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17 UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

18
19) Case No. CV15-01921 DDP (PJWx)
20 FEDERAL TRADE COMMISSION,)
21) **AMENDED**
Plaintiff,) STIPULATED ORDER FOR
22) PERMANENT INJUNCTION AND
v.) MONETARY JUDGMENT AS TO
23) GUILLERMO LEYES
24 FIRST TIME CREDIT SOLUTION,)
CORP., *et al.*,) **[CLOSED]**
25)
26 Defendants.)
27)
28

1 Plaintiff, the Federal Trade Commission (“Commission”), filed its
2 Complaint for Permanent Injunction and Other Equitable Relief (DE 1) in this
3 matter, pursuant to Sections 13(b) and 19 of the Federal Trade Commission Act
4 (“FTC Act”), 15 U.S.C. §§ 53(b) and 57b, and Section 410(b) of the Credit Repair
5 Organizations Act (“CROA”), 15 U.S.C. § 1679h(b). The Commission and
6 Defendant Guillermo Leyes stipulate to entry of this Order for Permanent
7 Injunction and Monetary Judgment as to Defendant Leyes (“Order”) to resolve all
8 matters in dispute in this action between them.

9 THEREFORE, IT IS ORDERED as follows:

10 **FINDINGS**

- 11 1. This Court has jurisdiction over this matter.
- 12 2. The Complaint charges that Defendant Leyes participated in deceptive acts
13 or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. §45(a),
14 and unlawful practices in violation of Section 404 of CROA, 15 U.S.C.
15 § 1679b.
- 16 3. Defendant Leyes neither admits nor denies any of the allegations in the
17 Complaint, except as specifically stated in this Order. Only for purposes of
18 this action, Defendant Leyes admits the facts necessary to establish
19 jurisdiction.
- 20 4. Defendant Leyes filed a petition for relief under Chapter 7 of the Bankruptcy
21 Code on February 17, 2015. *In re Guillermo Nelson Leyes*, No. 1:15-bk-
22 10497-MB (Bankr. C.D. Cal.) (“Leyes Bankruptcy Case”). Plaintiff’s
23 prosecution of this action, including entry of a money judgment and the
24 enforcement of a judgment (other than a money judgment) obtained in this
25 action are actions to enforce the Plaintiff’s police or regulatory power. As a
26 result, if the Leyes Bankruptcy Case is pending as of the date of entry of this
27 Order, then these actions are excepted from the automatic stay pursuant to
28 11 U.S.C. § 362(b)(4).

- 1 5. Defendant Leyes waives any claim that he may have under the Equal Access
2 to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action
3 through the date of this Order, and agrees to bear his own costs and attorney
4 fees.
- 5 6. Defendant Leyes and the Commission waive all rights to appeal or otherwise
6 challenge or contest the validity of this Order.

7 **DEFINITIONS**

8 For the purpose of this Order, the following definitions apply:

- 9 1. **“Corporate Defendant”** means First Time Credit Solution, Corp., also
10 d/b/a FTC Credit Solutions, 1st Consumer Credit USA, and Doctor De
11 Crédito, and its successors and assigns.
- 12 2. **“Credit Repair Services”** means any service, in return for payment of
13 money or other valuable consideration, for the express or implied purpose
14 of: (1) improving any consumer’s credit record, credit history, or credit
15 rating; or (2) providing advice or assistance to any consumer with regard to
16 any activity or service the purpose of which is to improve a consumer’s
17 credit record, credit history, or credit rating.
- 18 3. **“Defendant(s)”** means the Corporate Defendant, Guillermo Leyes, Jimena
19 Perez, Maria Bernal, and Fermin Campos, individually, collectively, or in
20 any combination.
- 21 4. **“Receiver”** means Stephen J. Donell, the receiver appointed in Section XI of
22 the Preliminary Injunction as to the Corporate Defendant [DE 59], and any
23 deputy receivers that shall be named by Mr. Donell.

24 **ORDER**

25 **I. BAN REGARDING CREDIT REPAIR SERVICES**

26 **IT IS HEREBY ORDERED** that Defendant Leyes is permanently
27 restrained and enjoined from advertising, marketing, promoting, or offering for
28 sale, or assisting in the advertising, marketing, promoting, or offering for sale of,

1 Credit Repair Services, whether directly or through an intermediary.

2 **II. PROHIBITED BUSINESS ACTIVITIES**

3 **IT IS FURTHER ORDERED** that Defendant Leyes, his officers, agents,
4 employees, and attorneys, and all other persons in active concert or participation
5 with him, who receive actual notice of this Order, whether acting directly or
6 indirectly, in connection with promoting or offering for sale any good or service
7 are permanently restrained and enjoined from misrepresenting or assisting others in
8 misrepresenting, expressly or by implication:

9 A. that any Defendant or any other person is affiliated with, licensed or
10 sponsored by, or otherwise connected to any person or government entity; and

11 B. any other fact material to consumers concerning any good or service,
12 such as: the total costs; any material restrictions, limitations, or conditions; or any
13 material aspect of its performance, efficacy, nature, or central characteristics.

