

**IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION**

City of Chicago,)	
)	
Plaintiff,)	
)	Case No. _____
v.)	
)	
Burnette Legal Group, LLC d/b/a Monarch)	
Legal Group, Timothy Burnette, and)	
Strategic Financial Solutions, LLC,)	
)	
Defendants.)	
)	

COMPLAINT

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Plaintiff City of Chicago files this Complaint to seek relief for the City and its residents because Defendants have violated the Municipal Code of Chicago. In support, Chicago alleges as follows:

INTRODUCTION

1. Monarch Legal and Strategic Financial Solutions jointly run a fraudulent “debt resolution” program that preys on Chicagoans struggling with debt. Though the Defendants’ program makes many consumers worse off, the companies succeed by collecting substantial fees, refusing to provide contracted-for services, and continually attracting new program participants by deceptive marketing tactics like fake reviews.

2. Defendants promise that through negotiating with creditors, consumers will be able to settle their debts for less than the amount owed. But because Defendants provide inaccurate estimates and fail to consider consumers’ financial situations, Defendants know that their representations are inaccurate and impossible for many consumers.

3. Defendants also repeatedly fail to provide litigation defense services to consumers when creditors sue them. The City’s investigation indicates that Defendants do not employ defense attorneys and often tell consumers to defend themselves. Despite paying significant fees for legal services, consumers are faced with default judgments, wage garnishments, and other negative consequences.

4. To get away with Defendants’ scam, Monarch structured itself as a “law firm” in an attempt to evade responsibility under consumer-protection laws and to leave consumers without meaningful redress. Monarch provides the law-firm façade while Strategic Financial Solutions carries out the debt resolution program. The City’ investigation indicates that consumers do not have access to advice from attorneys, and many never receive any form of legal representation.

The City therefore alleges that at least insofar as the practices at issue here are concerned, neither Defendants nor their employees engage in the practice of law.

5. Through their unconscionable practices, Defendants have harmed Chicagoans seeking to get out of debt. Meanwhile Defendants collect thousands of dollars, money that consumers could have used to pay down their debts but for Defendants' unrealistic promises and reassurances.

6. The City of Chicago brings this action to stop Defendants' unlawful conduct and to make them accountable for the harms they have brought upon City residents.

THE PARTIES

7. Plaintiff City of Chicago is a municipal corporation and a home-rule unit organized and existing under the laws of the State of Illinois.

8. Defendant Burnette Legal Group, LLC, does business as Monarch Legal Group and is an Illinois limited liability corporation with its principal place of business at 211 West Wacker Drive, Unit 900B, in Chicago, Illinois. On its website, Monarch advertises that it is a law firm and debt relief agency. The home page states that "[t]he attorneys at Monarch Legal Group have the skill and experience to fight for your rights, mount a defense and protect your property." As described below, Monarch instead hires a variety of third-party non-lawyer contractors to perform debt settlement work and repeatedly fails to provide legal representation to consumers when they are sued by creditors despite contracting to do so.

9. Defendant Timothy Burnette is on information and belief a resident of Illinois. Burnette has participated and continues to participate directly in Monarch's deceptive and unfair acts and practices and, as Monarch's leading executive, has the authority to control them directly

and by nature of his supervisory authority over all other Monarch employees and contractors. By nature of his role, Burnette is aware of the company's deceptive and unfair practices.

10. Despite his leading role in Monarch, Burnette does not identify his affiliation with the firm on his page on the professional networking website LinkedIn. Instead, the page highlights his position as a real estate broker. He further obfuscates his role with Monarch Legal by listing his place of work in his state bar registration as the "Law Offices of Timothy F. Burnette."

11. Defendant Strategic Financial Solutions, LLC is a Nevada limited liability company. As described more fully below, Strategic Financial Solutions employees administer Monarch's debt settlement program and, on information and belief, recruit consumers to participate in it. Strategic employees also operate Monarch's customer service phone line and email address, but they claim to be working for Monarch so that consumers do not know that Monarch outsources those services. On information and belief, Strategic Financial Services performs some of these services and for others enlists subsidiaries, including Monarch Client Solutions, LLC and Finance Solutions, LLC.

12. Strategic Financial Solutions works with a number of fraudulent debt settlement outfits, including, for example, Carolina Legal Services, a debt settlement law firm that recently closed following an investigation by the North Carolina State Bar and the suspension of the attorney in charge of the law firm.¹ Strategic Financial Solutions also operates and/or works jointly

¹ Consent Order of Discipline, *The North Carolina State Bar v. Daniel S. Rufty*, 20 DHC 17 (Wake Cnty., N.C., Apr. 8, 2021), available at <https://www.ncbar.gov/handlers/DisciplinaryOrderHandler.ashx?url=\Rufty,%20Daniel%20Consent%20Order%20of%20Discipline.pdf&keyword=>; Report of the Office of Counsel to the N.C. State Bar Council, *Pending Discipline and Disability Cases* (January 15, 2021), at 6, available at <https://www.ncbar.gov/media/730629/2021-january-report.pdf> ("It is alleged that Rufty . . . aided in the criminal practice of debt adjusting . . . and made false statements to his clients."); FOX 46 Charlotte, "It was just a con, and I fell for it." Carolina legal services lawyer suspended, (Jul. 1, 2021), available at <https://www.fox46.com/news/investigations/it-was-just-a-con-and-i-fell-for-it-carolina-legal-services-lawyer-suspended/>.

with Timberline Financial, LLC, which lists the same office addresses as Strategic Financial Solutions on its website.² Timberline entered into a consent agreement and order with the Commonwealth of Pennsylvania for violating Pennsylvania’s Debt Settlement Services Act.³

13. On information and belief and as described more fully below, Strategic and Monarch jointly operate the debt settlement program. Defendants deceive vulnerable consumers in the process. While Strategic and its subsidiaries process consumers’ substantial payments, provide ineffective customer service, and may negotiate with creditors, Monarch convinces consumers that a law firm is providing the debt resolution services. Monarch’s status as a “law firm” also provides the basis for the companies to incorrectly claim that they are exempt from debt settlement regulations.

14. In fact, at least insofar as the practices at issue here are concerned, Monarch does not provide legal advice or representation. Moreover, the outside attorneys that Monarch contracts with repeatedly fail to appear in court and rubberstamp negotiated settlements even when a consumer could not possibly comply with the terms. Therefore, Monarch’s attorneys—both in-house lawyers and those hired on a contract basis—are not engaged in the practice of law.

JURISDICTION AND VENUE

15. The Court has subject-matter jurisdiction under Article VI, Section 9 of the Illinois Constitution.

² Contact Us, Timberline Financial, <https://timberlinefinancial.com/contact-us/>.

³ Consent Agreement and Order, *Commonwealth of Pennsylvania Department of Banking and Securities, Compliance Office v. Timberline Financial, LLC*, Dkt. No. 190011 (BNK-CAO), (Feb. 1, 2019), https://www.dobs.pa.gov/Documents/Enforcement%20Orders/2019/020119_Timberline.pdf.

16. The Court has personal jurisdiction over Defendants under 735 ILCS 5/2-209 because Defendants have conducted business in Illinois and have entered into contracts or made promises that are substantially connected to Illinois.

17. Venue is proper under 735 ILCS 5/2-101 because part of the transactions underlying Chicago's claims occurred in Cook County.

GENERAL ALLEGATIONS

I. The "Debt Resolution" Business Model

18. Many debt resolution (also called debt settlement or debt negotiation) firms target consumers with significant credit card debt and promise to negotiate with their creditors to settle repayment obligations for less than the consumers owe.

