

Dean Alderman and Professor Dole are both quoted concerning current credit card debt scams in an article that appeared in the Houston Press.

The following article appeared in the *Houston Press* on Thursday, December 3, 2009:

Credit Repair

Overwhelmed by debt? Hey, pay a company to get rid of it by saying it never really happened in the first place.

By Craig Malisow

If you own a credit card, listen up, and listen good: You've been bamboozled, hoodwinked and swindled.

You've been duped, deluded and taken for a ride. Everything you think you know about money is wrong. You've been sold a bill of goods by a corrupt banking system pulling the strings on a puppet government. This may sound like some Area 51 or grassy knoll nonsense, but you need to wrap your head around it: Federal law has never allowed banks to extend "credit," because there is no such thing as credit. At least not the way you've been led to believe.

And if you're thousands of dollars in debt, the banks don't want you to know this, because if you fought back with this knowledge, the whole house of credit cards would crumble, and they'd be exposed for the bug-eyed scammers that they are. If you had a better understanding of financial law, of the Uniform Commercial Code and Generally Accepted Accounting Principles, you'd have the tools to march right into court and make them prove under law where they actually gave you "money." In fact, this smoke-and-mirrors system is so twisted that, once you sign the card contract, the bank actually owes you money.

But here's the deal: This knowledge can be yours. There are plenty of courageous souls out there running Web sites and operating out of P.O. boxes who will sell it to you. (As long as you don't pay via credit card, of course, because you've proven to be completely unreliable with one of those.) This knowledge costs about \$5,000, but what's \$5,000 compared to \$50,000 of debt? And these people won't help you negotiate or consolidate or even eliminate your debt. No, they'll invalidate it. They'll help you prove that no debt ever existed because no money was ever lent.

And just who are these people? Are they licensed financial advisers or attorneys? Does it matter? If you're drowning, do you ask about the person throwing you the line?

But if you must know, the man who's thrown the line to hundreds of people in Texas and across the country is Houstonian Bob Lindsey, an ex-convict and recovering crack addict. Lindsey's a guy you can trust, and you can tell this right away because he wears a cross around his neck. But now the Texas Attorney General is saying Lindsey is violating the Texas Deceptive Trade Practices Act, among other laws.

The AG's office pounced on Lindsey as soon as an investigator was forwarded the one complaint the office received about him. The AG's office wasn't going to stand for anyone ripping off vulnerable Texas consumers. Or at least that's what the office stated in its press release touting its injunction against Lindsey.

But if that's the case, why isn't the office going after the people who complained about Lindsey in the first place? Those people were Lindsey's bosses. And the nearly half a million Lindsey took from consumers wasn't supposed to go to Lindsey. It was supposed to go to them.

And now that his former bosses have sicced the Attorney General on Lindsey, they're completely free to go after those same consumers the AG is supposed to be protecting.

On June 3, the AG's office received an e-mail from a guy named Phil Manger, who identified himself as the managing member of the Credit Collections Defense Network.

"[The Network] was formed to help consumers with overwhelming credit card debt and it provides educational information to consumers regarding their rights under various consumer laws," Manger's e-mail stated. "For example, if it appears that a CCDN customer is the victim of an unfair debt collecting practice, CCDN will refer its customer to one of the consumer attorneys in its network."

Manger went on to say the Network had a contract with Lindsey, who, under the name The Credit Card Solution, would refer consumers to them. But in April, Lindsey terminated the contract, and in May, the Network discovered that Lindsey had withheld \$469,000.

"At this point, we are getting no cooperation from Mr. Lindsey or TCCS, which has, in turn, frustrated our ability to assist the 243 affected customers," Manger wrote. "We are committed to continue serving all of the affected customers while this issue is being resolved. I believe at this point, we need your help and I will be pleased to provide you with any additional information that might be helpful to your investigation of this matter."

Manger included his Connecticut phone number, but no address for the Network, which, like many reputable companies, is a Nevada corporation operating out of post office boxes in Chicago and Brick, New Jersey. Manger made no mention of the fact that the Network was itself the subject of an injunction and investigation of deceptive trade practices by the West Virginia Attorney General's Office. And he didn't say what "educational information" the Network gave its customers.