14 **III. MONETARY JUDGMENT**

15 **IT IS FURTHER ORDERED** that:

16 A. Judgment in the amount of Two Million Four Hundred Thousand
17 Dollars (\$2,400,000) is entered in favor of the Commission against Defendant
18 Leyes, jointly and severally with the other Defendants, as equitable monetary
19 relief.

20 B. The Receiver is ordered, within seven (7) days of entry of this Order,
21 to transfer to the Commission any funds previously held in the name of Defendant
22 Leyes that the Receiver obtained from Wells Fargo Bank, N.A., including funds
23 from the following Wells Fargo accounts: account numbers xxxxxx9772,
24 xxxxxx3480, xxxxxx2032, xxxxxx8067, xxxxxx0128, xxxxxx5201, xxxxxx7691,
25 and xxxxxx1753. If, however, the Leyes Bankruptcy Case remains pending as of
26 the date of entry of this Order, the Receiver is ordered to retain the funds obtained
27 from the Wells Fargo accounts for the benefit of the Commission until: (1) the
28 Chapter 7 Trustee overseeing the Leyes Bankruptcy Case abandons the Wells

1 Fargo accounts; or (2) until the automatic stay in place in the Leyes Bankruptcy
2 Case terminates pursuant to 11 U.S.C. § 362(c).

3 **IV. ADDITIONAL MONETARY PROVISIONS**

4 **IT IS FURTHER ORDERED** that:

5 A. Defendant Leyes hereby grants the Commission all rights and claims
6 he has, if any, to any asset currently in the possession, custody, or control of the
7 Receiver.

8 B. Defendant Leyes relinquishes dominion and all legal and equitable
9 right, title, and interest in all assets transferred pursuant to this Order and may not
10 seek the return of any assets.

11 C. Defendant Leyes agrees that the judgment ordered by Section III is
12 not dischargeable in bankruptcy. Defendant Leyes agrees to the filing by the
13 Commission in the Leyes Bankruptcy Case of:

- 14 1. A Complaint for Nondischargeability of Debt Owed to Federal
15 Trade Commission (in the form of Attachment A);
- 16 2. The Stipulated Judgment for Nondischargeability of Debt Owed to
17 Federal Trade Commission (in the form of Attachment B), which
18 defendant Leyes has executed concurrently with this Order,
19 determining that the equitable monetary relief ordered by Section
20 III is excepted from discharge pursuant to Section 523(a)(2)(A) of
21 the Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A);
- 22 3. To the allowance of a general unsecured claim in the Leyes
23 Bankruptcy Case under Section 502 of the Bankruptcy Code, 11
24 U.S.C. § 502, in favor of the Commission in the amount of
25 \$2,400,000.00, less the sum of any payments previously made, and
26 that the Commission is entitled to participate in any distributions
27 made to creditors in the Leyes Bankruptcy Case, on account of the
28 Commission's filed, general unsecured proof of claim.

1 D. The facts alleged in the Complaint will be taken as true, without
2 further proof, in any subsequent civil litigation by or on behalf of the Commission,
3 including in a proceeding to enforce its rights to any payment or monetary
4 judgment pursuant to this Order.

5 E. Defendant Leyes acknowledges that his Taxpayer Identification
6 Numbers (Social Security Numbers or Employer Identification Numbers), which
7 Defendant Leyes must submit to the Commission, may be used for collecting and
8 reporting on any delinquent amount arising out of this Order, in accordance with
9 31 U.S.C. § 7701.

10 F. All money paid to the Commission pursuant to this Order may be
11 deposited into a fund administered by the Commission or its designee to be used
12 for equitable relief, including consumer redress and any attendant expenses for the
13 administration of any redress fund. If a representative of the Commission decides
14 that direct redress to consumers is wholly or partially impracticable or money
15 remains after redress is completed, the Commission may apply any remaining
16 money for such other equitable relief (including consumer information remedies)
17 as it determines to be reasonably related to Defendants' practices alleged in the
18 Complaint. Any money not used for such equitable relief is to be deposited to the
19 U.S. Treasury as disgorgement. Defendant Leyes has no right to challenge any
20 actions the Commission or its representatives may take pursuant to this Section.

21 G. The asset freeze is modified to permit the transfer identified in Section
22 III (Monetary Judgment), above. Upon completion of the transfer identified in
23 Section III, the asset freeze is dissolved as to Defendant Leyes.

24 **V. CUSTOMER INFORMATION**

25 **IT IS FURTHER ORDERED** that Defendant Leyes, his officers, agents,
26 employees, and attorneys, and all other persons in active concert or participation
27 with him, who receive actual notice of this Order, are permanently restrained and
28 enjoined from directly or indirectly:

1 **VII. ORDER ACKNOWLEDGMENTS**

2 **IT IS FURTHER ORDERED** that Defendant Leyes obtain
3 acknowledgments of receipt of this Order:

4 A. Defendant Leyes, within seven (7) days of entry of this Order, must
5 submit to the Commission an acknowledgment of receipt of this Order sworn
6 under penalty of perjury.

