

IN THE MATTER OF
THE GREYSTONE CORPORATION

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT

Docket C-856. Complaint, Nov. 13, 1964—Decision, Nov. 13, 1964

Consent order requiring a New York City seller of magazines and other merchandise by direct mail and through retailers to cease using deceptive methods of debt collection, threatening delinquent debtors with legal process, and using the name of a fictitious collection agency.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that The Greystone Corporation, a corporation, hereinafter referred to as respondent, has violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the

public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent, The Greystone Corporation, is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York with its principal office and place of business located at 100 6th Avenue, in the city of New York, State of New York.

PAR. 2. Respondent is now, and for some time last past has been, engaged in the advertising, offering for sale and sale of magazines, publications and other merchandise to the general public by and through the United States Mails, and to the general public through other business concerns.

PAR. 3. In the course and conduct of its business, respondent now causes and for some time last past has caused its said magazines, publications and other merchandise, when sold, to be shipped from its place of business and sources of supply in the State of New York to purchasers thereof located in the various other States of the United States and in the District of Columbia, and maintains and at all times mentioned herein has maintained a substantial course of trade in said magazines, publications and other merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of its aforesaid business, respondent offers certain magazines, publications and other merchandise for sale through the United States Mails. Said magazines, publications and other merchandise are distributed and payment made therefor through the United States Mails.

For the purpose of inducing the payment of purportedly delinquent accounts that have arisen from the aforesaid transactions, respondent has made certain statements and representations in letters and notices disseminated through the United States Mails to purportedly delinquent customers.

Typical but not all inclusive of such statements and representations are the following:

(a) On respondent's letterheads:

Will you help me win an argument I'm having with our Credit Manager?

He says you have not paid for books in the amount shown on the enclosed statement and he wants to place your account with THE MAIL ORDER CREDIT REPORTING ASSOCIATION for collection.

I disagree with him, because I'm convinced that you have merely overlooked his bills or have a good reason for ignoring them. I have prevailed upon him to delay sending your account to THE MAIL ORDER CREDIT REPORTING ASSOCIATION for a few more days.

IMPORTANT.

Complaint

66 F.T.C.

YOU ARE HEREBY ON NOTICE THAT: Three weeks from the date shown on the enclosed bill, your account will be transferred to THE MAIL ORDER CREDIT REPORTING ASSN.

(b) On the following letterhead:

THE MAIL ORDER CREDIT REPORTING ASSOCIATION, INC.
CREDIT REPORTS—SPECIAL INVESTIGATIONS—COLLECTIONS
15 West 38th Street, New York 18, N.Y.

One of our members, THE GREYSTONE PRESS, has brought to our attention a claim they have against you.

The Credit Manager of the Company informs us that he and the members of his staff have made repeated efforts to collect the amount due, but that these efforts have been without success.

Ours is a credit and collection organization founded by publishers, mail order houses and other concerns as a protection against loss on bad accounts, and we are determined to secure settlement of this claim for our member. * * *

We have been asked to give you every opportunity to settle this small account, because our client wishes to keep your good will and friendship. If you deliberately ignore our effort to collect this debt, we will be obliged to advise our client to take recourse in the established legal processes of the courts.

That certainly would not be pleasant. Wouldn't it prove unpleasant and embarrassing to you to be refused credit at some future date because of a small bill that you had every opportunity to settle?

We are now calling this matter to your attention *once more* before placing your name in our "General Delinquent File".

Five days from the date of this letter your case will be filed with special counsel for prosecution. Only your immediate attention to this matter will delay the contemplated action.

PAR. 5. By and through the use of the aforesaid statements, representations and practices, and others of similar import and meaning not specifically set out herein, respondent has represented directly and by implication that:

a. If payment is not made, the delinquent customer's name is transmitted to a bona fide credit reporting agency.

b. If payment is not made, the customer's general or public credit rating will be adversely affected.

c. "THE MAIL ORDER CREDIT REPORTING ASSOCIATION, INC.," is a separate bona fide collection and credit reporting agency located in New York City.

d. Respondent has turned over to "THE MAIL ORDER CREDIT REPORTING ASSOCIATION, INC." the delinquent account of the customer for collection and other purposes.

e. If payment is not made, the delinquent customer's account will be transferred to an outside attorney with instructions to institute suit or to take other legal steps to collect the outstanding amount due.

f. Letters and notices on the letterhead of "THE MAIL ORDER CREDIT

REPORTING ASSOCIATION, INC." have been prepared and mailed by said organization.

