

FILED IN THE  
U.S. DISTRICT COURT  
EASTERN DISTRICT OF WASHINGTON

FEB 27 2009

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15 UNITED STATES DISTRICT COURT  
16 EASTERN DISTRICT OF WASHINGTON

17 CHAD M. CARLSEN and SHASTA L. )  
18 CARLSEN, husband and wife, individually )  
19 and on behalf of a Class of similarly situated )  
20 Washington families, )

21 Plaintiffs, )

22 v. )

23 FREEDOM DEBT RELIEF, LLC, a Delaware )  
24 limited liability company; FREEDOM )  
25 FINANCIAL NETWORK, LLC, a Delaware )  
26 limited liability company; ANDREW )  
HOUSSER, a resident of California; and )  
BRADFORD STROH, a resident of )  
California, )

Defendants. )

NO. **CV-09-055-LRS**

CLASS ACTION

CLASS ACTION  
COMPLAINT AND JURY  
DEMAND

CLASS ACTION COMPLAINT AND JURY  
DEMAND: 1

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**I. INTRODUCTION**

1. Defendants have engaged, and continue to engage, in a uniform predatory scheme to enrich themselves at the expense of financially strapped Washington families by charging excessive fees in violation of Washington's Debt Adjusting statute, RCW 18.28.

2. Named Plaintiffs Chad Carlsen and Shasta Carlsen bring this action on behalf of a Class of similarly situated Washington families for purposes of enjoining Defendants from unfair and illegal practices and for purposes of securing Class member remedies provided for in RCW 18.28 and RCW 19.86.

3. Additionally, Chad Carlsen and Shasta Carlsen seek individual relief against Defendants arising out of Defendants' deceptive performance representations and resulting financial harm suffered by Chad Carlsen and Shasta Carlsen.

**II. PARTIES**

4. **Plaintiffs Chad M. Carlsen and Shasta L. Carlsen:** Plaintiffs Chad M. Carlsen and Shasta L. Carlsen ("Carlsens") are husband and wife, domiciled in the state of Washington and residents of Spokane County. Chad Carlsen and Shasta Carlsen are typical of many Washington families that are currently financially struggling.

1           **5. Defendant Andrew Housser:** Defendant Andrew Housser  
2 (“Housser”) is domiciled in California. Housser has his principal business office at  
3 1875 S. Grant Street, San Mateo, California. At all times material to allegations  
4 made in this Complaint, Housser was acting as a manager of and principal of  
5 Defendants Freedom Debt Relief, LLC, and Freedom Financial Network, LLC.  
6 Housser, further, was acting in concert with and in partnership with co-defendants.  
7 Housser was a principal agent through whom Freedom Debt Relief, LLC and  
8 Freedom Financial Network, LLC committed unfair and deceptive practices  
9 impacting Washington and within Washington, as alleged in this Complaint.  
10 Housser was engaged in conduct in violation of RCW 19.86 which conduct had  
11 impact in Washington, giving rise to personal jurisdiction pursuant to chapter  
12 19.86.160 RCW.

13           **6. Defendant Bradford Stroh:** Defendant Bradford Stroh (“Stroh”),  
14 based on information and belief, is domiciled in California. Stroh has his principal  
15 business office at 1875 S. Grant Street, San Mateo, California. At all times  
16 material to allegations made in this Complaint, Stroh was acting as a manager and  
17 principal of Defendants Freedom Debt Relief, LLC, and Freedom Financial  
18 Network, LLC. Stroh, further, was acting in concert with and in partnership with  
19 co-defendants. Stroh was a principal agent through whom Freedom Debt Relief,  
20  
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CLASS ACTION COMPLAINT AND JURY  
DEMAND: 3

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1 LLC and Freedom Financial Network, LLC committed unfair and deceptive  
2 practices impacting Washington and within Washington, as alleged in this  
3 Complaint. Stroh was engaged in conduct in violation of RCW 19.86 which  
4 conduct had impact in Washington, giving rise to personal jurisdiction pursuant to  
5 chapter 19.86.160 RCW.  
6

7  
8 **7. Defendant Freedom Debt Relief, LLC:** Defendant Freedom Debt  
9 Relief, LLC (“FDR”) is a Delaware limited liability company with headquarters at  
10 1875 S. Grant Street, San Mateo, California. Houser and Stroh are co-founders  
11 of, principals of, and the primary moving agents of FDR. FDR is self-described as  
12 a “member” of Freedom Financial Network, LLC. FDR, indistinguishably from  
13 Freedom Financial Network, LLC, does business in Washington as “Freedom Debt  
14 Relief.” Based on information and belief, the operations of FDR and Freedom  
15 Financial Network, LLC, are such that they constitute a single business enterprise.  
16 Further, the operations of FDR are such that it is the alter ego of Defendants  
17 Houser, Stroh, and Freedom Financial Network, LLC. FDR conducts business  
18 throughout the United States, including Washington.  
19

20  
21  
22 **8. Freedom Financial Network, LLC:** Defendant Freedom Financial  
23 Network, LLC (“FFN”) is a Delaware limited liability company. Houser and  
24 Stroh are co-founders of, principals of, and the primary moving agents behind  
25  
26

1 FFN. FFN's headquarters are located at 1875 S. Grant Street, San Mateo,  
2 California. Based on information and belief, FFN is an alter ego of Defendants  
3 Houser, Stroh, and FDR. FFN does business throughout the United States,  
4 including Washington. FFN represents itself to be an "umbrella company" whose  
5 businesses include FDR. FFN, indistinguishably from FDR, represents itself as,  
6 and does business in Washington as, "Freedom Debt Relief."  
7  
8

9 9. Based on information and belief, unnamed Defendants, Does 1  
10 through 5, are persons, corporations, partnerships, companies or other entities who  
11 have acted and are continuing to act in concert and in partnership with named  
12 Defendants, have participated in the acts and transactions alleged in this  
13 Complaint, and have responsibility for said acts and transactions. The true names,  
14 identities, and capacities of Does 1 through 5, are presently unknown to Plaintiffs,  
15 but are the subject of discovery anticipated in this action.  
16  
17

18 10. At all times material to allegations made in this Complaint,  
19 Defendants Houser and Stroh directed the business affairs of FDR and FFN and  
20 established and/or ratified the unfair and deceptive business practices alleged in  
21 this Complaint.  
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26

CLASS ACTION COMPLAINT AND JURY  
DEMAND: 5

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1 11. At all times material to allegations made in this Complaint, each  
2 Defendant was an agent of the other, acting within the scope of their agency, and  
3 having a unity of interest and wrongful purpose with other named Defendants.  
4

5  
6 **III. JURISDICTION AND VENUE**

7 12. This Court has original jurisdiction over this matter pursuant to 28  
8 U.S.C. § 1332(d)(2). Based on information and belief, the matter in controversy  
9 exceeds the sum or value of \$5,000,000 exclusive of interest and is a class action  
10 composed of more than 100 members and in which at least one member of the  
11 Class is a citizen of a state different from that of a Defendant.  
12

13  
14 13. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §  
15 1332(a)(1) in that Plaintiffs and Defendants are citizens of different states and the  
16 amount in controversy exceeds \$75,000, excluding interest and costs.  
17

18 14. The “Debt Reduction Agreement” entered into by Class members,  
19 including named Plaintiffs, is illegal, unconscionable, and void *ab initio*, rendering  
20 purported arbitration provisions contained in those agreements a nullity.  
21

22 15. Venue is proper pursuant to 28 USC § 1391(b)(2) in that the events  
23 that gave rise to claims occurred in substantial part in this federal district.  
24  
25  
26

1 **IV. CLASS CLAIMS**

2 16. Economic forces beyond the control or easy understanding of ordinary  
3 working people have produced a large number of working Washington families  
4 who find themselves struggling to pay their debts.  
5

6 17. Defendants are engaged in a predatory scheme to enrich themselves  
7 and defraud Washington residents by attempting to evade Washington's Debt  
8 Adjusting statute, chapter 18.28 RCW and, among other things, perpetrating  
9 excessive debt adjusting fee arrangements that violate that act.  
10

11 18. RCW 18.28.080(1) provides that in contracting to provide debt  
12 adjusting services, the total fee may not exceed fifteen percent (15%) of the debt  
13 listed by the debtor on the contract.  
14

15 19. RCW 18.28.080(1) provides that the fee retained by the debt adjuster  
16 from any one payment made by a debtor may not exceed fifteen percent (15%) of  
17 the payment.  
18

19 20. To ensure that payments by debtors are actually used to attempt to  
20 adjust debts, RCW 18.28.110(4) provides that debt adjusters must distribute to  
21 creditors at least once each forty days after receipt of payment at least eighty-five  
22 percent of each payment received from the debtor.  
23  
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26

1 21. Washington's intolerance of predatory fees by debt adjusters is made  
2 plain in RCW 18.28.090: "If a debt adjuster contracts for, receives or makes any  
3 charge in excess of the maximums permitted by this chapter, except as the result of  
4 an accidental and bona fide error, the debt adjuster's contract with the debtor shall  
5 be void and the debt adjuster shall return to the debtor the amount of all payments  
6 received from the debtor or on the debtor's behalf and not distributed to creditors."  
7

8  
9 22. Washington's strong public policy protecting Washington consumers  
10 from debt adjuster's illegal fee activities is also reflected in RCW 18.28.185, which  
11 declares that any violation of chapter RCW 18.28 constitutes an unfair or deceptive  
12 business practice under chapter RCW 19.86.  
13

14 23. Defendants have engaged, and continue to engage, in an illegal  
15 enterprise directed at Washington consumers, designed to unfairly enrich  
16 Defendants at the expense of Class members, through violating Washington's debt  
17 adjusting statute.  
18

19 24. Housser, Stroh, FDR, and FFN as agents of one another, promote,  
20 operate, and manage the "Freedom Debt Relief" debt adjusting program, which  
21 program is offered to Washington residents.  
22

23 25. Defendants FDR and FFN, doing business as "Freedom Debt Relief"  
24 are debt adjusting agencies that settle, adjust, prorate, and manage the indebtedness  
25  
26

1 of Washington debtors and receive funds for the purpose of distributing funds  
2 among creditors in payment or partial payment of obligations of Washington  
3 debtors.  
4

5 26. Under Defendants' Freedom Debt Relief program, a participating  
6 Washington debtor makes specified periodic payments as directed by Defendants  
7 to a "Special Purpose Account" established within the Freedom Debt Relief  
8 program. Defendants are engaged in debt adjusting, among other reasons, in that  
9 they contract for, and receive funds for, the express purpose of distributing those  
10 funds among creditors in payment or obligations of a Washington debtor.  
11  
12

13 27. Pursuant to Defendants' Freedom Debt Relief program, partnering  
14 company, Global Client Solutions, LLC ("GCS") acting as both partner of and  
15 agent of Defendants, administers the Special Purpose Accounts in exchange for  
16 additional program fees. All program fees, including debt adjuster fees, as well as  
17 payments to creditors, are paid by GCS from the Special Purpose Accounts. In this  
18 capacity, GCS receives funds for the purpose of distributing funds to creditors.  
19  
20

21 28. Class members, including named Plaintiffs, each engaged Defendants'  
22 Freedom Debt Relief debt adjustment service by entering into a standardized Debt  
23 Adjustment Agreement.  
24  
25  
26

1 29. Defendants' standardized Debt Adjustment Agreement with each  
2 Class member, including named Plaintiffs, provided for a total fee that exceeded  
3 fifteen percent (15%) of the total debt listed on the contract, in violation of  
4 Washington law.  
5

6 30. Defendants' standardized Debt Adjustment Agreement with each  
7 Class member, including named Plaintiffs, provided for payment of fees exceeding  
8 fifteen percent (15%) of individual payments made by the Class member, in  
9 violation of Washington law.  
10

11 31. Pursuant to Defendants' standardized Debt Adjustment Agreement  
12 and Defendants' uniform business practice, GCL paid FDR from Class members'  
13 Special Purpose Accounts, including named Plaintiffs' Special Purpose Account,  
14 fees exceeding fifteen percent (15%) of the individual payments made by the Class  
15 member.  
16