And while Manger stated that the Network was "committed to serving all of the affected customers while this issue is being resolved," he didn't say that the Network had already e-mailed those customers and asked them for more money if they wanted to stay in the program.

In early July, the AG's office obtained a temporary injunction against Lindsey's company, freezing its assets. Prosecutors accused Lindsey of violating the Texas Deceptive Trade Practices Act, and of acting as an unregistered and unbonded credit service organization, among other things. (While the AG's office certainly had reason to suspect Lindsey, the swiftness and ease with which prosecutors obtained an injunction is a bit troubling. Under questioning by Lindsey's lawyer, the AG's investigator said that, although she signed an affidavit affirming all the allegations in the AG's petition were true, she didn't actually investigate the Network's complaint against Lindsey. All the Texas Attorney General's Office needed to obtain an injunction was a single complaint and an investigator's rubber stamp).

Lindsey interpreted the injunction to say that he was not barred from offering debt services outright, only that he had to abide by state laws. So he proceeded under a new name, Freedom From Debt Alliance, convinced that this company was coloring within the lines.

By this time, the Network was already trying to get more money out of Lindsey's clients. In an e-mail to the consumers, Colleen Lock, the wife of the Network co-founder Robert Lock, wrote, "No one else has our vast nationwide network of attorneys, nor is anyone else capable of providing you this exceptional and proprietary process."

And that "exceptional and proprietary process" was this: After clients pay thousands of dollars, they receive an instructional booklet containing form letters they're supposed to send to the debt collector, and one letter where the client supposedly grants power of attorney to the Network. (Clients are also referred to The Fulfillment Center, a credit-restoration company operating out of a Maine drop-box by a massage-school graduate named Bruce).

The first form letter is an "affidavit" requiring the collector to swear that, under a host of laws including the Patriot Act, the collector has the authority to actually collect on the debt. If the initial letter somehow fails to make the collector quake in his or her boots, the follow-up letter demands that the collector once again prove that a lawful debt ever existed by vomiting a hodgepodge of Uniform Commercial Code citations and references to IRS forms, none of which have anything to do with unsecured credit card debt. Things just get weirder from there.

Because the Network has instructed the client not to make any payments in the meantime, the client is supposed to keep a detailed log of every collection call. The hope is that, at some point within the 12-24 months the client is supposed to do this, the collection company will violate the Fair Debt Collection Practices Act. Each violation, the Network tells its clients, is worth \$1,000. Once enough violations are racked up, the Network will have one of its "vast network of attorneys" file a federal lawsuit against the debt collector. The client's contract with the Network allows the Network-provided attorney to keep up to 75 percent of any award.

Of course, 75 percent of nothing and 25 percent of nothing are about the same.

By the end of 2008, Americans' credit card debt reached \$972 billion, with the average household credit card debt totaling \$10,769, according to industry newsletter The Nilson Report.

And thanks to the contract's fine print, signing a deal with a card issuer can be like signing a deal with the devil. According to a study by Bankrate.com, the contracts for American Express, Chase, Bank of America, First National Bank and US Bank allow the issuers to change annual percentage rates at any time, for any reason. Discover will raise rates after two late payments.

Also, zero-percent or low introductory rates can cause cardholders to have two interest rates on the same card, with payments going first to the balance accrued under the lower rate. The Bankrate.com appropriately points out how Chase Bank puts it: "You may authorize us to allocate your payments and credits in a way that is most favorable to or convenient for us."

Contracts also allow credit card issuers to choose the arbitration panel, should any dispute arise. Historically, the majority of issuers just happened to pick the Minnesota-based National Arbitration Forum. In July, Minnesota Attorney General Lori Swanson sued NAF, accusing the company of working "alongside creditors behind the scenes [and] against the interests of consumers."

This enormous pool of debtors is the reason why "debt elimination" or "debt consolidation" companies are spreading like fungi online and on television. Debtors are promised a lifeline and a sympathetic ear, but mostly they wind up deeper in debt. After years of action by state attorneys general and Federal Trade Commission warnings, it's a wonder how anyone can still fall prey to these companies, but apparently the warnings underestimate some debtors' desperation.

Enter Bob Lindsey.

