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Posted on Sat, Jun. 05, 2004

AmeriDebt Files for Chapter 11 Bankruptcy

FOSTER KLUG
Associated Press

BALTIMORE - A credit counseling company accused of using deceptive marketing to rip off hundreds of customers filed for bankruptcy protection Saturday.

AmeriDebt spokeswoman Christine Kraly said the Chapter 11 filing "will in no way impede" the company's operations. Payments made by its customers are processed through a separate trust account that will not be affected, the company said.

"AmeriDebt's first priority is and always has been serving its consumer clients," the c in a statement.

In November, AmeriDebt became the first credit counseling company to have a feder against it. Minnesota, Illinois and Missouri are among five states that have sued the c

"We have pursued companies in the past that have gone the bankruptcy route and re money for consumers, so we're going to hang in there as long as it takes," said Scott spokesman for the Missouri attorney general's office.

The Federal Trade Commission alleged the company hid fees and did not educate per to get out of debt. Regulators said AmeriDebt made customers think that an initial fe part of their debt-reduction payments to creditors. Instead, it went to the company.

AmeriDebt has disputed the characterization, saying it provides educational services It says the payments cited by the FTC are "voluntary contributions."

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Federal regulators also accused AmeriDebt of marketing itself as nonprofit, but actually make money for affiliated for-profit companies. The agency also said the company's television ads said AmeriDebt helps customers learn better financial management skills.

AmeriDebt laid off most of its workers in October and stopped seeking new customers because of what it called "negative publicity" and to focus on serving its existing client company also stopped all advertising.

AmeriDebt said it has worked with 400,000 people and had more than 90,000 current clients as of July.

ON THE NET

AmeriDebt: <http://www.AmeriDebt.org>

Federal Trade Commission: <http://www.ftc.gov>

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