17 32. As a uniform business practice common to all Class members,  
18 Defendants did not comply with RCW 18.28.119(4) by timely submitting  
19 payments to creditors, thus ensuring availability of funds to pay Defendants'  
20 excessive fees.  
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1 33. Defendants' standardized Debt Adjustment Agreements with each  
2 Class member, including named Plaintiffs, are void *ab initio*, are illegal, and are  
3 otherwise unenforceable pursuant to RCW 18.28.090.  
4

5 34. Defendants' debt adjusting fee practices constitute an unfair and  
6 deceptive business practice under chapter 19.86 RCW pursuant to chapter  
7 18.28.185 RCW.  
8

9 35. Defendants' violations of chapter 18.28 RCW were committed in  
10 trade and commerce, impact the public interest, and have caused injury to Class  
11 members, including named Plaintiffs, in their business and/or property in that Class  
12 members have paid fees in excess of that permitted by Washington statute.  
13

14 36. Class members are entitled to judgment to the effect that Defendants'  
15 Debt Reduction Agreements are void *ab initio*.  
16

17 37. Class members are entitled to a final order and judgment that  
18 Defendants must refund to Class members all payments made, less amounts paid to  
19 creditors.  
20

21 38. Class members are entitled to an injunction prohibiting continued  
22 unlawful practices by Defendants.  
23

24 39. The claims asserted under section IV of this Complaint are brought on  
25 behalf of a Class composed of the following individuals: All Washington residents  
26

1 who have entered into a written debt reduction agreement with FDR. Excluded  
2 from the Class are Defendants and their agents and employees.

3  
4 40. Members of the proposed Class are so numerous that joinder is  
5 impracticable. Defendants boast on their web site of having 50,000 clients  
6 nationwide.

7  
8 41. There are questions of law and fact common to the Class, including  
9 those delineated in paragraph 48 below.

10  
11 42. The claims and defenses of the named Plaintiffs are typical of the  
12 claims and defenses of the Class.

13  
14 43. Named Plaintiffs are members of the proposed Class and will fairly  
15 and adequately protect the interests of the Class.

16  
17 44. Defendants have acted or refused to act on grounds generally  
18 applicable to the Class, making final injunctive relief appropriate respecting the  
19 Class as a whole and rendering certification appropriate under Fed. R. Civ. P  
20 23(b)(2).

21  
22 45. Core common questions of law and fact central to claims of the Class  
23 predominate over individual questions, rendering certification appropriate under  
24 Fed. R. Civ. P. 23(b)(3). Core common questions of law and fact include:  
25  
26

1 a. Whether Defendants are debt adjusters or otherwise engaged in  
2 debt adjusting within the meaning of chapter 18.28 RCW.

3  
4 b. Whether Defendants are debt adjusting agencies within the  
5 meaning of chapter 18.28 RCW.

6 c. Whether Defendants engaged in a common course of illegal  
7 conduct toward the Class by charging fees in excess of 15% of total listed  
8 debt.

9  
10 d. Whether Defendants engaged in a common course of illegal  
11 conduct toward Class by charging fees in excess of 15% of any payment  
12 made by Class members.

13  
14 e. Whether Defendants' Debt Reduction Agreements with Class  
15 members are void *ab initio*, due to violation of chapter 18.28 RCW.

16  
17 f. Whether the Class is entitled to reimbursement of the amount of  
18 all payments made (other than those distributed to creditors).

19  
20 46. The class device is a superior method of adjudicating Class members'  
21 claims as compared to other available methods for fairly and efficiently  
22 adjudicating this controversy. Class members are financially distressed individuals  
23 who are unlikely to have any meaningful recourse against Defendants absent  
24 collective pursuit of their claims under Fed. R. Civ. P. 23. The value of Class  
25  
26

1 members' claims, taken individually, is such that those claims have negative value  
2 and cannot, as a practical matter, be pursued on an individual basis.  
3

4  
5 **V. INDIVIDUAL CLAIMS**

6 47. Defendants' Freedom Debt Relief program is a predatory business  
7 enterprise in that it promises to relieve families from the burdens of debt, but in  
8 fact does not do so, and in fact commonly exacerbates families' financial  
9 difficulties.  
10

11 48. In that connection, FFN has a Better Business Bureau rating of "F."  
12 The Better Business Bureau on October 16, 2008, further, revoked FFN's  
13 accreditation.  
14

15 49. Defendants' promotional materials directed at Washington consumers  
16 falsely and deceptively represent that under Defendants' Freedom Debt Relief  
17 program, individuals can anticipate being debt free in 12 - 36 months.  
18

19 50. Defendants' promotional materials directed at Washington consumers  
20 falsely and deceptively represent that participants can anticipate having their debts  
21 lowered to as little as 50% of that owed.  
22

23 51. Defendants' promotional materials directed at Washington consumers  
24 falsely and deceptively promote a record of past success through false and/or  
25  
26

1 misleading information purportedly reflecting Defendants' track record of success,  
2 and through false and/or misleading testimonials.