7 B. For five (5) years after entry of this Order, Defendant Leyes, for any
8 business that he, individually or collectively with any other Defendants, is the
9 majority owner or controls directly or indirectly, must deliver a copy of this Order
10 to: (1) all principals, officers, directors, and LLC managers and members; (2) all
11 employees, agents, and representatives who participate in conduct related to the
12 subject matter of this Order; and (3) any business entity resulting from any change
13 in structure as set forth in the Section titled Compliance Reporting. Delivery must
14 occur within seven (7) days of entry of this Order for current personnel. For all
15 others, delivery must occur before they assume their responsibilities.

16 C. From each individual or entity to which Defendant Leyes delivered a
17 copy of this Order, Defendant Leyes must obtain, within thirty (30) days, a signed
18 and dated acknowledgment of receipt of this Order.

19 **VIII. COMPLIANCE REPORTING**

20 **IT IS FURTHER ORDERED** that Defendant Leyes make timely
21 submissions to the Commission:

22 A. One year after entry of this Order, Defendant Leyes must submit a
23 compliance report, sworn under penalty of perjury, which must:

- 24 1. identify all telephone numbers and all physical, postal, email and
25 Internet addresses, including all residences;
26 2. identify the primary physical, postal, and email address and
27 telephone number, as designated points of contact, which
28

1 representatives of the Commission may use to communicate with
2 him;

- 3 3. identify all business activities, including any business for which he
4 performs services whether as an employee or otherwise and any
5 entity in which he has any ownership interest;
- 6 4. describe in detail his involvement in each such business, including
7 title, role, responsibilities, participation, authority, control, and any
8 ownership;
- 9 5. identify all of his businesses by all of their names, telephone
10 numbers, and physical, postal, email, and Internet addresses;
- 11 6. describe the activities of each business, including the goods and
12 services offered, the means of advertising, marketing, and sales,
13 and the involvement of any other Defendant (which Defendant
14 Leyes must describe if he knows or should know due to his own
15 involvement);
- 16 7. describe in detail whether and how he is in compliance with each
17 Section of this Order; and
- 18 8. provide a copy of each Order Acknowledgment obtained pursuant
19 to this Order, unless previously submitted to the Commission.

20 B. For twenty (20) years after entry of this Order, Defendant Leyes must
21 submit a compliance notice, sworn under penalty of perjury, within fourteen (14)
22 days of any change in the following:

- 23 1. name, including aliases or fictitious name, or residence address; or
- 24 2. title or role in any business activity, including any business for
25 which he performs services whether as an employee or otherwise
26 and any entity in which he has any ownership interest, and identify
27 the name, physical address, and any Internet address of the
28 business or entity; or

- 1 3. any designated point of contact; or
- 2 4. the structure of any entity that he has any ownership interest in or
- 3 controls directly or indirectly that may affect compliance
- 4 obligations arising under this Order, including: creation, merger,
- 5 sale, or dissolution of the entity or any subsidiary, parent, or
- 6 affiliate that engages in any acts or practices subject to this Order.

7 C. Defendant Leyes must submit to the Commission notice of the filing
8 of any bankruptcy petition, insolvency proceeding, or similar proceeding by or
9 against him within fourteen (14) days of its filing.

10 D. Any submission to the Commission required by this Order to be
11 sworn under penalty of perjury must be true and accurate and comply with
12 28 U.S.C. § 1746, such as by concluding: “I declare under penalty of perjury
13 under the laws of the United States of America that the foregoing is true and
14 correct. Executed on: _____” and supplying the date, signatory’s full name, title
15 (if applicable), and signature.

16 E. Unless otherwise directed by a Commission representative in writing,
17 all submissions to the FTC pursuant to this Order must be emailed to
18 DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to:
19 Associate Director for Enforcement, Bureau of Consumer Protection, Federal
20 Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The
21 subject line must begin: FTC v. Guillermo Leyes, X1523114.

22 IX. RECORDKEEPING

23 **IT IS FURTHER ORDERED** that Defendant Leyes must create certain
24 records for twenty (20) years after entry of the Order, and retain each such record
25 for five (5) years. Specifically, Defendant Leyes, for any business that he,
26 individually or collectively with any other Defendants, is a majority owner or
27 controls directly or indirectly, must create and retain the following records:
28

1 A. accounting records showing the revenues from all goods or services
2 sold;

3 B. personnel records showing, for each person providing services,
4 whether as an employee or otherwise, that person's: name; addresses; telephone
5 numbers; job title or position; dates of service; and (if applicable) the reason for
6 termination;

7 C. records of all consumer complaints and refund requests concerning
8 the subject matter of the Order, whether received directly or indirectly, such as
9 through a third party, and any response;

10 D. all records necessary to demonstrate full compliance with each
11 provision of this Order, including all submissions to the Commission; and

12 E. a copy of each unique advertisement or other marketing material.

13 **X. COMPLIANCE MONITORING**

14 **IT IS FURTHER ORDERED** that for the purpose of monitoring
15 Defendant Leyes' compliance with this Order, including any failure to transfer any
16 assets as required by this Order:

17 A. Within fourteen (14) days of receipt of a written request from a
18 representative of the Commission, Defendant Leyes must: submit additional
19 compliance reports or other requested information, which must be sworn under
20 penalty of perjury; appear for depositions; and produce documents for inspection
21 and copying. The Commission is also authorized to obtain discovery, without
22 further leave of court, using any of the procedures prescribed by Federal Rules of
23 Civil Procedure 29, 30 (including telephonic depositions), 31, 33, 34, 36, 45, and
24 69.

