

IN THE UNITED STATES BANKRUPTCY COURT  
 NORTHERN DISTRICT OF OHIO  
 EASTERN DIVISION

In re	)	Chapter 7
	)	
Jonathan E. Fritz,	)	Case No.: 17-11135
	)	
Debtor.	)	Judge: Arthur I. Harris
	)	
	)	
Virgil E. Brown, Jr., Chapter 7 Bankruptcy Trustee for the Bankruptcy Estate of Jonathan E. Fritz,	)	Adversary Proceeding No.:
	)	
Plaintiff,	)	<b>Complaint to Avoid And Recover</b>
	)	<b>Fraudulent Transfer</b>
v.	)	
	)	
Freedom Debt Relief, LLC,	)	
	)	
Defendant.	)	
	)	

**Preliminary Statement**

1. Plaintiff Virgil E. Brown, Jr., ("Brown"), the duly appointed successor Chapter 7 Trustee for the bankruptcy estate of Mr. Jonathan E. Fritz, ("the Estate") brings this action to seek monetary damages, attorney's fees, the Estate's costs in this action and any other relief to which the Estate may be entitled to compensate the Fritz bankruptcy Estate for fraudulent transfers in violation of 11 U.S.C. §548.

**Jurisdiction and Venue**

2. This Court has jurisdiction over this proceeding pursuant to 28 U.S.C. §§157(a) and 1334 and Local General Order Number 2012-7, dated April 4, 2012 and is brought pursuant to Fed. R. Bankr. Pro. 7001(1).

3. Venue is proper in this court pursuant to 28 U.S.C. §1408(1) and Loc. Bankr. Rule 1071-1.

4. This proceeding is a core proceeding pursuant to the provisions of 28 U.S.C. §157(b)(2)(A), (E), and (H).

5. To the extent that the claim asserted in this case is later determined not to be a core proceeding, it is directly related to the bankruptcy case referenced above.

6. Brown consents to the referral of this adversary proceeding to the bankruptcy judge to hear and determine and to enter appropriate orders and judgments, subject to review under 28 U.S.C. §158.

#### **Parties**

7. Brown is the duly appointed, acting and qualified successor trustee in this case which was commenced by the filing of a voluntary petition for relief under Chapter 7 of the Bankruptcy Code on March 6, 2017 by Mr. Fritz.

8. Freedom Debt Relief, LLC ("Freedom Debt Relief") is a Delaware limited liability corporation located in San Mateo, California.

9. At all times relevant to this action, Freedom Debt Relief was engaged in the business of "debt adjusting".

10. During all times relevant to this action, Freedom Debt Relief regularly engaged in business in Ohio and directed solicitations to residents of Ohio.

11. Freedom Debt Relief purposefully availed itself of the Ohio marketplace and secured the benefits of that marketplace.

12. Freedom Debt Relief's conduct included some or all of the following, among other things:

- a. holding itself out to the public, including consumers such as Fritz in Ohio, as providing services in the management of debts by effecting the adjustment, compromise, or discharge of any account, note or other indebtedness of its customers;
- b. holding itself out as an expert in settling unsecured consumer debt for less than what is owed to a creditor;
- c. directing business solicitations into the State of Ohio seeking participation in Freedom Debt Relief's debt settlement program;
- d. contracting in Ohio with Ohio consumers for various services, including debt settlement or debt adjustment services; and
- e. offering to perform and performing activities for Ohio residents, including debt settlement services.

13. In 2016, Fritz was experiencing financial difficulty, including difficulty in paying his unsecured debts as they became due.

14. Upon information and belief, in 2016, Fritz was insolvent on a book value basis as the fair market value of his liabilities exceeded the fair market value of his assets.

15. He contacted Freedom Debt Relief.

16. Freedom Debt Relief's agents or employees made various promises to him about the purported benefits of the services offered by Freedom Debt Relief.

17. Fritz would not have contracted with Freedom Debt Relief had it not been for the oral representations made to him by Freedom's representatives the services and results Freedom Debt Relief could achieve for him.

