

OPERATION SKIP-LOCATE, INC., TRADING AS INTERSTATE
CREDIT CORPORATION ET AL.

Docket C-1914. Complaint, May 10, 1971—Decision, May 10, 1971

Consent order requiring three Blue Bell, Pa., collection agencies to cease misrepresenting that they have offices or affiliated agencies throughout the United States, that legal actions have been or will be taken against any debtor, failing to inform debtor that the decision to take action rests with the attorney, misrepresenting that any action is being taken through any Government agency, and misrepresenting the significance or effect of any legal document affecting any debtor.

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 Operation Skip-Locate, Inc., a corporation, also trading as Interstate Credit Corporation; City Credit Control, Inc., a corporation, also trading as Financial Representatives, Inc.; First State Financial Corporation, a corporation, and John W. O'Hara and Ronald D. Steinman, indi-

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vidually and as officers of said corporations, hereinafter referred to as respondents, have 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 charge in that respect as follows:

PARAGRAPH 1. Respondent Operation Skip-Locate, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New Jersey, with its principal office and place of business located at 1777 Walton Road, Blue Bell, Pennsylvania. Said corporation has traded and is now trading under various names including Interstate Credit Corporation.

Respondent City Credit Control, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Pennsylvania, with its principal office and place of business located at 1777 Walton Road, Blue Bell, Pennsylvania. Said corporation has traded and is now trading under the name Financial Representatives, Inc.

Respondent First State Financial Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at 1777 Walton Road, Blue Bell, Pennsylvania.

The coordinating office of the aforesaid corporations is located at 1777 Walton Road, Blue Bell, Pennsylvania.

Respondents John W. O'Hara and Ronald D. Steinman are officers of said corporations. Said individual respondents are now, and for sometime last past have been formulating, directing and controlling the acts and practices of the said corporate respondents, including the acts and practices set forth herein.

Individual respondents' business address is the same as that of the coordinating office of the aforesaid corporations.

All of the aforementioned respondents cooperate and act together in carrying out the acts and practices herein set forth.

PAR. 2. Respondents currently are and for sometime last past have been, engaged in the business of collecting delinquent accounts from debtors for and on behalf of third-party creditors.

PAR. 3. In the course and conduct of their business as aforesaid, respondents have engaged in and are now engaged in oral and written communication with debtors located in the States of New Jersey, Pennsylvania, Delaware and other various States of the United States, and at all times mentioned herein have maintained a substantial course of trade through said collection of delinquent accounts in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Respondents, in the course and conduct of their business as aforesaid, and for the purpose of inducing individuals, firms and corporations, to assign accounts to respondents for collection, have made and are now making certain statements and representations descriptive of and respecting their business. These statements and representations are made orally by respondents and appear in respondents' advertising and promotional material. Typical, but not inclusive of such statements and representations, are the following:

1. That delinquent accounts are often forwarded to attorneys and collection agencies located throughout the United States for a localized collection effort.

2. Using a brochure containing the following statements:

In 1959, the Associated Claims Locators, which is a nationwide skip locating firm, was founded out of necessity, by ICC.

Throughout the last fiscal year ending November 31, 1967, ICC has recovered over \$1,210,000 in otherwise abandoned or lost accounts.

Collection Procedures . . . all accounts forwarded to our office for collection are first placed with our analysis department for complete verification of addresses, places of business, and all other important information that would aid our collection department. At this point, all skip accounts are placed in the hands of ASSOCIATED CLAIMS LOCATORS. It is their sole function to investigate and furnish addresses and places of business with the help of Local Credit Bureaus, Retail Merchants Credit Associations, and other exchanges throughout the area. These directors of ASSOCIATED insist that 7 out of 10 skips placed with them are located within thirty days. At the end of the 72-hour period, all debtors living and working at known locations are contacted by our trained phone specialists. This essential step takes place until a unit supervisor feels the account cannot be broken without the aid of an outside adjuster. At this point, an adjuster, having personal contact, takes on further responsibility. He is assigned a placement for ten days. At the end of a ten-day period, it is necessary for him to fill out a complete written report and have it in the hands of our Analysis Department for further reviewing . . .