25 B. For matters concerning this Order, the Commission is authorized to
26 communicate directly with Defendant Leyes. Defendant Leyes must permit
27 representatives of the Commission to interview any employee or other person
28

1 affiliated with Defendant Leyes who has agreed to such an interview. The person
2 interviewed may have counsel present.

3 C. The Commission may use all other lawful means, including posing,
4 through its representatives as consumers, suppliers, or other individuals or entities,
5 to Defendant Leyes or any individual or entity affiliated with Defendant Leyes,
6 without the necessity of identification or prior notice. Nothing in this Order limits
7 the Commission’s lawful use of compulsory process, pursuant to Sections 9 and 20
8 of the FTC Act, 15 U.S.C. §§ 49, 57b-1.

9 D. Upon written request from a representative of the Commission, any
10 consumer reporting agency must furnish consumer reports concerning Defendant
11 Leyes, pursuant to Section 604(1) of the Fair Credit Reporting Act, 15 U.S.C.
12 §1681b(a)(1).

13 **XI. RETENTION OF JURISDICTION**

14 **IT IS FURTHER ORDERED** that this Court shall retain jurisdiction of this
15 matter for purposes of construction, modification, and enforcement of this Order.

16
17 **IT IS SO ORDERED.**

18
19
20 DATED: August 03, 2015



21
22
23 **DEAN D. PREGERSON**
24 **UNITED STATES DISTRICT JUDGE**

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26
27
28

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16 ATTORNEYS FOR PLAINTIFF
17 FEDERAL TRADE COMMISSION

18 UNITED STATES BANKRUPTCY COURT
19 CENTRAL DISTRICT OF CALIFORNIA
20 SAN FERNANDO VALLEY DIVISION

<p>21 In re GUILLERMO NELSON LEYES, 22 Debtor.</p>	<p>23 Case No. 1:15-bk-10497-MB 24 Chapter 7</p>
<p>25 FEDERAL TRADE COMMISSION, 26 Plaintiff, 27 v. 28 GUILLERMO NELSON LEYES, Defendant.</p>	<p>29 Adv. No. _____ 30 COMPLAINT FOR 31 NONDISCHARGEABILITY OF DEBT 32 OWED TO FEDERAL TRADE 33 COMMISSION 34 Hon. Martin R. Barash</p>

35 The Federal Trade Commission (“FTC” or “Commission”) brings this adversary
36 proceeding pursuant to 11 U.S.C. § 523(a)(2)(A) and (c), seeking an order determining that a
37 judgment obtained by the Commission against Defendant Guillermo Nelson Leyes (the “Debtor”
38 or “Leyes”) is excepted from discharge.

JURISDICTION AND VENUE

1
2 1. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 157 and 1334,
3 and 11 U.S.C. § 523. This Adversary Proceeding is a core proceeding pursuant to 28 U.S.C.
4 § 157(b)(2)(I).

5 2. Venue in the Central District of California is proper under 28 U.S.C. § 1409(a).

6 3. This Adversary Proceeding relates to *In re Guillermo Nelson Leyes*, No. 1:15-bk-
7 10497-MB (Bankr. C.D. Cal.) now pending in this Court (the “Bankruptcy Case”). The FTC is a
8 creditor with a general unsecured claim against the Debtor pursuant to a Stipulated Order for
9 Permanent Injunction and Monetary Judgment As to Guillermo Leyes (the “Stipulated
10 Judgment”) entered in the United States District Court for the Central District of California in the
11 case styled *Federal Trade Commission v. First Time Credit Solution, Corp., et al.*, Case No.
12 CV15-01921-DDP (PJWx) (the “Enforcement Action”). A copy of the Stipulated Judgment is
13 attached hereto and incorporated as **Exhibit 1**.