19. These firms push consumers to enroll in "programs" with significant advance fees.

20. Participating in debt resolution programs carries significant risks. Typically, debt firms instruct consumers to stop paying unsecured creditors and begin saving money to settle those accounts. But when a consumer stops making payments to creditors, he or she is likely to face adverse effects, including (1) a sharp decrease in their credit score; (2) calls from collections agencies; (3) a rise in debt due to late fees and additional interest; and (4) lawsuits by creditors, who often seek to garnish wages and enforce judgments by other means.

21. Acknowledging the harm that debt resolution programs create for consumers with debt and credit issues, governments have increased regulation in this area.

22. In 2010, the Federal Trade Commission issued a final rule amending the Telemarketing Sales Rule, 16 CFR Part 310, to regulate debt relief companies that use telemarketing to contact potential consumers or receive calls in response to mailers and other advertisements. *See TSR Amended Rule 2010*, 75 Fed. Reg. 48457-523 (Aug. 10, 2010). The Rule

prohibits debt relief companies from charging fees before settling or resolving a consumer debt. It also requires debt relief companies to make several disclosures about their services, including how long it will take to get results, how much it will cost, and the negative consequences that could result. The Rule applies to attorneys as well as non-lawyers, and prohibits businesses from knowingly providing “substantial assistance” to a company violating the Rule.

23. Also in 2010, the State of Illinois passed the Illinois Debt Settlement Consumer Protection Act, 225 ILCS 429/1 *et seq.* That law requires debt settlement companies to register with the state and restricts practices likely to harm consumers. Violations of the DSCPA are also violations of the Illinois Consumer Fraud and Deceptive Business Practices Act. *See* 815 ILCS 505/2JJJ. The DSCPA excludes from regulation the services of an attorney “engaged in the practice of law.” 225 ILCS 429/10.

24. Many debt resolution businesses—like Strategic Financial Solutions—have not organized themselves as law firms. For good reason: a law degree is not needed to ask creditors to reduce someone’s debt. By structuring its debt relief program as an offering from a supposed “law firm,” however, Monarch purports to avoid the requirements and restrictions of the DSCPA and similar laws. These requirements include, for example:

- a. An obligation to make oral and written disclosures to prospective consumers, including a warning that debt settlement services “may not be suitable for all consumers” and that consumers “should inquire about other means of dealing with debt, including, but not limited to, nonprofit credit counseling and bankruptcy.” 225 ILCS 429/115(a).

- b. A prohibition on advising consumers, expressly or by implication, to stop making payments to their creditors and to stop communicating with their creditors. 225 ILCS 429/145(2), (3).
- c. Most significant to Defendants, complying with Illinois regulation would sharply curtail their abusive fee structure, discussed further in Section II below. The Act prohibits charging any type of fee other than “set up” or “enrollment” fee of no more than \$50, and a settlement fee in certain circumstances. 225 ILCS 429/125(a). In total, those settlement fees cannot exceed 15% of the savings the debt settlement provider negotiated for the consumer. 225 ILCS 429/125(c).

25. As described more fully below, these state and federal restrictions would require Defendants to change their business practices and would likely result in diminished profit. Defendants have attempted to avoid these rules by operating under the name Monarch Legal.

II. Defendants’ Debt Resolution Program and Oppressive Fee Structure

26. Monarch refers to itself as a “debt relief agency” and “law firm” on its website, www.monarchlegalgrou.com. Monarch’s website says that the company can assist people in debt by helping them file for bankruptcy or through its debt resolution program.

27. Monarch claims on its website that through its debt resolution program, it can often negotiate with creditors to settle “for pennies on the dollar.” Monarch also tells consumers they will be “on [their] way to a future free of burdensome debt:”

Options for Managing Debt

When you're facing a mountain of debt, you might feel like you're at the end of your rope. You do still have options, however. Bankruptcy is one of the best-known options for eliminating excessive debt, but it isn't the only option. You might also be eligible for debt settlement.

With debt settlement, you will work with your creditor to negotiate your debts down to an amount you can afford. You can settle most kinds of unsecured debts, including credit cards, personal loans, medical bills and more. The process can be complex, but you don't have to go it alone. Monarch Legal Group has extensive experience in the debt settlement process, and we will work directly with your creditors to negotiate fair amounts, often for pennies on the dollar. Once we've negotiated a settlement and you've approved it, you'll be well on your way to a future free of burdensome debt.

28. On information and belief, Monarch and Strategic Financial Solutions primarily or even exclusively steer clients to the debt resolution program for two reasons. First, that program is most profitable for Defendants. Second, Monarch attorneys apparently do not provide legal services or representation in bankruptcy cases. The City's investigation found no bankruptcy case filings by Monarch. None of the many publicly accessible consumer complaints filed against Monarch mention bankruptcy proceedings, even though one consumer inquired about it.

29. In its "client retainer agreement," Monarch explains that bankruptcy is another option but discourages that option by stating that it "will be reflected as a permanent record on a Client's credit report for up to 10 years."

30. A consumer that reviewed Monarch on the Better Business Bureau's website noted that he was unable to discuss bankruptcy with a Monarch attorney, contrary to statements in Monarch's agreement and on its website that Monarch provides bankruptcy representation:



Edward G



11/13/2019

Waited 3 months for a response. Had one call from an attorney to discuss the program and never heard from them again. The attorney I was assigned must be non existent because he wouldn't answer his phone or voicemail. I asked for a referral to file bankruptcy which I never received. I called to stop the program to file bankruptcy with \$3100.00 dollars in my account. They returned \$ 500.00 dollars. This place is a joke. My advice is don't get involved. Hire a real attorney and keep your money.

31. On information and belief, Defendants find program participants by engaging in telemarketing, and Monarch outsources this telemarketing to Strategic Financial Solutions and related entities.

32. After an initial phone call, Defendants send paralegals or notaries from third-party companies to prospective consumers' homes or those representatives conduct a presentation virtually. The representatives read from a script about Monarch's program and ask consumers to sign an agreement after the meeting. Consumers reported not understanding the terms of the program after these short appointments. According to the script that outside paralegals or notaries read at these short meetings, a "Monarch attorney" reviews the consumer's file after the meeting and calls the consumer within a "few days" of the meeting.

33. Monarch consumers sign an agreement that says that the company will review the consumer's "personal hardship and other debt circumstances and formulate a plan to negotiate improved terms." As described further in Section IV below, the City's investigation indicates that Monarch does not conduct a meaningful financial review. The agreement also provides that Monarch "will advise and represent clients in their defense of litigation initiated by creditors or collectors[.]" As described in Section VI below, Monarch repeatedly fails to provide those services.

34. In exchange for the advertised services, Defendants charge significant up-front costs and monthly fees. Defendants charge a percentage of the consumer's total debt as a "Service Cost" to the "non-legal services...related [to the] debt resolution plan." In examples the City has seen, that cost has been as high as 19%. Defendants include in the total used to calculate their Service Costs not only the enrolled debt at the time that the consumer signs an agreement but also the additional debts and fees that accrue after the consumer heeds Defendants' instruction to stop making payments to creditors.

35. Defendants begin collecting these fees immediately and on a monthly or bimonthly basis. In examples the City has seen, Defendants collected the entire Service Cost less than halfway into consumers' payment schedules. In one example, Defendants collected 19% of a consumer's total debt—or \$6,771.60—during the first 22 months of a 48-month payment plan. After the first 22 months, over 53% of this consumer's payments were earmarked as going to the "Service Cost."

36. Defendants charge a slew of other fees, including a Retainer Fee and a monthly "flat Legal Administration Fee." In the contracts viewed by the City, Defendants' Retainer Fee was \$995 and the monthly Legal Administration Fee ranged from \$55 to \$89. When Defendants do negotiate a settlement payment plan, those payments typically last for many months, and for each payment Defendants charge the consumer an extra \$10 ("Settlement Payment Fees"). Fees for changing banking information, payment plans, and adding new debts to the program vary from \$19.95 to \$299.