Our four major departments are headed by: A. T. Galardi, Commercial Accounts Department; Stanley P. Gorski, Retail Accounts Department; R. T. Vance, Field Supervisor; James Cahill, Jr., Doubtful Accounts Department.

3. Having a sign, placed on and near the entrance of one of its offices which has the following language and appearance.

O.S.I., Inc. (inside of and outlined by a map of the United States).
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Houston, Texas
Atlanta, Georgia
Denver, Colorado
Miami, Florida
Boston, Massachusetts

PAR. 5. By and through the use of aforesaid statements and representations set forth in Paragraph 4 hereof, and others of similar import and meaning but not expressly set out herein, respondents represented, and now represent, directly or by implication, that:

1. The business of respondents is nationwide in scope and that respondents have a nationwide network of corresponding attorneys and collection agencies directly affiliated and connected with them.
2. Respondents have a skip locating or investigating division or company separate and distinct from its other business.
3. The business of respondents is departmentalized and that respondents employ a large staff of employees.
4. Respondents have collected large sums of money from debtors.
5. Respondents employ investigators or adjusters who personally contact debtors.

PAR. 6. In truth and in fact:

1. The business of respondents is not nationwide in scope and does not have a nationwide network of corresponding attorneys or and collection agencies directly affiliated and connected with them.
2. Respondents have no skip-locating or investigation division or company separate and distinct from its other business.
3. The business of respondents is small, employing only a few persons and it is not divided into functional departments.
4. Respondents have not collected from debtors the large sums of money represented.
5. Respondents do not employ adjusters or investigators who personally contact debtors.

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

PAR. 7. In the course and conduct of the aforesaid collection business, respondents have transmitted and mailed to debtors various forms, letters, and other printed material.

Typical and illustrative of statements and representations appearing in such forms, letters and other printed material, but not all inclusive thereof, are the following:

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You are hereby (sic) requested to contact our office regarding legal action.

PRE SUMMONS DEMAND

* * * * *

Unless we hear from you within 48 hours from the receipt of this letter we will proceed with processing these affidavits to your local area for legal action, which may include judgment and a garnishee of your wages . . . Pay this obligation to our office within 48 hours to avoid the above action. Affiliated with credit bureaus coast-to-coast.

Call this office within 24 hours . . . legal file No. 1A11 643-5880.

. . . Be advised that as of this date a complaint will be filed with your local credit reporting agency concerning your indifference . . . (This mark against your rating will become part of your permanent record.)

Your local credit bureau has been alerted and we are in the process of protecting our client's interest in a legal manner.

All medical reporting agencies have been contacted concerning this indebtedness . . .

This representation consists of a possible judgment to be taken. Please also note that if judgment is taken a garnishee of your wages where applicable will follow. We will wait 48 hours for your reply . . .

Sincerely,

LINDSEY DEWILDE,
Legal Accounts Advisor.

Office of Anthony Galardi

PRE SUMMONS DEMAND

* * * * *

Failure to return this with full payment will result in our agent being dispatched to your home, and all expenses, mileage, legal fees and replevin costs will be charged to you . . . Pay this obligation to our office within 48 hours or be prepared for the action that will follow . . .

Immediately below the next preceding paragraph is the following language:)

INSTRUCTIONS TO KEY PUNCH OPERATORS DISTRIBUTION CHART

For Office Use Only

Code No. 368 491	A	Area	B
District n	A1	C	B1
County Seat	Court Jurisdiction		
Mileage	Deputy Process		
Zone Costs	Court		
A _____	Replevin		
B _____	Damages		
C _____	Attorney		

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Duplicate and triplicate forms NCC-OL uncanceled in three days to be routed in accordance with field operating manual, and distribution information completed and turned over to area supervisor.