14 4. The Stipulated Judgment includes equitable monetary relief in favor of the FTC
15 and against the Debtor and certain of his co-defendants, jointly and severally, in the amount of
16 \$2,400,000.00. Ex. 1, Section III. As part of the Stipulated Judgment, Debtor further agreed that
17 the Stipulated Judgment was not dischargeable in his pending Bankruptcy Case.¹ See Ex. 1,
18

19 ¹ Section IV of the Stipulated Judgment provides:

20 C. Defendant Leyes agrees that the judgment ordered by Section III is not
21 dischargeable in bankruptcy. Defendant Leyes agrees to the filing by the Commission in the
22 Leyes Bankruptcy Case of:

- 22 1. A Complaint for Nondischargeability of Debt Owed to Federal Trade
23 Commission (in the form of Attachment A);
- 24 2. The Stipulated Judgment for Nondischargeability of Debt Owed to Federal
25 Trade Commission (in the form of Attachment B), which defendant Leyes
26 has executed concurrently with this Order, determining that the equitable
27 monetary relief ordered by Section III is excepted from discharge pursuant
28 to Section 523(a)(2)(A) of the Bankruptcy Code, 11 U.S.C. §
523(a)(2)(A);
- 3. To the allowance of a general unsecured claim in the Leyes Bankruptcy
Case under Section 502 of the Bankruptcy Code, 11 U.S.C. § 502, in favor
of the Commission in the amount of \$2,400,000.000, less the sum of any
payments previously made, and that the Commission is entitled to

1 Section IV.

2 **THE PARTIES**

3 5. Plaintiff FTC is an independent agency of the United States Government created
4 by statute. 15 U.S.C. §§ 41-58. The Commission is charged with, *inter alia*, enforcement of
5 Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or
6 practices in or affecting commerce. The Commission also enforces Section 404(a) of CROA, 15
7 U.S.C. § 1679b(a), which prohibits the use of untrue or misleading statements to induce the
8 purchase of credit repair services, and Section 404(b) of CROA, 15 U.S.C. § 1679b(b), which
9 prohibits credit service organizations from charging or receiving money or other valuable
10 consideration for the performance of credit repair services before such services are fully
11 performed.

12 6. The FTC is authorized to initiate federal district court proceedings, by its own
13 attorneys, to enjoin violations of the FTC Act and CROA, and to secure such equitable relief as
14 may be appropriate in each case, including rescission or reformation of contracts, restitution, the
15 refund of monies paid, and the disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b),
16 56(a)(2)(A), 56(a)(2)(B), 57b and 1679h(b).

17 7. Leyes is the debtor in the Bankruptcy Case now pending before this Court.

18 **COURSE OF PROCEEDINGS AND DEFENDANT’S CONDUCT**

19 **GIVING RISE TO THE NONDISCHARGEABLE DEBT**

20 8. Enforcement Action Defendant First Time Credit Solution, Corp. (“FTC Credit”)
21 does business as FTC Credit Solutions, 1st Consumer Credit USA, and Doctor De Credito, and
22 its principal place of business is at 4255 E. Florence Avenue, Bell, California. On its websites,
23 including ftccreditsolutions.org, FTC Credit refers to the Florence Avenue office as the “main
24 office,” and also claims to have offices in San Francisco, New York, Dallas, Miami, and
25 Chicago.

26 9. Leyes is the Marketing Director of FTC Credit. He is or was, during the period

27
28 participate in any distributions made to creditors in the Leyes Bankruptcy
Case, on account of the Commission’s filed, general unsecured claim.

1 relevant to this Complaint, a signatory for the company's bank account. Defendant Leyes has
2 personally promoted the services of FTC Credit on the radio and on videos posted on the
3 Internet, and his image is displayed prominently on company websites and in printed
4 advertisements. At all times material to this Complaint, acting alone or in concert with others,
5 Defendant Leyes has formulated, directed, controlled, had the authority to control, or participated
6 in the acts and practices of FTC Credit, including the acts and practices set forth in this
7 Complaint.

8 10. The remaining defendants in the Enforcement Action are: Jimena Perez (Chief
9 Executive Officer and Secretary of FTC Credit as well as a Director of the company); Maria
10 Bernal (General Manager and VP Sales Accountant for FTC Credit); and Fermin Campos (Chief
11 Financial Officer of FTC Credit). Leyes, FTC Credit and the remaining co-defendants are
12 referred to herein as the "Enforcement Action Defendants."

13 **A. The Debtor's and His Co-Defendants' Deceptive Business Practices**

14 11. Since at least January 2013, the Enforcement Action Defendants have deceptively
15 marketed, advertised, promoted, offered to sell, and sold credit repair services to consumers,
16 preying primarily on Spanish-speaking consumers with burdensome debts and troubled credit
17 histories.

18 12. Defendants market their services through Internet websites – including
19 ftccreditsolutions.org, ftccreditsolutions.com, drdecredito.com, and doctordecredito.org, printed
20 advertisements, social media, and on the radio.

21 13. In their advertising and in verbal communications with consumers, the
22 Enforcement Action Defendants represent that they are affiliated or licensed with the
23 Commission, while using the Commission's name and a seal that is substantially similar to the
24 Commission's official seal.

25 14. The Enforcement Action Defendants, however, are neither affiliated with nor
26 licensed by the Commission.

27 15. The Enforcement Action Defendants offer credit repair services to consumers,
28 representing that their purported affiliation with the Commission, among other false credentials,

1 allows them to lawfully remove negative information – such as late payments, defaults,
2 foreclosures and bankruptcies – from consumers’ credit reports, even when such information is
3 accurate and non-obsolete.