18. Although Freedom Debt Relief convinced Fritz that bankruptcy was not in his best interests, the truth is quite the opposite. A study from February 23, 2015 by the New York

Federal Reserve Bank shows that individuals who file for bankruptcy fare much better financially and see a sharp increase in their credit score as opposed to consumers that do not file.

19. Upon information and belief, Freedom Debt Relief illegally charged Fritz a fee of between 21% to 25% of the "enrolled amount" of a particular settled debt, which resulted in Freedom Debt Relief receiving a fee in excess of the maximum amount permitted under Ohio law.

#### **Payments to Freedom Debt Relief**

20. Fritz made \$1,500.00 in payments to Freedom Debt Relief and received nothing substantive in exchange.

21. Freedom Debt Relief made various misrepresentations or non-disclosures in an effort to induce Fritz retain it's services, including but not limited to:

- a. that he could settle his debts for significantly less than the balances owed;
- b. that attempting a debt settlement program would be better for him financially than other alternatives, such as bankruptcy; and
- c. that he would receive substantial value in return for the money paid.

22. On March 6, 2017, Mr. Fritz filed for Chapter 7 bankruptcy protection. The case was styled *In re Jonathan E. Fritz*, Case No.: 17-11135-aih in the records of this court.

23. Plaintiff Virgil E. Brown, Jr. was appointed as the successor trustee for Mr. Fritz's bankruptcy case on or about July 30, 2017.

#### **Claim for Relief: Avoidance & Recovery Pursuant to 11 U.S.C. §548(a)(1)(B)**

24. All prior paragraphs are incorporated by reference into this claim.

25. According to the sworn testimony of Mr. Fritz at his 11 U.S.C. §341 hearing, the information contained in Mr. Fritz's petition and schedules, verified by him as being true and accurate under penalty of perjury, and the documentation submitted to initial case trustee after Mr. Fritz's 341 hearing, Mr. Fritz entered into an agreement for debt settlement services with Freedom Debt Relief, LLC.

26. The Estate does not know if Mr. Fritz signed a written agreement with Freedom Debt Relief, LLC with respect to Freedom Debt Relief, LLC's services. The initial case trustee asked Mr. Fritz's counsel for all documentation in Mr. Fritz's possession regarding the services provided by Freedom Debt Relief, LLC, but no written contract was received.

27. Freedom Debt Relief was to provide debt settlement services with respect to certain of Mr. Fritz's unsecured consumer debts so that he would not have to file for bankruptcy.

28. Freedom Debt Relief received approximately \$1,500.00 from Mr. Fritz within the two years prior to the filing of his bankruptcy case for its purported services.

29. Mr. Fritz was insolvent as of the time of the transfer or, alternatively, was rendered insolvent by the transfer of the funds.

30. Despite having paid \$1,500.00 to Freedom Debt Relief for its services, Mr. Fritz had to file for Chapter 7 bankruptcy.

31. The fee received for the work to be performed by Freedom Debt Relief, LLC is grossly disproportionate to the value of the services to be rendered.

32. Mr. Fritz did not receive a reasonably equivalent value in exchange for the funds received by Freedom Debt Relief, LLC.

33. The transfer was a fraudulent conveyance pursuant to the terms of 11 U.S.C. §548 that may be avoided by Brown with the funds being recovered by Brown for the benefit of the Estate pursuant to 11 U.S.C. §550.

34. As a direct result of the transfer being a fraudulent conveyance, The Estate is entitled to recovery of the \$1,500.00 from Freedom Debt Relief for the benefit of Mr. Fritz's bankruptcy estate.

35. The Estate is also entitled to its attorney's fees and the costs of this action.

#### **Prayer for Relief**

Wherefore, Plaintiff prays for judgment against the Defendant as follows:

1. for judgment for the Plaintiff and against Defendant avoiding and setting aside the fraudulent transfer;
2. for judgment in favor of the Plaintiff and against the Defendant in the amount of \$1,500.00, plus interest, costs, and
3. For any and all other legal or equitable relief to which Plaintiff may be entitled.

Respectfully submitted,

/s/ Matthew L. Alden

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