PAR. 8. By and through the use of the aforesaid forms, letters, and other printed material bearing the statements and representations aforesaid, and other statements of import and meaning but not specifically set forth herein, respondents have represented, directly or by implication:

A. That said language "Pre Summons Demand" and language in other forms used by respondents in form and content are official documents duly issued or approved by a court of law or other government agency;

B. That failure of a debtor to remit money to respondents within the periods of time indicated will result in the immediate institution of legal action to effect payment;

C. That suit will be filed without evaluation of the claim;

D. That legal action has been commenced against the debtor owing the delinquent account and that only payment of the alleged debt by the debtor within the time period specified could stop further proceedings of the legal action commenced.

E. That no formal hearing or other recourse is available to the debtor once legal proceedings begin;

F. That medical reporting agencies and credit bureaus are affiliated with respondents and that such agencies and bureaus are furnished information concerning delinquent debtors' credit worthiness.

PAR. 9. In truth and in fact:

A. Forms used by respondents are not official documents issued or approved by a court of law or other governmental agency, but on the contrary are wholly private in origin;

B. The failure of an alleged debtor to remit money to respondent within time period(s) indicated does not always result in the immediate institution of legal action to effect payment. On the contrary, respondents rarely if ever resort to legal proceedings to collect debts;

C. Attorneys with whom accounts are referred exercise discretion in determining which debtors are ultimately sued and suit will not be filed without evaluation of the claim;

D. Legal action has not been commenced against the debtor owing the alleged delinquent account. On the contrary, respondents in many instances have no authority to institute legal action against debtors in the name of or on behalf of creditors of such debtors. Further, respondents are prohibited by the laws of some states

from instituting legal actions against debtors on behalf of or in the name of creditors of such debtors;

E. Debtors are forwarded notices proscribed by local statute once legal proceedings have commenced and are afforded an opportunity to defend against any action brought to collect alleged debts;

F. Respondents are not affiliated with medical reporting agencies and credit bureaus and do not report information concerning debtors' credit worthiness to such bureaus.

Therefore, the statements, representations, acts and practices set forth in Paragraphs Seven and Eight were and are false, misleading and deceptive.

PAR. 10. In the course and conduct of the respondents' business as aforesaid and for the purpose of inducing payment of past due accounts, respondents have caused various statements and representations to be made over telephone lines. Typical and illustrative of aforesaid statements and representations, but not all inclusive thereof are the following:

We will forward this to our local offices with a recommendation that suit be filed.

Before we get involved with any type of appropriate action, we thought we would give you a chance to make restitution. We have to have this solved or appropriate action will be taken.

We will report your indifference to our client and recommend that suit be filed.

PAR. 11. By and through the use of the above quoted statements and representations, and others of similar import and meaning but not expressly set out herein, respondents have represented, directly or by implication:

A. The business of respondents is nationwide in scope and that they have a nationwide network of offices with corresponding attorneys and collectors directly affiliated and connected with them.

B. That respondents will file an action without evaluation of the claim.

C. That respondents will recommend to their creditor clients that such action be filed.

PAR. 12. In truth and in fact:

A. The business of respondents is not nationwide in scope and does not have a nationwide network of offices with corresponding attorneys and collectors directly affiliated and connected with them.

B. Failure of the debtor to pay the debt does not necessarily or always result in further legal action.

C. Failure of the debtor to pay the debt does not necessarily or

always result in respondents recommending to their creditor clients that suit be filed.

PAR. 13. Therefore, the statements, representations, acts and practices set forth in Paragraphs Ten and Eleven, hereof, were and are false, misleading and deceptive.

PAR. 14. The use by respondents of the aforesaid unfair acts and false, misleading and deceptive statements, representations, acts and practices has had and now has, the capacity and tendency to mislead a substantial number of creditors and debtors into the erroneous and mistaken belief that such representations were, and are, true, and into the assignment of accounts to it for collection and into the payment of substantial sums of money by reason of said mistaken belief.

PAR. 15. The aforesaid acts and practices of respondents, as herein alleged, were and are all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair methods of competition in commerce and unfair and deceptive acts and practices in commerce in violation of Section 5 of the Federal Trade Commission Act.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondents named in the caption hereof, and the respondents having been furnished thereafter with a copy of a draft of complaint which the Washington Area Field Office proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondents with violation of the Federal Trade Commission Act; and

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

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondents have violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public

record for a period of thirty (30) days, now in further conformity with the procedure prescribed in Section 2.34 (b) of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Operation Skip-Locate, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New Jersey, with its office and principal place of business located at 1777 Walton Road, Blue Bell, Pennsylvania.