4 16. A credit repair service, however, cannot lawfully remove accurate and non-
5 obsolete negative information from a consumer’s credit report.

6 17. In addition to promising the lawful removal of negative information from credit
7 reports, the Enforcement Action Defendants also “guarantee” consumers a credit score of 700 or
8 more within six months or less, regardless of the consumer’s current credit score or credit
9 history.

10 18. For example, on February 12, 2015, Leyes made the following representations
11 while advertising the company’s services on the radio station KBLA 1580 am (translated from
12 Spanish):

13 Fourteen years working in banking tells you that I can help you. I was the first to
14 come here on the radio, bringing you what is called credit restructuring. And
15 what many ask, how are we going to remove a bankruptcy? This is impossible.
16 How are you going to remove it? They have had to hold their tongues and say,
17 well, we don’t know how he does it. And I am not going to tell them either.
18 Because to do it I have not rested my brain, to do it I studied and to do it I have a
19 license direct[ly] from the FTC, the Federal Trade Commission.

20 ...

21 We will directly ask you, when you sit with Maria Bernal, or Maricarmen
22 Caballero, or Jimena [Lopez] my daughter, to- directly ask the FTC to
23 immediately send us your complete credit history, from the moment you had
24 Social Security, Okay? Like that we use the good and the bad. In this way we
25 will completely restructure your credit and in ... no more, sorry, than 90,
26 maximum 120 days, you will come out with a score of 700, guaranteed in writing.

27 19. Likewise, on February 23, 2015, Enforcement Action Defendant Bernal made the
28 following representations during an undercover call with a Commission investigator posing as a

1 consumer seeking to improve her credit (translated from Spanish):

2 DEFENDANT BERNAL: For those people who have gone bankrupt, like you,
3 the bankruptcy has to be deleted and each of the accounts has to be put into a
4 positive state, so that they don't keep on affecting you badly and so that you can
5 reestablish your credit ...

6 INVESTIGATOR: Okay. And how, and how -- how do I get -- I mean,
7 how, how are they deleted? Sorry, that -- How do you delet--?

8 DEFENDANT BERNAL: We work under -- No, no, no, no, no. Don't worry,
9 this is one of the questions that I need ... to explain it to you.

10 INVESTIGATOR: That's right.

11 DEFENDANT BERNAL: Okay, look. We work under the Federal Trade
12 Commission, which is a law that was signed by the President in 2010, so that all
13 the negative, all the stains can be deleted. Last year around August, he signed a
14 law to delete student loans ... and the hospital accounts, people always have
15 them. We apply and use all of this. You won't have to do absolutely anything ...
16 Look, let me explain something to you. We have -- we have more than 7000
17 customers. You can check us out on our website. You can see all of this, all the
18 peo[ple], there you can see the people to whom we have deleted, that we have
19 deleted the bankruptcies for too...

20 INVESTIGATOR: Okay, and how long more or less, more or less does this take
21 to -- I mean, to, to, so that I can start to get?

22 BERNAL: It's a maximum of six months. That's the maximum, but there are
23 people that have it completed in 60 to 90 days.

24 20. The Enforcement Action Defendants typically perform their credit repair services
25 by drafting letters to creditors and the major consumer reporting agencies, Equifax, Experian and
26 TransUnion ("dispute letters").

27 21. The dispute letters challenge the accuracy of negative information appearing on
28 the credit reports of the Enforcement Action Defendants' customers.

1 22. The dispute letters often do not mention the Enforcement Action Defendants or
2 indicate that the Enforcement Action Defendants drafted them. Instead, the Enforcement Action
3 Defendants draft the letters in English to appear as if they were drafted by their customers.

4 23. The dispute letters often contain untruthful information, including fabricated
5 disputes of negative information on the credit reports of the Enforcement Action Defendants'
6 customers that is accurate or non-obsolete.

7 24. The Enforcement Action Defendants unlawfully charge and collect hundreds of
8 dollars from their customers in advance of full performance of the credit repair services they
9 promise to their customers.

10 25. In numerous instances, in connection with the advertising, marketing, promotion,
11 offering for sale, or sale of credit repair services, the Enforcement Action Defendants have
12 represented, expressly or by implication, that they are affiliated or licensed with the Commission.

13 26. In truth and in fact, the Enforcement Action Defendants have never been affiliated
14 or licensed with the Commission.

15 27. In numerous instances, in connection with the advertising, marketing, promotion,
16 offering for sale, or sale of credit repair services, the Enforcement Action Defendants have
17 represented, expressly or by implication, that they can lawfully remove negative information,
18 including accurate and non-obsolete information, from consumers' credit reports.

19 28. In truth and in fact, in many of these instances, the Enforcement Action
20 Defendants cannot lawfully remove negative information, including accurate and non-obsolete
21 information, from consumers' credit reports.