Thanks to a series of "educational" videos Lindsey posted on his site and on YouTube, by early 2009, he had become one of the Network's biggest contractors. The no-budget clips showed the gray-haired, avuncular 56-year-old sitting in his home, explaining how banks don't lend money, they create it out of thin air.

Critics call this the "no money lent" or "vapor money" theory. The thinking goes like this: Congress never gave banks the right to extend credit, so for all this time, banks have been acting ultra vires — beyond the scope of their charters. (Vapor money theorists like to curl up at night with a well-thumbed copy of Black's Law Dictionary). Credit is the opposite of money, and some theorists go so far as to say the only "real" money is gold and silver; cash is worthless because it's merely paper created by an illegitimate Federal Reserve.

When you apply for a credit card, your signature becomes an asset on the bank's books, because you have "promised to pay." With your signature, the bank can create money — so you, therefore, are actually the lender and are entitled to sue the bank for the maximum credit limit. Quite simply, you can't default on a loan because the only loan was from you to the bank.

Gregg Stevens, a commercial litigation attorney in the Dallas office of McGlinchey Stafford, has spent a lot of time dealing with these sorts of schemes. In April, he gave a presentation on debt-elimination scams at a Texas State Bar seminar.

"Basically the presentation was that these scams really have no basis in law or fact," Stevens says. "...Usually, folks have decent credit going into the scam and...by the time they get done dealing with and purchasing the scam, they're out the money they paid for the scam, they haven't eliminated their debt and their credit's usually worse."

But yet this theory flourishes, and it seems to have increased in popularity with — or at least many of those who push this theory have read — the 1994 book *The Creature from Jekyll Island*, by G. Edward Griffin. A man who has rarely met a conspiracy theory he didn't like, Griffin's book purports to be the true account of the "secret" history of the U.S. Federal Reserve, which, as it turns out, is neither federal nor a reserve. In Griffin's world, the United States, under the control of a shadowy group called the Rhodesians, rigged the World Trade Center explosions; Lee Harvey Oswald did not act alone; and the modern pharmaceutical industry was largely molded and influenced by a secret pact between Adolf Hitler, Standard Oil and John D. Rockefeller. Clearly, this is one dude who has his shit together. The book's approach to the allegedly nefarious way money is created helped herald a new wave of conspiracy theorists.

So armed with this type of knowledge, Lindsey talked in his videos about how it wasn't the consumer's fault and how the system was rigged. How the bankruptcy laws had become so twisted that filing Chapter 7 no longer offered a fresh start. (Although Lindsey has twice filed for bankruptcy, he doesn't recommend that for any of his clients). And not only could he help you invalidate your debt, he could sell you the right to become an affiliate. He'd give you the tools to set up your own Web site (which would inevitably have a respectable name along the lines of www.kissyourdebtgoodbye.com) and sell you a kit of gigantic car magnets so you could pimp out your Hyundai and turn it into a traveling billboard.

He was careful not to call this partnership a "business opportunity," because the Texas Attorney General's Office in 1994 had enjoined him from doing such.

Back then, Lindsey was the vice president of the Child Support Collection Agency of America. That company, according to the Texas AG, sold "private child support collection" licensee rights for \$990-\$15,000. The advertisements promised people that they could "make a fortune collecting past due child support from deadbeat parents." Some ads promised upwards of \$250,000 a year.

According to the complaint, Lindsey and his licensees called parents who were under court orders to send child-support payments into a court registry, and, using aliases and often calling themselves "detective" or "investigator," demanded that the parents pay them directly. Strangely, this seemingly bulletproof business model proved unsustainable. After about 18 months, when licensees found they didn't make enough from the business to fill Olympic-size swimming pools with \$100 bills, they started filing complaints with the AG.

The AG's complaint also dredged up his 1992 no-contest plea to a count of "engaging in organized crime in the first degree," for which he received 60 days in jail and ten years' deferred adjudication.

The complaint didn't describe the nature of the organized crime, but the way Lindsey puts it, it's not as sensational as it sounds: He told the Houston Press that he had conspired with a third party to buy a piece of industrial machinery from a leasing company and then sell it back to them.

If that doesn't make sense, or just simply doesn't even sound like a good scam, it's because, Lindsey says, that was back in the Cocaine Days.