3  
4 52. Defendants' Freedom Debt Relief program, in fact, was typically  
5 unable to negotiate any substantial reduction in the amount owed and was unable  
6 to leave customers debt free in 12 - 36 months. Defendants' Freedom Debt Relief  
7 program, rather, redirected consumers' scarce financial resources from payment of  
8 their debts to payment of Defendants' exorbitant and unearned fees.

9  
10 53. In this regard, as a pretense, Defendants publically represented that  
11 clients were not counseled to stop paying creditors whose claims Defendants were  
12 purportedly attempting to adjust. In fact, Defendants directed clients, including  
13 named Plaintiffs, to immediately stop paying creditors, purportedly to increase  
14 Defendants' leverage in negotiations. Defendants' advice to customers fostered  
15 only Defendants' interests by ensuring customers' limited financial resources were  
16 available to pay Defendants' heavy program fees. Defendants' instructions, while  
17 enriching Defendants, exacerbated the client's financial situation due to  
18 accumulating late fees, penalties, and additional financial charges.

19  
20 54. Having successfully re-routed clients' scarce financial resources to  
21 themselves, Defendants thereafter violated their statutory duties, and caused further  
22 injury to their customers by failing to distribute to creditors at least once each forty  
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1 days after receipt of a debtor's payment, at least eight-five percent of each payment  
2 received from the debtor, all in violation of RCW 18.28.110.

3  
4 55. Thus, Special Purpose Accounts served, in practice, to unlawfully  
5 enrich Defendants, place the debtor in further peril, and ultimately disclosed as  
6 deceptive Defendants' inducements that debtors could be debt free in 12 - 36  
7 months and that they could anticipate their indebtedness being cut in half.

8  
9 56. Named Plaintiffs Carlsens' experience with Defendants is  
10 archetypical of Defendants' unfair and deceptive business enterprise and resulting  
11 injury.

12  
13 57. Carlsens encountered and relied on Defendants' promotional materials  
14 representing that Defendants could leave the Carlsens debt free within 12 - 36  
15 months and that Defendants' Freedom Debt Relief program could reduce the  
16 Carlsens' indebtedness by 50%.

17  
18 58. On July 21, 2007, in reliance on Defendants' representations, the  
19 Carlsens signed a Debt Reduction Agreement whereby Defendants would  
20 purportedly negotiate and settle the Carlsens' debt. The premise of the program  
21 was that the Carlsens would quit paying their creditors and instead pay Defendants  
22 a specified monthly payment to be held in a Special Purpose Account established  
23  
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26

1 by Defendants, which payments would be used to pay Carlsens' creditors and  
2 Defendants' fees.

3  
4 59. Upon engaging Defendants, Defendants sent the Carlsens  
5 standardized false and deceptive materials stating: "Congratulations on joining the  
6 program! As you learned from your Debt Consultant, our Settlement Department  
7 estimates that with what you are contributing to your Settlement Account each  
8 month, you will be debt-free in a short amount of time."

9  
10 60. As a pretense, certain standardized literature provided by Defendants  
11 to the Carlsens falsely stated that the Carlsens had not been advised by Defendants  
12 to stop making payments to their creditors. In fact, Defendants expressly advised  
13 the Carlsens that stopping payments to creditors was the "only way the program  
14 CAN work." The Carlsens were expressly instructed in standardized program  
15 materials: "Please follow the instructions below: . . . 4. Stop any automatic  
16 payments to creditors."  
17  
18  
19

