

**UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION**

In the Matter of

**MONTGOMERY WARD CREDIT CORPORATION, a corporation, and
GENERAL ELECTRIC CAPITAL CORPORATION, a corporation.**

DOCKET NO.

COMPLAINT

The Federal Trade Commission, having reason to believe that Montgomery Ward Credit Corporation, a corporation, and General Electric Capital Corporation, a corporation ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Montgomery Ward Credit Corporation is a Delaware corporation with its principal office or place of business at 4246 South Riverboat Road, Taylorsville, Utah 84123.
2. Respondent General Electric Capital Corporation is a New York corporation with its principal executive office or place of business at 260 Long Ridge Road, Stamford, Connecticut 06927.
3. Respondents are engaged in, among other things, the offering and servicing of credit cards, including private label credit cards. In the course and conduct of their businesses, respondents have regularly extended credit (hereinafter referred to as "consumer credit accounts").
4. The acts and practices of respondents alleged in this complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the Federal Trade Commission Act.

THE UNITED STATES BANKRUPTCY CODE

5. Under the United States Bankruptcy Code (11 U.S.C. §§ 1-1330), a debtor may be granted a discharge in a Chapter 7 bankruptcy proceeding from debts that have arisen prior to the filing of the bankruptcy petition (hereinafter referred to as "pre-petition debts"), meaning that the debtor is no longer individually liable for these debts. The granting of a discharge "operates as an injunction against the commencement or continuation of an action, the employment of process, or an act, to collect, recover or offset any such debt as a personal liability of the debtor, whether or not discharge of such debt is waived. . . ." 11 U.S.C. § 524(a)(2). The purpose of the injunction is to protect the debtor's "fresh start" by ensuring that no debt collection efforts are taken against the debtor personally for pre-petition debts.
6. The United States Bankruptcy Code provides, however, that a debtor may agree with a creditor that the creditor can enforce what would otherwise be a discharged debt. In other words, a debtor may reaffirm his or her pre-petition debts, as long as certain requirements are met. These so-called "reaffirmation agreements" are enforceable only if, among other things, the agreement is filed with the bankruptcy court. If the debtor is not represented by an attorney, the bankruptcy court must hold a hearing to determine that the reaffirmation agreement would not impose an undue hardship on the debtor and is in the best interest of the debtor, and must approve the reaffirmation agreement before

it becomes enforceable. 11 U.S.C. § 524(c) and (d).

7. If the requirements of 11 U.S.C. § 524(c) and (d) are not met, an agreement to reaffirm a debt is not binding and a creditor violates the bankruptcy code if it attempts to collect that debt. 11 U.S.C. § 524(a).

**VIOLATIONS OF SECTION 5(a)
OF THE FEDERAL TRADE COMMISSION ACT**

8. From at least January 1, 1993, to June 30, 1997, respondents regularly solicited consumers who had filed for protection under Chapter 7 of the United States Bankruptcy Code to enter into agreements reaffirming some or all of their debt arising from pre-petition consumer credit accounts that would otherwise be discharged through bankruptcy proceedings.

9. In numerous instances, respondents represented, expressly or by implication, to consumers that their reaffirmation agreements would be filed with the bankruptcy courts, as required by the United States Bankruptcy Code.

10. In truth and in fact, in many cases respondents did not file the reaffirmation agreements with the bankruptcy courts. Therefore, the representation made in Paragraph 9 was, and is, false or misleading.

11. In numerous instances, respondents represented, expressly or by implication, to consumers that their reaffirmation agreements were legally binding on the consumers and that the consumers were legally required to pay their pre-petition debts.

12. In truth and in fact, in many cases, the reaffirmation agreements were not legally binding on the consumers and the consumers were not legally required to pay their pre-petition debts for reasons including, but not necessarily limited to, the following: (a) respondents did not file the reaffirmation agreements with the bankruptcy courts; or (b) respondents filed the reaffirmation agreements, but the agreements were then not approved by the bankruptcy courts. Therefore, the representation made in Paragraph 11 was, and is, false or misleading.

13. In the course and conduct of their businesses relating to consumer credit accounts, respondents regularly collected from consumers debts that had been legally discharged in bankruptcy proceedings and that respondents were not permitted by law to collect. Respondents' actions have caused or were likely to cause substantial injury to consumers that is not offset by any countervailing benefits and is not reasonably avoidable by these consumers. 15 U.S.C. § 5(n). Therefore, respondents' collection of debts that they were not permitted by law to collect was, and is, unfair.

14. The acts and practices of respondents as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this day of , , has issued this complaint against respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: