



FTC Sues Three Dallas Debt Settlement Firms

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The Federal Trade Commission has accused three Dallas debt settlement companies of making deceptive claims about the results they achieve for consumers who are deeply in debt. The FTC claims the companies said that if consumers enrolled in their programs they could erase 30 to 60 percent of their credit card debt and be debt-free in a matter of months. However, the FTC says the companies “rarely negotiate settlements for all accounts entered into the debt relief service by consumers.”

The companies sued by the FTC are Debt Consultants of America Inc., Debt Professionals of America Inc. and Financial Freedom Processing Inc., formerly known as Financial Freedom of America Inc. All three deny any wrongdoing.

According to the FTC, the companies charged consumers upfront administrative fees, monthly maintenance fees, negotiation fees and, in some instances, a cancellation fee. As a result, even when the companies negotiated a debt settlement “in numerous instances, consumers’ account balances increase from the time of enrollment to the time of settlement.”

Because of a controversy over debt settlement companies, the FTC is enforcing a new rule that prohibits debt settlement companies from collecting fees in advance until they’ve shown effective results for their clients.

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