Sitting in a tiny room in a north Beltway office building — due to the Texas AG's freezing of his company's assets, Lindsey has been locked out of his office since July — Lindsey was candid about his former drug use.

"It's a progressive disease — it just gets worse and worse," he says. "...Toward the end, I just couldn't function. All I wanted to do was get high."

And get high he did. In fact, he stopped seeing his probation officer in 2000 because he knew he wouldn't pass the drug screen. So after six weeks in Harris County Jail, he went to the six-month Residential Substance Abuse Treatment center in Atascocita.

"It put me on the road to sobriety," Lindsey says, acknowledging that there were a few slip-ups at first. "I can't say that I was perfectly sober once I got out...But I never went back to where I was."

Lindsey was working as a freelance Web marketer when, he says, he was referred to the Network by a friend who was a Network contractor. The friend needed help with his affiliate Web site, but Lindsey became so enamored of the services the Network advertised that he wanted to become a contractor as well. He says he sympathized with the plight of the debtor.

He called Phil Manger in Connecticut, and Lindsey soon formed The Credit Card Solution. But before long, Lindsey says, he had the suspicion that the Network wasn't actually delivering what it promised. He says he flew up to Chicago to meet with Manger and Robert Lock (see "Credit Repair: Connecting the Dots") and explain his concerns.

Although the two lawyers agreed to make changes, Lindsey says, "The changes that they promised did not materialize."

"We decided to dissociate from the CCDN...We could not in good conscience continue to send people there," he continues. "But [we decided] that we could develop a network of attorneys, that we could...provide better service."

Lindsey teamed up with Houston attorney Rodney Brisco and ex-Network employee Tracy Webster, who had worked (alongside his wife, Patricia) in the Network's customer service center in Cattaraugus, New York. The former owner of a lawn-care service in Florida, Webster had a history of credit card default and home foreclosure that seemed to spark his interest in the debt-elimination industry.

In 2002, he got into the budding field of bogus arbitration forums, which debtors — and people who wanted to make money off debtors — formed as an ostensibly valid alternative to the National Arbitration Forum. All you needed to do was incorporate "Acme Arbitration Association" and send a letter to the credit card issuer explaining that Acme arbitrated the dispute and found in favor of the debtor. Case closed. This mostly just succeeded in increasing banks' bloodlust. So Webster gave that up and went to work for the Network, then for Bob Lindsey. Now living in Alabama, he declined comment for this story.

Lindsey says he suspected the Network would file a complaint with the Texas AG. And even though he had a history with the AG's office, Lindsey for some reason figured the AG would find there was no merit to the Network's complaint.

"If anything, it's a contract dispute between me and the Network," Lindsey says. "If they're saying that I owe them money, why don't they sue me for that money and we'll let a court decide? Instead, what they did [was run] to the AG and say, 'Well, he owes us money.'"

Former preacher Rick Crawford, one of Lindsey's partners, told the Press that Harris County District Court Judge Steve Kirkland had "pre-made up his mind before we ever stepped in that court that he was going to kill us. This was something from the AG and there's no possible way that our program works...[But] we do have going on 1,000 customers. We'll have 100,000 customers in the very near future because debt-settlement doesn't work, bankruptcy doesn't work. But the judge doesn't want to know anything about what we do. I'm not sure why, but he had pre-made up his mind that we're a scam and a fraud, and we are not...Call the clients and find out."

So we did. And for the most part, the ones we talked to were ecstatic with the service Lindsey provided, although some didn't want their names used.

A Texas client, who said he paid between \$3,000 and \$4,000, said Lindsey helped him dispute charges on two accounts that totaled about \$40,000. The upshot is, this client decided not to pay the \$40,000. The debt wasn't eliminated — he just didn't pay it. He

said this decision not to pay — which he reached with the help of Lindsey — has been a huge relief.

"I had...good moral support through the process that we went through," the client said.

And then there's the glowing testimonial from a 73-year-old North Carolina man who said he paid somewhere between \$2,000 and \$5,000 to fight a suit filed by a collections company. He said the company dropped the suit, but he wasn't exactly sure if it forgave the debt. All he knows is, he's not going to pay them. He said Lindsey's service was worth 100 times what he paid.