20 61. The Carlsens' debt, which Defendants agreed to negotiate and settle  
21 pursuant to the Freedom Debt Relief program, totaled \$41,064.00 as of July 21,  
22 2007. The Carlsens' debt was unsecured consumer debt, subject to high rates of  
23 interest and significant penalties for default.  
24  
25  
26

1           62. The Carlsens followed Defendants' instructions, stopped payments to  
2 their creditors, and began payments to Defendants. As a consequence, the Carlsens  
3 began incurring significant and accumulating late fees, interest, and penalties.  
4

5           63. The Carlsens participated in the Freedom Debt Relief program for  
6 approximately 13 months. Over that period, Defendants did not resolve a single  
7 debt on the Carlsens' behalf.  
8

9           64. The Carlsens, understandably, became frustrated and withdrew from  
10 the program. The Carlsens had paid into Defendants' Freedom Debt Relief  
11 program a total of \$5,933.50. The Carlsens received a refund from Defendants of  
12 \$1,498.76. Defendants retained 75% of the payments made, neither settled nor  
13 paid any creditor claims, and left the Carlsens even more heavily burdened by debt.  
14  
15

16           65. On December 24, 2008, Citibank served a summons and complaint on  
17 Carlsens, alleging non-payment of a debt included in the Defendants' Freedom  
18 Debt Relief program. The Carlsens, thus, have suffered damage and other harm,  
19 including increased interest, collection costs, and damaged credit rating as a result  
20 of Defendants' unfair and deceptive business conduct.  
21

22           66. Defendants' conduct as described in Section V of this Complaint  
23 constitutes unfair or deceptive acts or practices in the conduct of trade or  
24 commerce for purposes of chapter 19.86 RCW.  
25  
26

CLASS ACTION COMPLAINT AND JURY  
DEMAND: 18

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1 67. Defendants' unfair and deceptive acts or practices impact the public  
2 interest.

3  
4 68. Defendants' unfair and deceptive acts or practices have caused injury  
5 to the Carlsens in their business and property, including financial harm and damage  
6 to their name and reputation.

7  
8 69. The Carlsens are entitled to damages, treble damages, and costs of the  
9 lawsuit, including reasonable attorney fees.

10  
11 **VI. DEMAND FOR RELIEF**

12 THEREFORE, Plaintiffs, individually and as representatives of the proposed  
13 Class, pray for relief as follows:

14  
15 **Class Relief**

- 16 1. An order certifying Class members' claims pursuant to Fed. R. Civ. P.  
17 23(b)(3) and/or 23(b)(2), appointing named Plaintiffs as  
18 representatives of that Class, and appointing undersigned  
19 counsel as Class counsel;  
20  
21 2. A final order declaring Defendants' Debt Reduction Agreements with  
22 Class members void *ab initio*;  
23  
24 3. A final order and/or judgment against Defendants, jointly and  
25 severally, that Class members are entitled to an amount  
26

1 equaling all payments made, less those amounts distributed to  
2 creditors.

- 3
- 4 4. An award of exemplary damages in the amount of three times the  
5 value of each payment made and not distributed to creditors;
- 6 5. A final injunction prohibiting Defendants from engaging in further  
7 business violating chapter 18.28 RCW or chapter 19.86 RCW;
- 8 6. An award of prejudgment interest;
- 9 7. An award of costs of litigation;
- 10 8. An award of attorney fees pursuant to chapter 19.86 RCW.
- 11
- 12

13 Individual Relief

14 As to named Plaintiffs, Carlsens, and to the extent not already provided for  
15 or secured through Class relief:

16

- 17 1. A judgment in favor of named Plaintiffs and against each Defendant,  
18 jointly and severally, for actual damages suffered by named Plaintiffs;
- 19 2. An exemplary award of treble damages against each Defendant  
20 pursuant to chapter 19.86 RCW;
- 21 3. An award of litigation costs and attorney fees pursuant to chapter  
22 19.86 RCW;
- 23
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1 4. An order enjoining Defendants from further conduct deemed to  
2 constitute an unfair or deceptive business practice;


3  
4 5. For equitable relief as the Court may deem fair and just.

5 **VII. JURY DEMAND**

6 Plaintiffs demand a trial by jury in this matter.

7  
8 DATED this 27<sup>th</sup> day of February, 2009.

9  
10 THE SCOTT LAW GROUP, P.S.

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