37. Defendants do not hold consumer funds in a client trust account. Instead, Defendants require consumers to sign an Account Servicing Agreement with Reliant Account Management, LLC ("RAM"). RAM collects and deposits consumer payments. RAM charges a monthly fee of \$10.75 to administer each account.

38. In some instances, Defendants require consumers to sign an agreement with Global Client Solutions to manage consumer payments and deposits.^{4,5} GCS also charges a \$10.75 monthly fee for “payment processing.”

39. Though they immediately begin collecting fees, Defendants inform prospective consumers that “it typically takes Monarch 7 to 9 months to reach the first settlement.”

40. After accounting for Defendants’ various fees, consumers end up paying only a small amount into their reserves for settlement of their debts. For example, after 10 months in a program, only 4% of one consumer’s payments went to settlements. This consumer had paid \$3,616.80 to Defendants, but Defendants charged over 96% of these payments—or \$3,476.21—as fees.

41. This fee structure makes it difficult for consumers to save funds for potential settlements, increasing the amount of time that the consumer pays fees to Monarch and decreasing the likelihood that the consumer will be able to afford any settlements.

42. The City’s investigation indicates that even when Defendants’ agents negotiate settlements with creditors on consumers’ behalf, they do not act in consumers’ best interest. In one case, Defendants settled a debt worth \$3,943, agreeing to pay between 40-60% of the debt. The agreement included small monthly payments of \$15 to \$30 (to be allocated from the consumer’s monthly payments to Defendants), but each payment accrued a Settlement Payment Fee of \$10.

⁴ In 2010, the Consumer Financial Protection Bureau sued GCS, alleging that GCS knowingly processed improper advance payments collected by debt settlement providers, in violation of the Telephone Sales Rule. GCS entered into an agreed consent order in 2014 and paid over \$6 million in restitution to consumers and \$1 million in fines to the Bureau. *See Consumer Financial Protection Bureau v. Global Client Solutions, LLC, et al.*, 2:14-cv-06643 (C.D. Cal. Aug. 27, 2014), Stipulated Final Judgment and Consent Order.

⁵ When the North Carolina State Bar disciplined Daniel Rufty, the attorney who operated Carolina Legal Services in conjunction with Strategic, the disciplinary body concluded that Rufty’s use of Global Client Solutions violated state professional rules and was inconsistent with the practice of law. *See Consent Order of Discipline* at 6-7, n.1, *supra*.

After several payments, the consumer paid \$75 to the creditor and \$50 in fees. At the completion of the program the consumer would have paid between \$500 to \$800 in fees. Given those significant fees, the consumer's potential "savings" on the amount owed was far less than Monarch advertised and explained.

III. Defendants' Debt Resolution Program is Designed to Mislead and Exploit Consumers

43. Defendants knowingly mislead consumers by misrepresenting how much they will save and how quickly their debts will get resolved. In consultations and written retainer agreements, Defendants promise that consumers will save an unrealistic amount of money and will finish the program in an infeasible amount of time. Defendants make these representations in order to secure consumers' participation in their debt resolution program.

44. Both these promises appear in the Payment Schedule section of Monarch's retainer agreements. Defendants state that these two promises are "good faith estimates." But closer inspection of these estimates show that the estimates are often, if not always, improbable because of the high fees charged for Monarch's and Strategic's services. On information and belief, Defendants deliberately obscure the fee structure in these estimates to induce consumers to contract with them. Based on examples that the City has seen, the payment schedules include at least three omissions or deceptions.

45. First, Defendants fail to incorporate their Settlement Payment Fees into the "good faith estimate" of consumer savings. In one example, a consumer paid \$320 in Settlement Payment Fees. Defendants know that they charge these fees and that consumers cannot complete their program without paying them, and yet Defendants omit estimated fees when representing to consumers how much money they will save.

46. Consumers who are struggling with debt care very much about how much money they will be able to save, and Defendants knowingly overestimate those amounts.

47. Second, Defendants predict that they will negotiate settlement agreements at around 40% of the debt consumers owe when they enter the payment plan. This assumption is unrealistic. In practice, Defendants cannot consistently negotiate such beneficial settlements, and information provided to the City by consumers suggests that many debts are settled for over 60% of the amount owed.

48. Defendants also assume the same settlement rate for all consumers without regard to the amount or type of consumers' debts (for example, whether the bill has been sent to collections).

49. Third, Defendants fail to factor in interest rates and estimated late fees into their payment schedule. This omission dramatically changes the savings and time estimates Defendants provide to consumers, because of the high interest rates applied to consumer debt.

50. Defendants know or should know the impact of omitting interest. Defendants—a debt settlement company—know that debt accrues substantial interest and late fees. Defendants also know that consumers' debts will accrue interest because they instruct consumers to stop making payments on their debts. Defendants tell consumers that they will not begin settling debts until consumers have made at least seven to nine months of payments. Because so much of each payment goes to Defendants' fees (particularly at the beginning of the agreement), consumers with multiple accounts to settle continue accruing significant interest and late charges for months, if not years.

51. In one example, a consumer owed \$910 on a debt at the time the consumer signed a contract with Defendants. By the time Defendants began negotiating down the debt, the \$910

debt had risen to \$1,827.01. Defendants ultimately settled this debt for \$1,096, over 60% of the amount owed at the time the debt was settled. In fact, Defendants settled the debt for more than the consumer owed when the consumer contracted with them.

52. Defendants structure their programs so that it is nearly impossible for some consumers to benefit. Defendants hide that reality from consumers through Defendants' misleading estimated payment schedules. Defendants dramatically misstate the consumer's estimated savings and program length. If Defendants provided more accurate estimates based on their fee structure, interest, and creditor fees, consumers would understand that Defendants' program does not provide a significant benefit and may in fact make consumers worse off.

IV. Defendants Create Payment Plans without Regard for Consumers' Financial Status, Leading Consumers to Fail in Defendants' Program

53. The City's investigation indicates that Defendants do not act in consumers' best interest when creating a "customized" payment program. Specifically, Defendants ignore consumers' financial situations and seemingly do not care whether consumers can realistically finish their payment program.

54. Defendants purport to collect consumers' income and expense information to determine their monthly payments. However, in at least one example the City has seen, Defendants recorded blatantly incorrect information about consumer's expenses to justify high monthly payments.

55. For example, Defendants recorded and estimated a budget based on the fact that one Chicago consumer had only housing, food, and auto expenses. But the consumer informed Monarch of other expenses, including student loans. On information and belief, Defendants' estimates for other Chicago consumers contained similar inaccuracies.

56. Defendants' unrealistic expense estimates demonstrate their complete indifference to the welfare of their consumers. Income and expense information dictates consumers' capacity for monthly payments. This information is also relevant to determine whether bankruptcy—a service Defendants pretend to offer—is the right path for the consumer.

57. On information and belief, Defendants do not care about consumers' successful completion of the plan because their up-front fee structure allows them to make most of their profit during the first year of the payment program.

58. Indeed, Defendants might prefer for consumers to withdraw from the program after one year. In the first 12 months, Defendants collect their service costs and retainer fees. After collecting those fees, Defendants' revenue plummets. If consumers withdraw after one year, Defendants collect substantial sums without performing work.

V. Monarch Lures Consumers into Defendants' Debt Resolution Program with a Deceptive Refund Policy

59. Monarch markets the debt resolution program it operates with Strategic as having a generous refund policy. But on information and belief, most consumers cannot invoke that policy because the terms and conditions are restrictive and exclude most consumers.