22 29. In numerous instances, in connection with the advertising, marketing, promotion,
23 offering for sale, or sale of credit repair services, the Enforcement Action Defendants have
24 represented, expressly or by implication, that they can guarantee consumers a credit score of 700
25 or higher within six months or less.

26 30. In truth and in fact, in many of these instances, the Enforcement Action
27 Defendants cannot guarantee consumers a credit score of 700 or higher within six months or less.

28 31. Enforcement Action Defendants' representations or deceptive omissions of

1 material fact, as set forth in paragraphs 8 through 30, constitute deceptive acts or practices in
2 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

3 **B. The Enforcement Action Defendants' Conduct Violated CROA**

4 32. Section 402(b) of CROA, 15 U.S.C. § 1679(b), explains that the purposes of the
5 CROA are:

6 (1) to ensure that prospective buyers of the services of credit repair organizations are
7 provided with the information necessary to make an informed decision regarding the
8 purchase of such services; and (2) to protect the public from unfair or deceptive
9 advertising and business practices by credit repair organizations.

10 33. Section 404(a)(3) of CROA, 15 U.S.C. § 1679b(a)(3), provides that “[n]o person
11 may ... make or use any untrue or misleading representation of the services of the credit repair
12 organization.”

13 34. Section of 404(b) of CROA, 15 U.S.C. § 1679b(b), prohibits credit repair
14 organizations from charging or receiving any money or other valuable consideration for the
15 performance of any service which the credit repair organization has agreed to perform before
16 such service is fully performed.

17 35. The Enforcement Action Defendants fall under the definition of “credit repair
18 organization,” as the term is defined in Section 403(3) of CROA, 15 U.S.C. § 1679a(3):

19 [A]ny person who uses any instrumentality of interstate commerce or the mails to
20 sell, provide, or perform (or represent that such person can or will sell, provide, or
21 perform) any service, in return for the payment of money or other valuable
22 consideration, for the express or implied purpose of . . . improving any
23 consumer’s credit record, credit history, or credit rating.

24 36. Pursuant to Section 410(b)(1) of CROA, 15 U.S.C. § 1679h(b)(1), any violation
25 of any requirement or prohibition of CROA constitutes an unfair or deceptive act or practice in
26 commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

27 37. Pursuant to Section 410(b)(2) of CROA, 15 U.S.C. § 1679h(b)(2), all functions
28 and powers of the Commission under the FTC Act are available to the Commission to enforce

1 compliance with CROA in the same manner as if the violation had been a violation of any
2 Commission trade regulation rule.

3 38. Enforcement Action Defendants’ representations and conduct, as set forth in
4 paragraphs 8 through 30, constitute violations of CROA, which means they are also deceptive
5 acts or practices that violate Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

6 **COUNT I**

7 **(NONDISCHARGEABILITY OF STIPULATED JUDGMENT)**

8 39. The Commission repeats and realleges the allegations in ¶¶ 1 through 38.

9 40. In numerous instances, in connection with the advertising, marketing, promotion,
10 offering for sale, or sale of credit repair services, Debtor and the Enforcement Action Defendants
11 have represented, expressly or by implication:

- 12 a. that they are affiliated or licensed with the Commission;
- 13 b. that they can lawfully remove negative information, including accurate and
14 non-obsolete information, from consumers’ credit reports; or
- 15 c. that they can guarantee consumers a credit score of 700 or higher within six
16 months or less.

17 41. In truth and in fact, in many of these instances, the Enforcement Action
18 Defendants:

- 19 a. have never been affiliated or licensed with the Commission;
- 20 b. cannot lawfully remove negative information, including accurate and non-
21 obsolete information, from consumers’ credit reports; or
- 22 c. cannot guarantee consumers a credit score of 700 or higher within six months
23 or less.

24 42. Debtor’s representations and failures to disclose or disclose adequately, as
25 outlined in Paragraphs 8-30 and 40-41, are false and misleading and constitute deceptive acts or
26 practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

27 43. In numerous instances, in connection with the advertising, marketing, promotion,
28 offering for sale, or sale of services to consumers by a credit repair organization, as that term is

1 defined in Section 403(3) of CROA, 15 U.S.C. § 1679a(3), Debtor and the Enforcement Action
2 Defendants have made untrue or misleading representations to consumers, including that the
3 Enforcement Action Defendants:

- 4 a. are affiliated or licensed with the Commission;
- 5 b. can lawfully remove negative information, including accurate and non-
6 obsolete information, from consumers' credit reports; and
- 7 c. can guarantee consumers a credit score of 700 or above within six months or
8 less.

9 44. In numerous instances, in connection with the advertising, marketing, promotion,
10 offering for sale, or sale of services to consumers by a credit repair organization, as that term is
11 defined in Section 403(3) of CROA, 15 U.S.C. § 1679a(3), the Enforcement Action Defendants
12 have charged or received money or other valuable consideration for the performance of credit
13 repair services that the Enforcement Action Defendants have agreed to perform before such
14 services were fully performed.

