



Federal Trade Commission News

Office of Public Affairs - Press Release

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600 Pennsylvania Avenue, NW • Washington, D.C. 20580 • 202-326-2180 • opa@ftc.gov

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FTC Charges Company With Financing Fraudulent Telecom Services Scheme

Deceptive NorVergence Rental Contracts Mised Consumers

In the wake of the NorVergence Inc. telecommunications fraud case won by the Federal Trade Commission in 2005, the agency has charged a company with violating federal law by helping to finance the scheme and continuing to seek payment from defrauded consumers.

Based on an FTC complaint filed in 2004, a federal court voided 1,600 NorVergence contracts with small businesses and religious and other nonprofit organizations that were misled by promised savings on phone and Internet services. The contracts purported to be long-term rental agreements for a relatively inexpensive device that NorVergence falsely claimed would create the savings. NorVergence was forced into bankruptcy, and the promised services stopped. The judgment the FTC obtained against NorVergence left unaffected thousands of rental agreements NorVergence had already sold to finance companies.

According to a complaint filed today by the FTC, IFC Credit Corporation purchased NorVergence rental agreements valued at \$21 million, with individual contracts ranging from \$4,439 to \$160,672. Despite making payments, the complaint alleges, no customers received telecommunications services from NorVergence for more than a short period of time, and many consumers received none.

As stated in the complaint, IFC continued to finance the fraudulent scheme by accepting new rental contracts, despite NorVergence's failure to provide the promised services and the resulting high rate of default among IFC customers. Long after NorVergence entered bankruptcy in 2004, the complaint states, IFC continues to tell consumers they are obligated under the rental agreements because the payments are for the device, not for services.

Under the FTC Act, which prohibits unfair or deceptive business practices, the FTC charges IFC with misrepresenting that consumers have no defenses to payment on the NorVergence rental agreements; harming consumers by unfairly accepting and collecting on the rental agreements; and unfairly filing debt collection lawsuits in courts far from consumers' locations.

The Commission vote authorizing the staff to file the complaint was 5-0. The complaint was filed in the U.S. District Court for the Northern District of Illinois. The FTC is asking the

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court to order all rental agreements terminated and is seeking refunds for payments consumers made for services they never received. The FTC also is seeking a preliminary injunction to stop IFC from continuing any debt collection while the suit proceeds.

The FTC acknowledges the valuable assistance of the Attorneys General of Illinois, Massachusetts, California, Florida, Maryland, Missouri, Pennsylvania, Texas, and Connecticut.

NOTE: The Commission files a complaint when it has “reason to believe” that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The complaint is not a finding or ruling that the defendant has actually violated the law. The case will be decided by the court.

Copies of the complaint are available from the FTC’s Web site at <http://www.ftc.gov> and the FTC’s Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint in English or Spanish or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at <http://www.ftc.gov/ftc/complaint.shtm>. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to more than 1,600 civil and criminal law enforcement agencies in the U.S. and abroad.

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MEDIA CONTACT: Frank Dorman, Office of Public Affairs
202-326-2674

STAFF CONTACT: Randy Brook or Bob Schroeder
FTC’s Northwest Region (Seattle)
206-220-6350

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