60. Monarch promises in the "Performance Standard" section of its contract to refund consumers for the "share of all Monarch fees & costs for work on [the] individual debt" if Monarch (through Strategic) fails to reduce that debt by more than 35% of the amount owed at the time of the agreement. In practice, the refund policy serves only as an advertising tool used to induce consumers into trusting Monarch even though most consumers will not be eligible to get a refund.

61. The refund policy appears to exclude most aggrieved consumers. First, consumers who are behind on monthly payments to Defendants are not eligible for any refund.

62. Second, the policy relieves Defendants from refund obligations for any debts that “become[] subject to a lawsuit during representation.” Many creditors sue Monarch consumers to recover money owed.

63. Third, consumer debts with balances of less than \$1,000 are ineligible for refunds.

64. The policy, as written, does not provide consumers with adequate relief. More egregiously, Monarch mischaracterizes the refund policy and uses it to induce consumers into joining the debt resolution program when they otherwise would decline to do so.

65. Consumer complaints to the Better Business Bureau show that many consumers do not understand the very limited circumstances in which Monarch will refund fees:

- a. One consumer wrote: “I would like at least a refund of 995.00 since I didn’t receive legal representation.” Defendants’ refund policy provides no such right to be refunded legal fees.
- b. Another consumer wrote: “I requested a refund because no work had been done. I was told that I would only receive \$200 left in my savings after they had withdrawn over \$3500 in ‘fees’ from my account.” In fact, Monarch will only refund fees if Monarch is unable to settle a debt for less than 35% of the amount owed. Consumers have no recourse if the program is taking more time than promised or, after relying on Defendants’ misleading estimates, consumers find themselves unable to make their payments.
- c. Another consumer wrote: “I called and then they told me after I had paid them a little over \$300 a month for 7-9 month period that there was nothing in my account just \$100 and that the rest went to their ‘fees’, fees for providing no service. This is contrary to everything I was told on a monthly basis from them.”

- d. One consumer requested that the company get a “[b]etter protocol explaining to clients how they assess fees and refunds.”

66. Dissatisfied consumers have further limited recourse because Defendants require consumers to sign arbitration agreements and class action waivers.

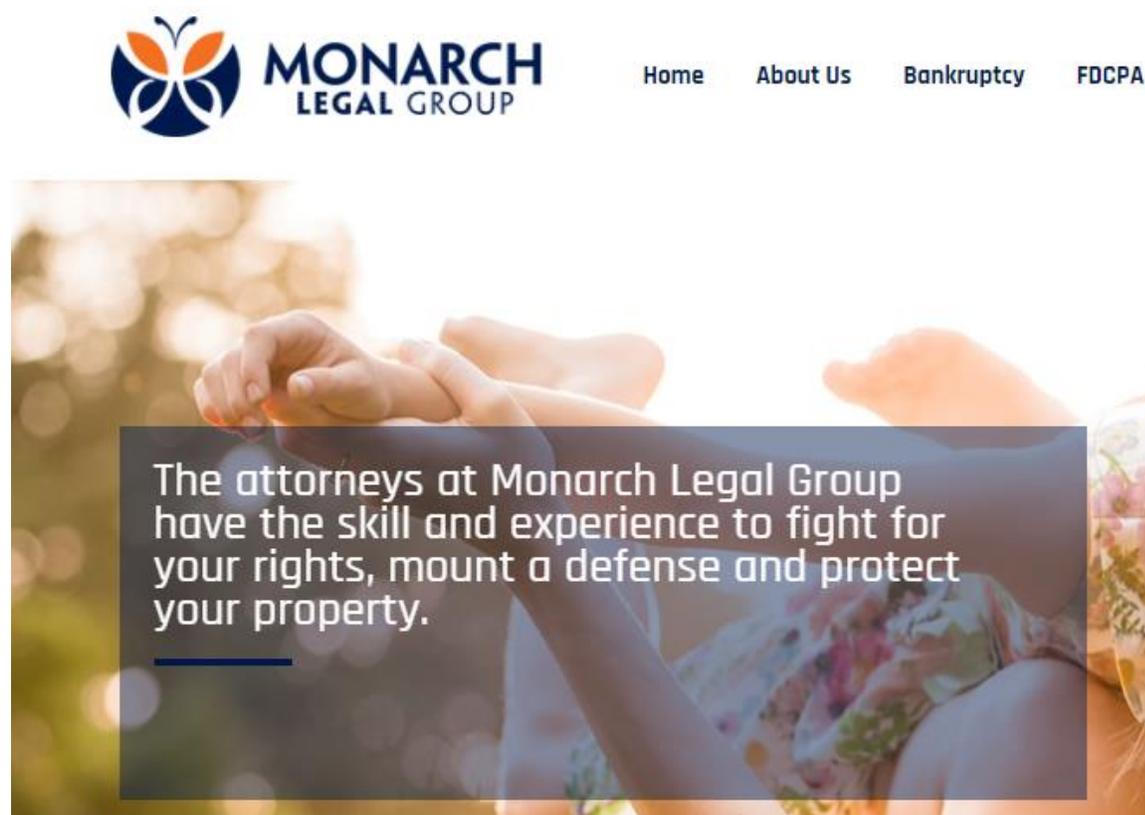
VI. Defendants Trick Consumers into Believing that Attorneys Will Negotiate their Debt Settlements, When that Work is Actually Performed by Non-Lawyer Contractors.

67. Monarch’s “Client Retainer Agreement” states that “[t]he law firm puts in place a customized strategy based on the individual client and their debts[.]” In reality, the City’s investigation indicates that Monarch attorneys are only superficially involved to trick consumers into thinking that lawyers are performing debt resolution services when the work is actually performed by non-lawyers at Strategic (if the work is performed at all).

68. In the examples that the City has seen, and on information and belief in other instances too, Monarch lawyers do not perform debt settlement work. Monarch nevertheless tells consumers that they pay for legal services and will have the assistance of attorneys. Although one section of Monarch’s nearly 40-page agreement states that third parties may perform some work related to the program, it later explains that Monarch has a “non-exclusive reciprocal referral agreement with independent contractors to provide” what it calls “non-legal services related to the implementation, management, and maintenance of Client’s debt negotiation plan.” Monarch’s agreement and other promotional materials misrepresent the truth: non-lawyers at Strategic do not merely provide some administrative services, they carry out Monarch’s debt resolution service.

69. Monarch’s agreement misleads consumers and contradicts other statements the company makes in prominent promotional materials that consumers rely on. For example,

Monarch’s homepage advertises that the “attorneys at Monarch Legal Group have the skill and experience to fight for your rights, mount a defense and protect your property:”



70. In presentations with potential clients, Monarch “representatives” – who in fact do not work for Monarch – have explained that Monarch attorneys will provide representation and negotiate with the creditor’s lawyers.

71. Defendants’ legal fees also reinforce the deception that attorneys will be performing the debt settlement work, including by representing consumers in court. As discussed in paragraph 36 above, customers pay a “Retainer Fee” (often around \$1,000) and a monthly flat Legal Administration Fee (from \$55 to \$85).

72. Though consumers sign agreements and make payments to Monarch, they rarely, if ever, speak with Monarch employees, let alone Monarch lawyers. Monarch tells consumers to

call a customer service line or email a customer service address, both of which are operated by Strategic Financial Solutions and its related entities in New York.

73. Current and former Strategic employees have noted that Monarch's and Strategic's practices confuse consumers. On information and belief, Strategic tells representatives to say they are calling from Monarch, not Strategic, so consumers do not realize that they aren't speaking to someone at Monarch. In a review on the professional website Glassdoor, one former employee explained that "if you say the real company name [Strategic] most people are confused as to why your [sic] are calling them." Another former employee implored Strategic to "[b]e honest about what you are doing. If you can't proudly tell clients the real name of your company, there is something seriously wrong."