PAR. 6. In truth and in fact:

a. If payment is not made, the delinquent customer's name is not transmitted to a bona fide credit reporting agency.

b. If payment is not made, the customer's general or public credit rating is not adversely effected.

c. "THE MAIL ORDER CREDIT REPORTING ASSOCIATION, INC.," is not a separate bona fide collection or credit reporting agency. Said organization is a fictitious name utilized by respondent and others for the purpose of disseminating collection letters.

d. Respondent has not turned over to "THE MAIL ORDER CREDIT REPORTING ASSOCIATION, INC." the delinquent account of the customer for collection or any other purpose.

e. If payment is not made, the delinquent customer's account is not transferred to an outside attorney with instructions to institute suit or other legal steps to collect the outstanding amount due.

f. The letters and notices on the letterhead of "THE MAIL ORDER CREDIT REPORTING ASSOCIATION, INC." have not been prepared or mailed by said organization. Said letters and notices have been prepared and mailed or caused to be mailed by respondent. Replies and responses to said letters and notices are forwarded unopened to respondent.

Therefore, the statements and representations as set forth in Paragraphs Four and Five hereof were and are false, misleading and deceptive.

PAR. 7. Respondent also engages in the practice of selling its books and publications to others for resale to the public. In conjunction with the aforesaid business, respondent has engaged in the practice of providing sample letters and forms by and through which they may mislead its customers and deceive the public in the same manner and in the same way as set forth in Paragraphs Four and Five hereof.

PAR. 8. The use by respondent of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the erroneous and mistaken belief that said statements and representations were and are true, and into the payment of substantial sums of money to respondent and to others who have purchased books and publications from respondent for resale, by reason of said erroneous and mistaken belief.

PAR. 9. The aforesaid acts and practices of respondent, as herein alleged, were and are all to the prejudice and injury of the public and constituted, and now constitute, unfair and deceptive acts and prac-

tices in commerce, in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondent named in the caption hereof with violation of the Federal Trade Commission Act, and the respondent having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondent of all the jurisdictional facts set forth in the complaint to issue herein, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as set forth in such complaint, and waivers and provisions as required by the Commission's rules; and

The Commission, having considered the agreement, hereby accepts same, issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent The Greystone Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York, with its office and principal place of business located at 100 6th Avenue, in the city of New York, State of New York.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

It is ordered, That respondent The Greystone Corporation, a corporation, and its officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution of magazines, publications or other merchandise in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing directly or by implication that:

a. A customer's name will be or has been turned over to a bona fide credit reporting agency unless respondent establishes that where payment is not received the information of said delinquency is referred to a bona fide credit reporting agency;

b. A customer's general or public credit rating will be adversely affected unless respondent establishes that where payment is not received, the information of said delinquency is referred to a bona fide credit reporting agency or other business organizations;

c. Delinquent accounts will be or have been turned over to a bona fide separate collection agency unless respondent in fact turns such accounts over to such agencies;

d. Delinquent accounts will be turned over to an attorney to institute suit or other legal action where payment is not made, unless respondent establishes that such is the fact;

e. Delinquent accounts will be or have been turned over to "THE MAIL ORDER CREDIT REPORTING ASSOCIATION, INC." for collection or any other purpose;

f. "THE MAIL ORDER CREDIT REPORTING ASSOCIATION, INC.", any other fictitious name, or any trade name owned in whole or in part by respondent or over which respondent exercises operating control is an independent bona fide collection or credit reporting agency;

g. Letters, notices or other communications in connection with the collection of respondent's accounts which have been prepared or originated by respondent, have been prepared or originated by any other person, firm or corporation;

2. Placing in the hands of others the means and instrumentalities by and through which they may mislead and deceive the public in the manner and as to the things prohibited in Paragraph 1 hereof.

It is further ordered, That the respondent herein shall, within sixty (60) days after service upon it of this order, file with the Commission a report in writing setting forth in detail the manner and form in which it has complied with this order.

IN THE MATTER OF

E. B. I. SWEATER CO., INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION AND THE WOOL PRODUCTS LABELING ACTS

Docket C-857. Complaint, Nov. 13, 1964—Decision, Nov. 13, 1964

Consent order requiring New York City importers of wool products to cease