Then there's the Houston man who paid the \$2,000-\$5,000 fee, for which Lindsey said he'd be able to restore the client's credit. Lindsey also pointed that client to a Fort Lauderdale attorney whom the client is now paying to attempt to settle his debts. Although the client had only FedExed his financials to the lawyer the day before speaking to the Press, the client was sure his debt would be settled. (Although Rick Crawford specifically told the Press that he and Lindsey don't offer "debt settlement," that is precisely what their go-to man in Florida tries to do for the clients they send him.)

"I don't know how I'm going to thank Bob," the client says. "I don't know how I'm going to repay him for helping me to get to where I am."

One Houston client, who asked only to be identified as "Brian," had signed up with Lindsey when Lindsey was still contracting for the Network. Brian was so excited about the services that he paid \$200 to become an affiliate, and he made \$900 when he signed up a new client. But ultimately, Brian says, the Network didn't deliver. He's not exactly sure what caused the rift between Lindsey and the Network, but he assumes the fault lies more with the latter.

"I don't want to paint Bob in this horrible light, like he just took me," Brian says. "...CCDN, if anybody, is the one that didn't help me, you know? Because Bob was pretty frustrated with CCDN because they weren't helping a lot of these people...I don't want to make Bob the bad guy."

These and other clients said that Lindsey and his associates explained debtors' rights to them. Of course, if you don't have the means to pay a non-lawyer to explain the Fair Debt Collection Practices Act, but you do have access to the Internet and at least one finger, or perhaps a toe, or maybe just two fleshy nubs and a stick, you could probably Google it. You could also check out [Houston consumer attorney Richard Alderman's site, www.peopleslawyer.net](http://www.peopleslawyer.net). Alderman is the associate dean of the University of Houston Law Center and the director of the Consumer Law Center.

"There are a lot of con artists out there trying to take money from people who are probably the most desperate people, because they owe a lot of money," Alderman says, going on to explain that "once you find yourself over your head in debt, there's a number of options...It's probably in my opinion the most extreme, but that's what bankruptcy is

designed for. Bankruptcy is designed to give people a fresh start, and if you find that you owe more money than you would ever be able to pay off and you don't have any income right now, bankruptcy is a viable option. And the stigma that people see associated with it really shouldn't be there."

Alderman wasn't familiar with the vapor money theory, nor was UH Law Professor Richard Dole, who laughed when the Press attempted to explain it to him — especially the part about cash (Federal Reserve notes) being junk.

"I'd ask them to give you all the notes they've got so you can help them clean up," Dole chuckles. An expert on bankruptcy and the Uniform Commercial Code, Dole expressed bewilderment over the sections of the UCC Lindsey was peddling — via the Network — to clients as tools they could use to invalidate debt.

"They're mischaracterizing everything," he says, adding later, "What they're doing is they're hurting people who don't have enough money. And it's just a come-on to get that five or six thousand dollars."

Of course, there's one possibility to consider: Dole and Alderman might just be part of the conspiracy.

When Lindsey continued doing business (under a different name), prosecutors were irate.

They got the same investigator who didn't actually investigate the first time to sign another affidavit saying Lindsey was up to his old tricks, and they filed motions for contempt, discovery and injunction.

Lindsey and Crawford testified in Harris County District Court that the new company was clearly acting within the confines of the previous injunction, and they had only formed to help the clients who were left out in the cold when the old company's assets were frozen.

When asked what services they were actually providing, neither was able to give clear answers, although they did say they spent many hours on the phone with clients, walking them through questions and concerns over debt. Lindsey testified that he just generally did a lot of "hand-holding." This prompted Judge Steve Kirkland to say at one point, "It's not clear to me that he's doing anything...If he's only hand-holding, he should be ashamed of himself."

Although Kirkland ruled that there wasn't enough evidence to hold Lindsey in contempt, he added the new company to the existing petition, and he closed the proceedings with the following statement to Lindsey and Crawford:

"I don't know how you can look at yourself with a straight face and take money from people."

But as Lindsey told the Press, he's known hard times. He can empathize with a debtor's feeling of anguish.

"I understand what it's like for somebody to be in very desperate circumstances," Lindsey says. "I understand what it's like for someone to understand to feel like...there's no hope for them."

And someone like that knows exactly what to say.