74. Monarch tells prospective consumers that its client services team (which, in reality, consists of Strategic employees located in another state) will "assist [customers] in arranging to speak with an attorney" to provide legal advice or respond to legal questions. But the City's investigation indicates that Strategic's customer service team does not make attorneys available for client calls.⁶ Consumers reported to the City that they were unable to receive answers from the attorney identified on Monarch paperwork and instead were forced to direct questions to non-lawyers who were not familiar with their situations.

75. For example, one person complained to the City that a customer service representative hung up on him when he called to ask why his wages were being garnished. In a previous phone call, a representative said Monarch would resolve the lawsuit to avoid garnishment.

⁶ The North Carolina State Bar concluded that Carolina Legal Services attorney Daniel Rufty engaged in misrepresentations to clients and an unprofessional lack of communication by engaging in a similar, albeit not identical, arrangement with a Strategic subsidiary. *See Consent Order of Discipline* at 5-6, 7-8, n.1, *supra*.

Another consumer called with a question about how the debt settlement process worked, and the customer service representative refused to connect her with a lawyer.

76. Monarch retainer agreements identify “Law Firm Contacts.” Those contacts are not employed by Monarch, and instead work for Strategic or a related entity. The two contacts excerpted below identify James Katayanagi, an employee of Strategic subsidiary Finance Solutions,⁷ and Haider Salas, a former employee of Strategic Financial Solutions, as the consumers’ “Law Firm Contact.” Neither Katayanagi nor Salas are lawyers:

PROPOSED PROGRAM INFORMATION

<i>Total Unsecured Debt:</i> \$47,404.00	<i>*Estimated Program Length (months):</i> 48
<i>Date of First Payment:</i> 9/30/2019	<i>Program’s Payment Amount:</i> \$722.91
<i>*Estimated Total Payments:</i> \$34,699.44	<i>Law Firm Contact:</i> James Katayanagi

PROPOSED PROGRAM INFORMATION

<i>Total Unsecured Debt:</i> \$16,370.00	<i>*Estimated Program Length (months):</i> 36
<i>Date of First Payment:</i> 1/9/2021	<i>Program’s Payment Amount:</i> \$361.68
<i>*Estimated Total Payments:</i> \$13,020.30	<i>Law Firm Contact:</i> Haider Salas

⁷ Before or concurrent with his employment at Finance Solutions, Katayanagi worked as a personal banker. From 2013 to 2014 he pled guilty to state criminal charges and settled with the Financial Industry Regulatory Authority (“FINRA”)’s disciplinary body for creating ATM cards and withdrawing money from client accounts without authorization. See BrokerCheck by FINRA, James M Katayanagi, available at <https://brokercheck.finra.org/individual/summary/4890437>; Complaint, Department of Enforcement v. James M. Katayanagi, (FINRA Office of Hearing Officers, Proceeding No. 2013035572001), at 4, available at <https://www.finra.org/rules-guidance/oversight-enforcement/finra-disciplinary-actions?search=2013035572001>.

James Katayanagi

Senior Financial Consultant at Finance Solutions

-  Finance Solutions

- LIU Post
New York City Metropolitan Area · [Contact info](#)

57 connections

 Message

More

Experience



Senior Financial Consultant

Finance Solutions

Oct 2010 - Present · 11 yrs 5 mos

Greater New York City Area

In my role as a Senior Financial Consultant, I help my clients accomplish their financial objectives by gathering information regarding their financial and life goals and developing personalized strategies to help them accomplish those objectives.

Haider Salas · 3rd

Account Executive at Indeed.com

-  Indeed.com
-  Columbia University in the City of New York
Queens County, New York, United States · [Contact info](#)

417 connections

 Message

More

Experience



Account Executive - Growth

Indeed.com · Full-time

Mar 2021 – Present · 10 mos



Financial Sales Consultant

Strategic Financial Solutions NY · Full-time

Dec 2019 – Feb 2021 · 1 yr 3 mos

New York, New York

77. The credentials of the person negotiating down debts is material to prospective clients. A reasonable consumer would conclude that Defendants' higher fee structure is warranted because the company offers legal expertise. But the City's investigation indicates that Defendants' services are not performed by lawyers, and lawyers do not actually supervise the non-attorneys settling debts.

78. A reasonable consumer likely would decline to contract with Monarch had she known that debt negotiation and customer service would be outsourced to another company in another state that is staffed by non-lawyers.

79. Reviews from current and former Strategic employees on the career website Glassdoor express similar concerns about the company's business model:

1.0 ★★★★★ ✓

Current Employee

Debt Settlement

Feb 24, 2022 - Sales

Recommend CEO Approval Business Outlook

Pros
Great people. Good management, client-focused sale.

Cons
Ethics. Uses misleading mailers advertising rates that don't exist, with company letterhead that is made up and recycled every couple months. Advertises loans but pitches people into debt settlement. Debt settlement model is not contingency, but the so called "Attorney-model," which circumvents the law of several states by not technically being a debt-settlement company, but rather a law office, which allows Strategic to collect fees up front even if a client cancels and nothing has been negotiated.

1.0 ★★★★★ ✓

Current Employee, more than 1 year

Bait and Switch

Dec 5, 2021 - Financial Advisor in New York, NY

✗ Recommend ✗ CEO Approval ✓ Business Outlook

Pros

The bonuses are great if you swindle enough customers (victims). The company will always exist as long as debt is a problem which translates to job security.

Cons

The hours, the benefits and taking advantage of customers who are already in a financial disadvantage. The company is good at avoiding responsibility. However, they're not the only ones that operate like this, so I can't make them out to be the only bad guys. Still, a poisonous culture, and if you have morals, then you will need to leave them at the door to work here.

Advice to Management

None, the way these folks work is predatory. There's no improving unless these guys go out of business.

80. Even when Defendants do engage with creditors, non-attorney employees perform the negotiations. Defendants' documents reveal that attorneys approve settlements that non-attorney Strategic employees have negotiated without significant review. The City reviewed each of the three separate consumer files that Monarch provided to identify a clear pattern. The user "dev_team"—presumably a Strategic employee—negotiates a settlement and then creates a "debt settlement plan" in Defendants' database. Several days later, user "r-fakhouri," likely Ricky Fakhouri, an outside attorney who has contracted with Monarch on a case-by-case basis, approved the plan. On all seven occasions concerning settlements for three separate consumers, Ricky Fakhouri approved a settlement and wrote the same vague phrase: "Approved: Reviewed original amt, current amt, settlement amt. Settlement is within acceptable firm parameters. Atty Approved."

81. In the documents reviewed by the City, Monarch attorneys never rejected a settlement proposed by Strategic employees. Based on information and belief, attorneys affiliated with Monarch rubberstamp all settlements, do not supervise the non-lawyer debt negotiators, and do not give reasoned legal advice to consumers about whether to accept a settlement.

82. The following example from a Chicago consumer illustrates Defendants' failure to provide legal advice related to a settlement. Defendants contracted with a local attorney, not employed by Monarch, to represent the consumer in a lawsuit by a creditor. The attorney did not appear in the proceeding and the creditor received a default judgment against the consumer. After the entry of judgment, Defendants negotiated a settlement. The consumer signed a settlement agreement requiring significant monthly payments, which the consumer understood would come from his account with Defendants. But Defendants settled the account for more than the consumer could possibly pay.

83. Defendants have also completely neglected to administer the settlement. Defendants did not make any settlement payments from the consumer's account. The creditor filed a motion to reinstate and for default judgment for failure to pay the settlement payments, and the consumer was left vulnerable to wage garnishment and other negative consequences.