15 45. Debtor's and the Enforcement Action Defendants' acts or practices described in
16 Paragraphs 43 and 44 of this Complaint violate Sections 404(a)(3) and 404(b) of CROA, 15
17 U.S.C. §§ 1679b(a)(3) and 1679b(b).

18 46. Pursuant to Section 410(b)(1) of CROA, 15 U.S.C. § 1679h(b)(1), any violation
19 of any requirement or prohibition of CROA constitutes an unfair or deceptive act or practice in
20 commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

21 47. Debtor's activities described above were conducted with knowledge that he was
22 engaged in a fraudulent scheme and with knowledge of the falsity of the representations in the
23 course of that scheme, or with reckless disregard of the truth or falsity of the representations.

24 48. Debtor injured consumers by knowingly engaging in a fraudulent scheme and
25 knowingly making false representations to consumers or omitting material information from
26 consumers. These false representations and false pretenses were material to consumers in the
27 course of deciding to purchase the services offered by the Debtor and his co-defendants.

28 Consumers' reliance on the Debtor's representations was justifiable.

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16 ATTORNEYS FOR PLAINTIFF
17 FEDERAL TRADE COMMISSION

18 UNITED STATES BANKRUPTCY COURT
19 CENTRAL DISTRICT OF CALIFORNIA
20 SAN FERNANDO VALLEY DIVISION

<p>21 In re GUILLERMO NELSON LEYES, 22 Debtor.</p>	<p>23 Case No. 1:15-bk-10497-AA 24 Chapter 7</p>
<p>25 FEDERAL TRADE COMMISSION, 26 Plaintiff, 27 v. 28 GUILLERMO NELSON LEYES, Defendant.</p>	<p>29 Adv. No. _____ 30 STIPULATED JUDGMENT FOR 31 NONDISCHARGEABILITY OF DEBT 32 OWED TO FEDERAL TRADE 33 COMMISSION 34 Hon. Martin R. Barash</p>

35 Plaintiff, the Federal Trade Commission (“FTC” or “Commission”) filed a Complaint to
36 Determine Nondischargeability of Debt under Section 523 of the Bankruptcy Code, 11 U.S.C.
37 § 523 (the “Complaint”) against Debtor Guillermo Nelson Leyes (“Debtor” or “Leyes”). Debtor
38 waives service of the Summons and Complaint, and agrees to entry of a Stipulated Judgment for
39 Nondischargeability, as set forth herein.

Findings

1
2 1. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C.
3 §§ 157 and 1334, and 11 U.S.C. § 523.

4 2. Venue in the Central District of California is proper under 28 U.S.C. § 1409(a).

5 3. This Adversary Proceeding is a core proceeding pursuant to 28 U.S.C.
6 § 157(b)(2)(I).

7 4. This Adversary Proceeding relates to *In re Guillermo Nelson Leyes*, Case No. 15-
8 10497 (Bankr. C.D. Cal.) now pending in this Court (“Bankruptcy Case”). The FTC is a creditor
9 with a general unsecured claim against the Debtor pursuant to a Stipulated Order for Permanent
10 Injunction and Monetary Judgment As to Guillermo Leyes (the “Stipulated Judgment”) entered
11 in the United States District Court for the Central District of California in the case styled *Federal*
12 *Trade Commission v. First Time Credit Solution, Corp., et al.*, Case No. CV15-01921-DDP
13 (PJWx) (the “Enforcement Action”).¹

14 5. The Stipulated Judgment includes equitable monetary relief in favor of the FTC
15 and against the Debtor and certain of his co-defendants, jointly and severally, in the amount of
16 \$2,400,000.00. Stipulated Judgment, Section III.

17 6. In Section IV of the Stipulated Judgment, the Debtor agreed that the Stipulated
18 Judgment is nondischargeable in his pending bankruptcy case pursuant to 11 U.S.C.
19 § 523(a)(2)(A), and agreed to execute this Stipulated Judgment for Nondischargeability of Debt.

Order

20
21 7. Judgment is hereby entered in favor of the Commission and against the Debtor/
22 Defendant, Guillermo Nelson Leyes, determining that the Stipulated Judgment entered in the
23 Enforcement Action, in the amount of \$2,400,000.00 is nondischargeable pursuant to 11 U.S.C.
24 § 523(a)(2)(A).

25 8. All other provisions of the Stipulated Judgment in the Enforcement Action,
26 including the injunctive provisions, remain in full force and effect.

27
28 ¹ Those defendants to the Enforcement Action that were not named in the Stipulated Judgment
between the FTC and the Debtor are subject to separate orders.

1 9. Undersigned counsel of record in this action represent that they are fully
2 authorized to execute and enter into this Stipulated Judgment for Nondischargeability on behalf
3 of the respective parties whom they represent and acknowledge they have authority to bind the
4 parties in the Adversary Proceeding.


5 Dated: _____

Honorable Martin R. Barash

8 **STIPULATED AND AGREED TO AND SUBMITTED BY:**

9 Date: 5/7/2015

Date: _____, 2015

10 
11 _____
Guillermo Nelson Leyes

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