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IN THE MATTER OF  
EMPIRE ACCOUNTS SERVICE, INC., ET AL.

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

*Docket C-2154. Complaint, Feb. 18, 1972—Decision, Feb. 18, 1972*

Consent order requiring a Chicago, Ill., debt collection firm to cease misrepresenting that legal action will be instituted against delinquent debtors, misrepresenting the extent of information referred to credit reporting units, and using fictitious job titles and organizational descriptions of respondents' business.

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 Empire Accounts Service, Inc., a corporation; John T. McCormick, individually and as an officer of said corporation; William H. Richter, Jr., individually and as an officer of said corporation, 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 charges in that respect as follows:

PARAGRAPH 1. Empire Accounts Service, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Illinois with its office and principal place of business located at 7 West Madison Street, Chicago, Illinois.

## Complaint

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Respondent John T. McCormick is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as the corporate respondent.

Respondent William H. Richter, Jr., is an officer of the corporate respondent. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent.

PAR. 2. Respondents are now, and for some time last past have been, engaged in the practice of collecting or attempting to collect any and all kinds of money debts.

PAR. 3. In the course and conduct of their aforesaid business, respondents solicit and receive accounts for collection from businesses and professional people located in Illinois and other states. In carrying out their aforesaid collection business, respondents maintain, and at all times mentioned herein have maintained a substantial course of trade in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their collection business, at all times mentioned herein, respondents have been in substantial competition, in commerce, with other corporations, firms, and individuals engaged in the collection of alleged delinquent accounts.

PAR. 5. In the course and conduct of their collection business, respondents transmit and mail, and cause to be transmitted and mailed, to alleged delinquent debtors, various form letters and other printed materials. Typical, but not all inclusive, of the statements and representations in such material are the following:

1. Form letters which include the following language: \* \* \* If we do not receive your money order for the full amount \* \* \* We will immediately file suit in order to reduce your balance to judgment and follow this with levy and seizure of all your property—real, personal and business.

Form letters captioned: LAW OFFICES SHELDON GRAUER which contain the following language: \* \* \* I have been retained to collect the outstanding balance. I have been instructed to prepare the necessary papers to file suit within seven days \* \* \*

2. Form letters which include the following language: Failure to comply \* \* \* will cause us to: \* \* \* Report this to all credit bureaus which will prevent you from ever obtaining additional credit \* \* \*

We will report your account to all the credit bureaus in your area \* \* \*

3. Form letters which are signed Pre-Legal Department.

PAR. 6. By and through the use of the above quoted statements and representations, and others of similar import and meaning but

not specifically set forth herein, respondents have represented directly or by implication:

1. That failure to pay the amount claimed as owing within a stated period of time will result in immediate legal action.
2. That failure to pay the amount claimed as owing within a stated period of time will result in notification of all credit bureaus which would prevent debtor from ever obtaining additional credit.
3. That respondents' organization has or maintains a separate pre-legal department with qualified employees serving in this department.

PAR. 7. In truth and in fact:

1. Legal action has not been instituted nor would such action be immediately instituted to collect delinquent accounts on debtors' failure to pay upon receipt of said notices nor have the accounts been turned over to an attorney for litigation.
2. If payment is not made all credit bureaus are not contacted concerning the alleged delinquent accounts.
3. Respondents do not have a separate pre-legal department with qualified employees serving in this department.

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

PAR. 8. The use by the respondents of the aforesaid false, misleading and deceptive statements, representations and practices has had, and now has, the tendency and capacity to mislead and deceive members of the public into the erroneous and mistaken belief that said statements and representations were, and are, true and to induce recipients thereof into the payment of alleged delinquent accounts by reason of the said erroneous and mistaken belief.

PAR. 9. The aforesaid acts and practices of respondents as herein alleged were, and are, all to the prejudice and injury of the public and 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 Commission having heretofore determined to issue its complaint charging the respondents 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

## Decision and Order

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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 complaint to issue herein 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 considered the agreement and having accepted the same, and the agreement containing consent order having thereupon been placed 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 issued its complaint in the form contemplated by said agreement, makes the following jurisdictional findings and enters the following order:

1. Respondent Empire Accounts Service, Inc., is a corporation organized existing and doing business under and by virtue of the laws of the State of Illinois with its principal office and place of business located at 7 West Madison Street, Chicago, Illinois.
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 the respondents Empire Accounts Service, Inc., a corporation and its officers, John T. McCormick and William H. Richter, Jr., individually and as officers of said corporation, and respondents' representatives, employees, officers, agents, assignees and successors, directly or through any corporate or other device, in connection with the collection of, or attempts to collect accounts, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Misrepresenting in any way that legal action will be instituted against an alleged delinquent debtor.
2. Using forms, letters or materials, printed or written, which represent directly or by implication that where payment is not received, the information of said delinquency is referred to all bona fide credit reporting agencies unless credit bureaus are notified as represented if the debtor fails to make payment or otherwise settle his account.
3. Misrepresenting in any way the manner and extent of respondents' referral of debt delinquency information to credit reporting agencies.

4. Using fictitious job titles or organizational designations or descriptions in connection with respondents' business or misrepresenting in any manner any departmentalization of respondents' business.

*It is further ordered,* That the respondent corporation shall forthwith distribute a copy of this order to each of its operating divisions.

*It is further ordered,* That respondents notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent 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 the order.

*It is further ordered,* That the respondents herein 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 in which they have complied with this order.

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IN THE MATTER OF

DONALD FURNITURE COMPANY, INC.

CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE  
TRUTH IN LENDING AND THE FEDERAL TRADE COMMISSION ACTS