VII. Defendants Do Not Provide Contracted-For Litigation Defense Services, Leaving Chicago Consumers to Defend Themselves in Court

84. Monarch promises in promotional materials and in retainer agreements that it will "provide Litigation Defense Services in the event the client receives a Summons and Complaint" from a creditor or debt collector for non-payment. But Defendants repeatedly break this promise and leave consumers to defend themselves in court, even though consumers pay hundreds to thousands of dollars in legal fees. Defendants' failure to respond causes consumers to suffer all the adverse consequences of having a judgment against them, including having their wages garnished.

85. In the scripted presentations that third-party notaries and paralegals make to prospective clients, the representatives state that "[t]he law firm is prepared to do what is necessary to represent you, and, if appropriate, defend you against creditor or collector lawsuits." The script

also instructs representatives to state that “legal fees for your defense are covered by your retainer payments.”

86. Through its third party representatives and in its welcome materials, Defendants tell consumers how to contact the “Litigation Department.” On information and belief, that department doesn’t exist. The City’s investigation indicates that in reality, Monarch employs only the few attorneys needed to complete rote and scripted check-in calls with clients to suggest that an attorney is involved in the consumer’s program. Those attorneys do not litigate on behalf of consumers.

87. Attorneys’ rote notes demonstrate that they did not meaningfully interact with clients. Attorneys using Defendants’ internal case management system copy and paste the same brief notes logging “Attorney Reviews” without mentioning any information specific to the client. Attorneys use scripts for these calls. Based on the foregoing and on information and belief, Monarch attorneys often if not always fail to provide individualized legal advice and therefore are not engaged in the practice of law.

88. The City’s investigation indicates that neither Monarch nor Strategic employ lawyers to handle “Litigation Defense.” Instead, Monarch acts as a referral service by attempting to contract with outside lawyers to handle those matters for small flat fees. When, as is often the case, Defendants fail to refer the case to an outside lawyer, Defendants have refused to provide any representation. If a Strategic employee communicates with the consumer at all before a hearing date, the employee will instruct him or her to go to court alone. In other instances, Defendants assure consumers that Defendants will handle the litigation and, when an attorney fails to appear, the court enters a default judgment against the consumer.

89. To further reduce the likelihood of providing legal representation, Monarch’s retainer agreements place severe restrictions on the provisions of those services. For example, Monarch reserves the right to refuse to provide legal defense services if the client does not submit all pages of the summons, complaint, exhibits, and pleadings to Monarch, and requires submission within 15 or 7 days, depending on the state. Monarch also requires that the client’s account payments be current. Significantly, consumers pay legal fees even if Monarch refuses to provide those services.

90. One consumer told the City that after making regular payments, he received a summons from a creditor and promptly contacted Monarch. The consumer did not hear from Monarch for two weeks. A customer representative then told the consumer that Monarch could not guarantee that a lawyer would be available to represent the consumer at the hearing. Despite paying a monthly retainer fee for a lawyer, the consumer responded to the summons and defended himself in court.

91. Consumer complaints on the Better Business Bureau’s website recount similar experiences:



David B
★★★★★07/28/2021

The worst customer service. They assigned me a lawyer for litigation. I never heard from the lawyer and called to complain, they gave me the lawyers phone number to make contact myself and when I do make contact I am told he does even represent Monarch Legal Group! This group is a fraud and we need to have a class action suit to get our money! Do yourself a favor and run away from Monarch Legal!



Bill K



11/03/2021

Their idea of "negotiation" is a lien on my salary from Citibank. "Oh that's the only way they would take it." So WTF do they call negotiation? We have been paying \$800 a month to these hucksters. And now a payroll lien on top of that? And our majority balance card has been paid ZERO in 18 months! I would be very surprised if the 5 star review **** actual customers.



Riley N



07/21/2021

Crooked, misleading and HORRIBLE customer service! STAY AWAY! Not worth a ***** saved! They will cost you thousands of dollars in fees! Your credit score will go down by at least 100 points. I got four summons in all. Had to represent myself twice. Communication SUCKS! Im completely embarrassed that I managed to get involved with this company and missed all of this! Be smarter than me find a different way. And someone please, BBB, AGs office, shut this s*** down and make them give people their money back. Its horrifying.

92. Consumers may be unable to access the typical methods for reporting attorney misconduct. On information and belief, Defendants intended that result when structuring Monarch as a purported "law firm." Consumers who never receive representation cannot identify an attorney that has engaged in misconduct, but Illinois' Attorney Registration and Disciplinary Commission receives and adjudicates complaints about individual attorneys, not law firms.

93. Consumers who receive deceptive and inaccurate information from Strategic are unable to report that conduct to any attorney regulatory bodies because the employees are not lawyers. Furthermore, consumers do not even know that they are talking to Strategic employees.

94. Further evidencing Monarch's lack of responsiveness to customer concerns, the Better Business Bureau suspended Monarch's accreditation in 2021 for, among other things, failing to provide adequate responses to customer complaints. The Bureau revoked Monarch's

accreditation less than a year after publishing an “alert” about Monarch’s business practices and its failure to respond to a request for investigation:

VIII. Timothy Burnette Controlled and Directed Monarch’s Conduct

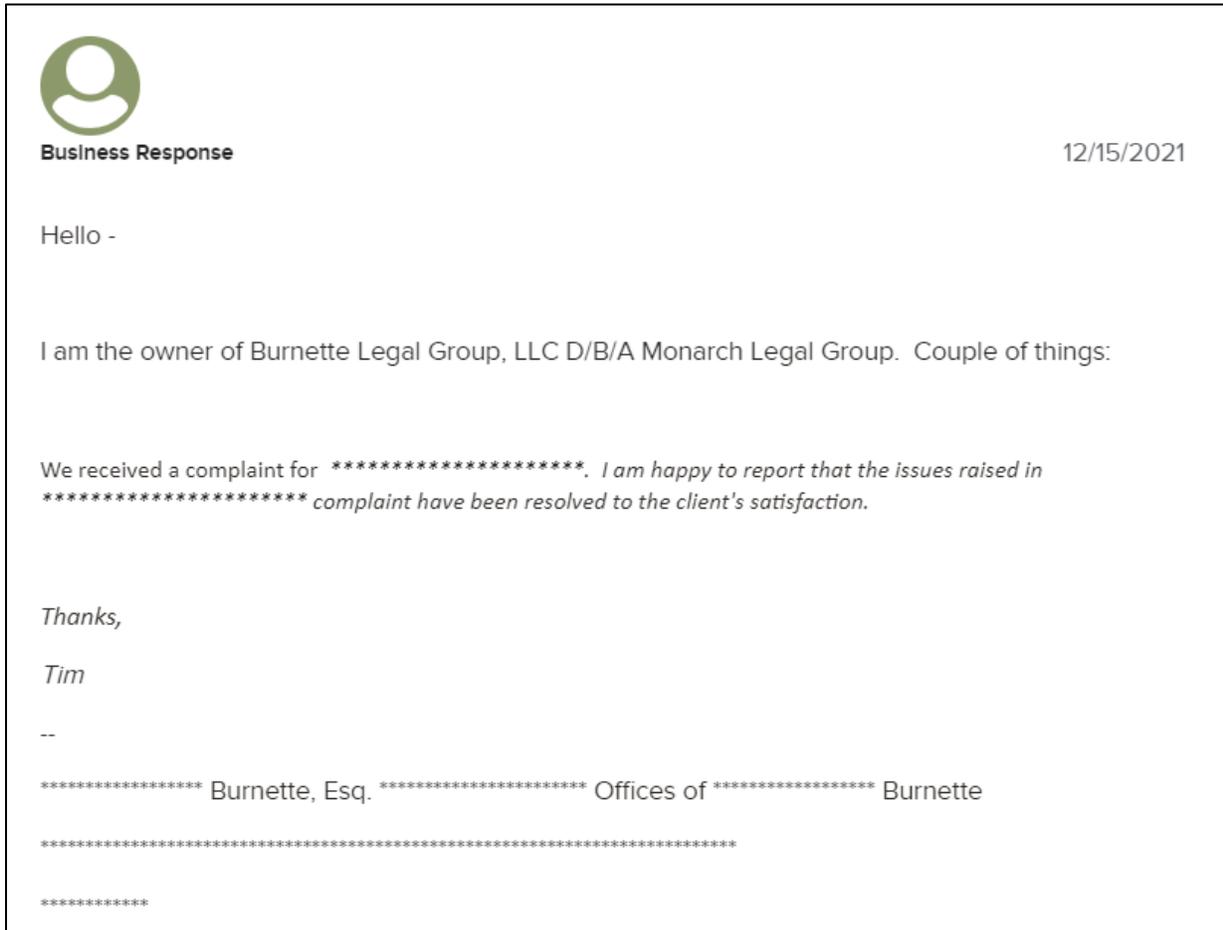
95. Timothy Burnette holds himself out as the “owner” of Monarch Legal.

