (ii) the consumer has

1 made at least one payment pursuant to a debt-settlement agreement or other contractual  
2 arrangement between the consumer and one of his or her creditors. *See* 16 C.F.R. § 310.4(a)(5)(i).

3 13. Account records obtained from Meracord demonstrate that many of the DRSPs for  
4 which it processed payments routinely charged advance fees for debt-relief services in violation of  
5 the TSR.

6 14. According to those same records, since October 27, 2010, Meracord processed  
7 payments for more than 11,000 consumers who were charged one or more fees for debt-relief  
8 services before any of their debts were actually settled; 4,922 of those consumers' accounts were  
9 closed without any of their debts being settled.

10 15. For each of its consumers who were charged unlawful advance fees, Meracord was  
11 responsible for actually transmitting, and did transmit, the fees from the consumer's dedicated  
12 account to his or her DRSP.

13 16. At the time Meracord transmitted these fees, it knew, based on its own account records,  
14 that it had not yet transmitted funds from the consumer's account to one of his or her creditors.  
15 Meracord thus knew that it was transmitting advance fees to DRSPs that had not yet settled  
16 consumers' debts and that were not entitled to advance fees.

17 17. As Meracord's president, CEO, and sole owner, Remsberg is intimately familiar with  
18 Meracord's corporate affairs. She actively participates in Meracord's payment-processing business  
19 for DRSPs. Remsberg also has personally profited from Meracord's wrongdoing: over the last  
20 several years, Meracord has paid Remsberg considerable amounts in income and disbursements.

21 18. Remsberg should have known that Meracord provided substantial assistance to its  
22 DRSP partners by processing payments on their behalf and that its DRSP partners were charging  
23 and collecting unlawful advance fees.

**Count One  
(Meracord’s Violations of the TSR and the CFPA)**

19. The allegations in paragraphs 1-18 are incorporated here by reference.

20. Meracord provided substantial assistance to its DRSP partners by processing payments on their behalf.

21. Meracord knew or consciously avoided knowing that its DRSP partners were charging and collecting advance fees in violation of the TSR.

22. Meracord’s conduct violated the TSR’s ban on assisting and facilitating others’ violations of that rule. 16 C.F.R. § 310.3(b).

23. Because Meracord is a “covered person,” its conduct is unlawful under sections 1031(a) and 1036(a)(1) of the CFPA, 12 U.S.C. §§ 5531(a), 5536(a)(1).

**Count Two  
(Remsberg’s Violations of the TSR and CFPA)**

24. The allegations in paragraphs 1-18 are incorporated here by reference.

25. Because she is a “related person,” Remsberg is deemed a “covered person” for purposes of the CFPA. 12 U.S.C. § 5481(25).

26. Remsberg is liable for violations of the TSR, 16 C.F.R. § 310.3(b), and sections 1031(a) and 1036(a)(1) of the CFPA, 12 U.S.C. §§ 5531(a), 5536(a)(1).

**Demand for Relief**

Wherefore, the Bureau requests that the Court, as permitted by 12 U.S.C. § 5565:

1. permanently enjoin Meracord and Remsberg from committing future violations of the CFPA, 12 U.S.C. §§ 5531, 5536, the TSR, 16 C.F.R. pt. 310, or any other provision of federal consumer-financial law, as defined by 12 U.S.C. § 5481(14);

2. grant additional injunctive relief as the Court may deem to be just and proper;

- 1 3. award damages or other monetary relief against Meracord and Remsberg;
- 2 4. award restitution against Meracord and Remsberg in the amount of all fees collected
- 3 from consumers in violation of the 'TSR's advance-fee ban;
- 4 5. order disgorgement of ill-gotten profits against Meracord and Remsberg;
- 5 6. award civil money penalties against Meracord and Remsberg;
- 6 7. award costs against Meracord and Remsberg; and
- 7 8. award additional relief as the Court may determine to be just and proper.

8  
9 Respectfully submitted,

10  
11 Lucy Morris  
12 *Deputy Enforcement Director*

13  
14 s/Jeffrey Paul Ehrlich  
15 Jeffrey Paul Ehrlich (FL Bar No. 51561)  
16 J.H. Jennifer Lee  
17 Meredith B. Osborn  
18 *Enforcement Attorneys*  
19 Consumer Financial Protection Bureau  
20 1700 G Street, NW  
21 Washington, DC 20552  
22 Telephone: (202) 435-7598  
23 Facsimile: (202) 435-7722  
24 e-mail: [jeff.ehrlich@cfpb.gov](mailto:jeff.ehrlich@cfpb.gov)  
25 *Attorneys for Consumer Financial Protection Bureau*