



Federal Trade Commission Protecting America's Consumers

For Release: 12/20/11

Court Rules in Favor of FTC; Orders Defendants in Payday Lending Case to Pay More Than \$294,000 for Illegal Garnishment of Consumers' Paychecks

At the request of the Federal Trade Commission, a federal court has [ordered](#) one of the individuals behind a payday lending scheme and two companies he controlled to pay \$294,536 for illegally trying to garnish borrowers' wages, and for using other illegal debt-collection practices.

The Order bans Joe S. Strom and two companies he controls from the illegal lending and collection practices challenged by the FTC in this case.

The FTC [filed](#) its complaint against the defendants in March 2010, as part of its [continuing crackdown](#) on scams that target consumers in financial distress. In granting the FTC's motion for summary judgment, the court found that the defendants sought repayment of loans they made by taking money from borrowers' paychecks. Online loan applicants checked a box indicating their agreement with loan terms, including an inconspicuous "wage assignment" clause providing that their wages would be garnished to cover delinquent loan payments. The court held that the clause violated the FTC's Credit Practices Rule, which bans wage assignment clauses in consumer contracts in many cases.

U.S. law allows federal agencies – but not private companies – to require employers to garnish employees' wages without a court order when the employees owe the government money. The [court determined](#) that the defendants misrepresented that they had the same collection rights as the government. The court also found that the defendants falsely told consumers' employers that the consumers knew their pay would be garnished and had had an opportunity to dispute the debt, in violation of the Fair Debt Collection Practices Act (FDCPA) and the FTC Act, and that they violated the FDCPA by telling employers and co-workers about consumers' debts without their consent.

The Order prohibits Strom, LoanPointe, LLC and Eastbrook, LLC, also doing business as Ecash and Getecash, from misrepresenting either the available terms, rates, conditions, or amounts of any loans or other extensions of credit; or any other fact that is relevant to a consumer's decision to obtain credit.

The defendants also are prohibited from:

- including a wage assignment clause in their contracts with consumers;
- misrepresenting to an employer that they are legally authorized to garnish an employee's wages without first obtaining a court order;
- contacting or assisting others to contact a consumer's employer unless they have a valid court order authorizing wage garnishment, or they are seeking information about the consumers' location;
- contacting or assisting others to contact any third party in search of information about the consumer's location unless they do so in a way that complies with the Fair Debt Collection Practices Act; or
- disclosing or assisting others to disclose a consumer's debt or supposed debt to a third party, with certain exceptions.

The Order also prohibits the defendants from violating the Truth in Lending Act, the Credit Practices Rule, and the Fair Debt Collection Practices Act.

For consumer information about payday loans see: [Payday Loans Equal Very Costly Cash: Consumers Urged to Consider the Alternatives](#).

[Last year](#), the court entered a settlement order against defendant Mark S. Lofgren, and dismissed charges against defendants Benjamin J. Lonsdale and James C. Endicott.

The FTC filed this action in the U.S. District Court for the District of Utah. The court granted the FTC's motion for summary judgment on September 16, 2011, and entered the final order on December 9, 2011.

The Federal Trade Commission works for consumers to prevent fraudulent, deceptive, and unfair business practices and to provide information to help spot, stop, and avoid them. To file a complaint in English or Spanish, visit the FTC's online [Complaint Assistant](#) or call 1-877-FTC-HELP (1-877-382-4357). The FTC enters complaints into Consumer Sentinel, a secure, online database available to more than 2,000 civil and criminal law enforcement agencies in the U.S. and abroad. The FTC's website provides free information on a variety of [consumer topics](#). Like the FTC on [Facebook](#) and follow us on [Twitter](#).

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(FTC File No. X100031)
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Related Items:

[Federal Trade Commission v. LoanPointe, LLC, Eastbrook, LLC, also d/b/a ECash and Getecash, Joe S. Strom, Benjamin J. Lonsdale, James C. Endicott, and Mark S. Lofgren](#)

(United States District Court for the Central District of Utah)

Case No. 2:10 CV-00225 DAK

FTC File No. 102-3021

For Consumers:

- [Payday Loans Equal Very Costly Cash: Consumers Urged to Consider the Alternatives](#)
- [Money Matters – Dealing with Debt](#)
- [Money Matters – Managing Your Money](#)

Last Modified: Monday, December 19, 2011

From Article at [GetOutOfDebt.org](#)