96. Monarch’s website states that Timothy Burnette is the “attorney responsible for the content of this Site.”

97. Timothy Burnette is, on information and belief, the sole member and manager of Burnette Legal Group, LLC d/b/a Monarch Legal Group.

98. As the sole member and manager, Burnette has controlled and continues to control Defendant Monarch’s conduct, including its arrangements with Strategic and other third-party vendors that carry out the debt resolution program.

99. Burnette is well aware of the harms his company causes through its deceptive and unfair practices. For example, Burnette has responded, albeit vaguely, to customer complaints on the BBB website:



IX. Defendants Deceive Potential Customers by Posting Fake Reviews

100. The City’s investigation indicates that Defendants attract additional customers by posting fake positive reviews in an attempt to obscure the honest negative reviews that the companies receive regularly. Defendants intend for prospective consumers to rely on falsified positive reviews so that they decide to participate in Defendants’ program.

101. Reviews of Defendants on various online platforms – like Glassdoor, Google, and Better Business Bureau – paint starkly different pictures. Defendants have a surprising range of

exclusively 5-star and 1-star reviews, with no scores in the middle of the range. For example, on the Better Business Bureau website, where Monarch has a 1.15/5-star rating, the company has 39 reviews: 1 5-star review, 1 3-star review, and 37 1-star reviews.

102. Former and current employees have reported that this discrepancy is part of Defendants' marketing agenda. According to employee reviews on Glassdoor, Strategic Financial Services asks its employees to post falsified positive reviews to cover up the truthful negative ones:

1.0 ★★★★★ ✓

Current Employee, more than 1 year

Don't trust the reviews

Dec 5, 2019 - Client Services in Buffalo, NY

✗ Recommend ✗ CEO Approval ✗ Business Outlook

Pros
Sometimes, free food. The Christmas party is also nice.

Cons
Let me make this short, they have people right reviews on glassdoor to bump up their rating because of a host of negative reviews from actual employees. Don't get me wrong there are *some* who like the work here, but overall horrible place to work. You will be scamming people for a living. Reconsider before you sell yourself to the devil.

1.0 ★★★★★ ✓

Current Employee, less than 1 year

Bait and switch and so unethical - don't work here!!!!

Sep 18, 2019 - Financial Consultant

✗ Recommend ✗ CEO Approval ✗ Business Outlook

Pros
Money is ok and higher then many

Cons
Fraudulent company aimed to make money from the weak! They use a bait and switch technique and most of these people are elderly and are getting sued from us telling them we can help. I'm planning to leave at the end of this month but they don't know what yet and my conscience cannot even stay one more day so I don't know if I may leave sooner! They also asked some of the employees to write a good review for them on Glassdoor! Unbelievable!! Don't work here if you have integrity!

Advice to Management
Stop hiring kids and you need to do drug background checks! I know you want to hire people who are sleazy but it's unsafe as well!

103. Reviewers on Better Business Bureau and Google also concluded that Defendants’ positive reviews are inaccurate. One Google reviewer wrote that “all the good reviews [about Strategic] reviewer are FAKE. If you are in debt run far far away.” As depicted in paragraph 91 above, one BBB reviewer expressed skepticism about Monarch’s lone positive review.

104. Despite the overwhelmingly negative reviews, Defendants quote five positive consumer reviews in an advertising brochure titled: “Reducing Your Debt & Restoring Stability to Your Life: A Welcome Guide to a Fresh Start.” These comments are quoted to Vanessa R., Richard D., Jack F., Amanda G., and Nick L. On information and belief, these five reviews are fake.

X. Strategic Engages in Unfair and Deceptive Practices in its Debt Resolution Business Across the Country

105. Strategic’s partnership with Monarch is not unique. Strategic has engaged in similar arrangements with sham law firms to defraud consumers across the country for years.

106. Strategic provided similar services, albeit operating under a different structure, to the now-shuttered Carolina Legal Services firm, as described in paragraph 12 above. Strategic created a wholly-owned subsidiary called Carolina Client Services, LLC to carry out the solo practitioner's debt settlement program.⁸

107. Based on public legal filings and on information and belief, Strategic also worked with Legal Helpers Debt Resolution, a Chicago-based consumer debt company that operated nationally as a supposed law firm.⁹ The State of Illinois sued Legal Helpers and its principals for similar consumer-protection violations in 2012. Illinois Attorney General Lisa Madigan said that Legal Helpers lawyers were “a ‘front’ to collect hefty fees from struggling consumers.” Legal Helpers agreed to refund \$2.1 million to Illinois consumers in a settlement.¹⁰

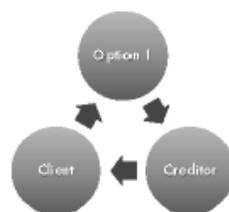
108. In response to the City's subpoena, Monarch provided information from a limited number of consumer files. In one of those files, Monarch included a call script for a different legal entity, Option 1 Legal. The text of the call script for Option 1 Legal and for Monarch are the same, except for the law firm name. The presentation for prospective consumers is also substantially the same:

⁸ Dkt. #8, Corporate Disclosure Statement of Carolina Client Services, LLC, *Daniel Rufty Legal, PLLC v. Carolina Client Services, LLC*, Case 3:21-cv-00054 (W.D. N.C. Feb. 18, 2021).

⁹ Dkt. #8, Amended Complaint, *Dawn Jones v. Strategic Financial Solutions, LLC et al.*, Case 1:16-cv-04617 (S.D.N.Y. Jul. 5, 2016), at 10.

¹⁰ Ameet Sachdev, “Chicago Law: Debt-settlement firm to wind down business,” *Chicago Tribune* (Jul. 27, 2012), available at <https://www.chicagotribune.com/business/ct-xpm-2012-07-27-ct-biz-0727-chicago-law-20120727-story.html>.

HOW DOES DEBT RESOLUTION WORK?



Option 1's Debt Resolution program is designed to pay off your debts through a strategy in which Option 1 negotiates with your creditors on your behalf to pay back, in a lump sum or term payments, less than the amount owed on your accounts.

Your involvement in these negotiations and conversations may be necessary and important.

OPTIONLEGAL

Client Initial: _____

In-Person Client Presentation

3

HOW DOES DEBT NEGOTIATION WORK?



Monarch's Debt Negotiation program is designed to pay off your debts through a strategy in which Monarch negotiates with your creditors on your behalf to pay back, in a lump sum or term payments, less than the amount owed on your accounts.

Your involvement in these negotiations and conversations may be necessary and important.

3

In-Person Client Presentation

Client Initial: _____



On information and belief, Strategic has a similar agreement with and also operates through Option 1 Legal. Strategic drives these unfair and deceptive programs but uses its supposed law firm partners as a front to avoid regulation.