Respondent City Credit Control, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Pennsylvania, with its office and principal place of business located at 1777 Walton Road, Blue Bell, Pennsylvania.

Respondent First State Financial Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 1777 Walton Road, Blue Bell, Pennsylvania.

Respondents John W. O'Hara and Ronald D. Steinman are individuals and officers of said corporations. Said individuals formulate, direct and control the policies, acts and practices of the corporate respondents, including the acts and practices under investigation. Said individual respondents' address is the same as that of the corporate respondents.

Respondents cooperate and act together in carrying out the acts and practices being investigated.

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

ORDER

It is ordered, That respondents Operation Skip-Locate, Inc., City Credit Control, Inc., First State Financial Corporation, corporations, and John W. O'Hara and Ronald D. Steinman, individually and as officers of said corporations, and respondents' agents and employees, directly or through any corporate or other device, in connection with the solicitation of accounts for collection, the collection of, or attempt to collect accounts, 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 respondents have offices throughout the United States or that respondents are affiliated with or correspond with credit bureaus, collection agencies or attorneys: *Provided, however*, That it shall be a de-

fense in any enforcement proceeding instituted hereunder for respondents to establish that they have offices throughout the United States and/or are affiliated with or correspond with credit bureaus, collection agencies or attorneys.

2. Representing, directly or by implication, that respondents' business has employees, agents or adjusters, engaged in making personal calls on debtors.

3. Representing, directly or by implication that:

- (a) Legal action has been taken against the debtor; or
- (b) Legal action will be taken against the debtor; or
- (c) Reports which reflect unfavorably on the credit rating or credit worthiness of the debtor have been or will be made to medical reporting agencies or credit bureaus.

Provided, however, That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that they have authority and in good faith intend to take any represented action.

4. Representing, directly or by implication, that suit or other action against a debtor may be taken unless the debtor is informed that the final decision to institute suit or other action rests with an attorney to whom the debtor's account will be referred.

5. Representing, directly or by implication, that any communication with respect to an alleged delinquent account is being made by, through, under the aegis of, or in connection with any government entity or agency, whether state, federal or local.

6. Representing, directly or by implication, to a debtor, that an affidavit or other legal document has been received or is being processed, unless a complaint has been filed or judgment entered against the debtor; or misrepresenting in any manner the significance or effect of any legal document.

7. Misrepresenting or inaccurately stating the post judgment right of a creditor to garnish wages of a debtor, or otherwise informing a debtor of a creditor's right after judgment without disclosing at the same time that no judgment may be entered against the debtor unless the debtor has first been given notice and an opportunity to appear and defend himself in a court of law.

8. Misrepresenting, directly or by implication, the size of respondents' business.

It is further ordered, That the respondent corporations shall forth-

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with distribute a copy of this order to each of their operating divisions.

It is further ordered, That respondents deliver a copy of this order to all of its present and future personnel and that respondents secure a signed statement acknowledging receipt of said order from each such person.

It is further ordered, That respondents shall, within sixty (60) days after service upon them of this order, file with the Commission a report in writing setting forth in detail the manner and form of their compliance with this order.

It is further ordered, That respondents notify the Commission at least (30) days prior to any proposed change in the corporate respondents, such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the corporation which may affect compliance obligations arising out of this order.

It is further ordered, That respondents maintain for a least a two (2) year period last past, records which fully reflect the oral and written representations made to creditors and debtors.

IN THE MATTER OFJOHNSON & JOHNSON DOING BUSINESS AS CHICOPEE
MANUFACTURING COMPANY, ETC.

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

Docket C-1915. Complaint, May 10, 1971—Decision, May 10, 1971

Consent order requiring a New Brunswick, N. J., manufacturer of industrial and hospital items, including nurses' caps, to cease violating the Flam-