109. Employee and customer online reviews suggest that Strategic works with as many as ten law firms:

Strategic Financial Solutions
115 Lawrence Bell Dr, Buffalo, NY

4.1 ★★★★★ 74 reviews ⓘ

MOST RELEVANT NEWEST HIGHEST **LOWEST**

Kim B.
1 review
★☆☆☆☆ 2 months ago

Critical: Professionalism, Quality, Responsiveness, Value

All the good reviews are FAKE. If you are in debt run far far away. This is not a debt consolidation company. They insist you stop paying all you credit cards, give them your money instead for a couple years, ignore you while you are being sued by all of your credit card company's, a lean can be put on your house and you will be forced to represent yourself in court, there are no real lawyers that work here, the litigation department is a whole bunch of kids they hired for minimum wage. They go by Alias firms like "Rockwell" and "Boulder" those lawfirms don't really exist.

👍 Like

1.0 ★☆☆☆☆ ✓

Former Employee

Sucks

Jan 4, 2021 - Customer Service Representative in Buffalo, NY

✗ Recommend — CEO Approval — Business Outlook

Pros
Everyone is friendly, benefits etc all decent

Cons
It's pretty much a scam. Dealing with the customers is a nightmare. Answer the phone as any of 10 different law firms and fake it till you make it through the conversation.

COUNT 1
Violation of MCC § 2-25-090

110. Chicago incorporates all preceding allegations as if they were set forth herein.

111. MCC § 2-25-090 prohibits “any act of consumer fraud, unfair method of competition, or deceptive practice while conducting any trade or business in the city,” including “[a]ny conduct constituting an unlawful practice under the Illinois Consumer Fraud and Deceptive Business Practices Act . . . or constituting a violation of any section of this Code relating to business operations or consumer protection.”

112. Defendants have violated and continue to violate MCC § 2-25-090 because their conduct offends public policy, is immoral, unethical, oppressive, and unscrupulous, and causes substantial injury to consumers. Specifically, Defendants have violated and continue to violate MCC § 2-25-090 under this standard including by:

- a. Representing that consumers will be represented by attorneys for debt resolution services, when those services are provided by non-law firm third parties;
- b. Purporting to evaluate consumers’ suitability for Defendants’ debt resolution services without meaningfully reviewing consumers’ finances and ability to pay Defendants’ high fees;
- c. Providing baselessly optimistic estimates to consumers about how much money they can save through Defendants’ debt resolution program;
- d. Failing to provide contracted-for Litigation Defense services for consumers who pay attorney’s fees;
- e. Charging significant up-front fees before performing any work to settle consumers’ debt in violation of the maximum up-front fees allowed in 225 ILCS 429/125(a);
- f. Failing to clearly and conspicuously disclose Defendants’ refund policy; and

- g. Soliciting and writing falsified positive online reviews.

113. Defendants have engaged, and continue to engage, in deceptive acts and practices while conducting debt settlement business in Chicago. Specifically, Defendants have violated and continue to violate MCC § 2-25-090 including by:

- a. Representing expressly or by implication that consumers will be represented by a law firm for debt resolution services, when in fact all debt resolution and related services are provided by non-law firm third parties;
- b. Representing expressly or by implication that consumers control the money in their settlement accounts and will be able to receive a refund if they are dissatisfied with the program, when in fact Monarch considers most if not all money to be “earned” by Monarch when it is deposited and therefore not eligible for a refund under its policy;
- c. Representing expressly or by implication that the debt resolution program will save consumers more money than what Defendants know or should know to be possible given their experience conducting the program and their knowledge that savings estimates are based on faulty assumptions; and
- d. Soliciting and writing falsified positive online reviews with an intent that consumers rely on them and decide to contract with Defendants.

114. Defendants have also engaged, and continue to engage, in unfair methods of competition while conducting debt settlement business in Chicago. Defendants have violated and continue to violate MCC § 2-25-090, including by falsely labeling their business as a “law firm” to evade the regulations that apply to other debt settlement service providers. *See, e.g.*, Illinois Debt Settlement Consumer Protection Act, 225 ILCS 429/1 *et seq.* Debt settlement companies that

abide by the DSCPA are subject to fee limits and must disclose alternatives to debt settlement programs to consumers. Defendants foster unfair competition by evading these requirements, which may limit the revenues of law-abiding debt settlement firms.

115. The MCC provides that any person “who violates any of the requirements of this section shall be subject to a fine of not less than \$500 nor more than \$10,000 for each offense. Each day that a violation continues shall constitute a separate and distinct offense to which a separate fine shall apply.” MCC § 2-25-090(f). Chicago is therefore entitled to fines for each day that Monarch violated MCC § 2-25-090.

116. The MCC also authorizes “injunctive” and “equitable” relief for violations of Section 2-25-090. MCC § 2-25-090(e)(4). Chicago is therefore entitled to injunctive and equitable relief.

117. WHEREFORE, the City respectfully requests that this Court enter an order (a) awarding judgment in the City’s favor on Count 1; (b) declaring that Defendants violated MCC § 2-25-090; (c) enjoining Defendants from engaging in debt resolution activity in the City of Chicago; (d) enjoining Defendants from engaging in unfair methods of competition and business practices as described in this Complaint; (e) assessing Defendants a fine for each violation of MCC § 2-25-090, in the amount of \$10,000 for each day such violation has existed and continues to exist; (f) requiring Defendants to pay restitution to Chicago consumers; (g) requiring Defendants to disgorge profits; (h) awarding such other injunctive and declaratory relief as is necessary; and (i) awarding such other relief as the Court deems reasonable and just.

COUNT 2
Violation of MCC § 4-276-470

118. Chicago incorporates all preceding allegations as if they were set forth herein.

119. MCC § 4-276-470(a)(6) forbids any person “to represent that merchandise or services are those of another, when in fact they are not.”

120. MCC § 4-276-470(a)(7) forbids any person “to cause confusion or misunderstanding concerning the source, sponsorship, approval, or certification of merchandise or services.”

121. MCC § 4-276-470(a)(8) forbids any person “to cause confusion or misunderstanding or false or deceptive representation concerning affiliation, connection or association with, or certification by, another.”

122. Defendants have engaged, and continue to engage, in practices that violate the foregoing provisions of MCC § 4-276-470 by:

- a. Concealing, suppressing, and/or failing to disclose to consumers that debt settlement work will be performed by non-lawyers employed by another entity;
- b. Misrepresenting to consumers that debt settlement work will be performed by Monarch Legal lawyers; and
- c. Causing confusion and misunderstanding about the connection between Monarch and Strategic.

123. The MCC provides that any person who violates “any of the provisions of Section 4-276-470 shall be fined not less than \$50.00 nor more than \$2,000.00 for each offense.” MCC § 4-276-480. The City is therefore entitled to fines for each violation of MCC § 4-276-470.

124. The MCC also authorizes the City’s Corporation Counsel to bring an action for injunctive relief and other equitable relief. MCC § 2-25-090(e)(4). The City is entitled to injunctive and equitable relief as described below.

125. WHEREFORE, the City respectfully requests that this Court enter an order (a) awarding judgment in the City's favor on Count 2; (b) declaring that Defendants violated MCC § 4-276-470; (c) enjoining Defendants from engaging in further deceptive practices in violation of MCC § 4-276-470; (d) assessing Defendants a fine for each violation of MCC § 4-276-470, in the amount of \$2,000 for each day such violation has existed and continues to exist; (e) awarding such other injunctive and declaratory relief as is necessary; and (f) awarding such other relief as the Court deems reasonable and just.

JURY DEMAND

Chicago requests a trial by jury of all claims.

Dated: July 26, 2022

Celia Meza
Corporation Counsel of the City of Chicago

By: /s/ Rachel F. Granetz

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