

Department of Justice
U.S. Attorney's Office
Eastern District of Pennsylvania

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U.S. Attorney's Office Holds Debt Collector Responsible for Collection Practices, Company Agrees to Resolve False Claims Act Liability

PHILADELPHIA – United States Attorney William McSwain announced today that BARR Credit Services, Inc., a commercial debt collection company based in Tucson, Arizona, has agreed to pay \$55,793 and start a compliance program to resolve the government's claims against it under the False Claims Act. The agreement arises from BARR Credit's attempts to collect debts from the Federal Bureau of Prisons on behalf of Scholars in Print, a telemarketing firm in Bucks County, Pennsylvania.

In 2018, the government filed a complaint against Scholars in Print alleging that it operated a telemarketing scheme. According to the federal court complaint, the telemarketing company submitted false claims to the Bureau of Prisons for textbooks that nobody ordered or wanted. Scholars in Print allegedly hired debt collectors to collect unpaid invoices. The parties resolved that case through a consent judgment. Today's settlement agreement follows that consent judgment.

In the agreement announced today, the United States contends that BARR Credit, one of Scholars in Print's debt collectors, knew or should have known that the textbook invoices were fraudulent. Teachers, librarians, non-profit organizations, and public officials told BARR Credit that Scholars in Print operated a fraud scheme and explained how it worked, according to the government's allegations in the agreement. The United States contends that BARR Credit created records describing these fraud reports, and therefore BARR Credit acted recklessly when it tried to collect similar debts from the Bureau of Prisons.

As part of the resolution, BARR Credit admitted that its quality control procedures did not adequately identify the suspect nature of Scholars in Print's invoices. To resolve the allegations, BARR Credit will pay \$55,793 and will not resume collection efforts for Scholars in Print or its operators, John Paul Ryan and Mary Motz Ryan.

BARR Credit will also start a compliance program designed to protect the public from similar harm. As part of that program, BARR Credit will implement quality control procedures, adopt policies, and monitor customer accounts to identify patterns of fraud reports or suspicious debts. BARR Credit will supervise its debt collectors to prevent them from demanding payment from public or private schools, libraries, non-profit organizations, and federal, state, or local public agencies or officials without first possessing documentary proof that the entity incurred the debt legitimately.

In addition to taking these measures, BARR Credit will train its employees annually about state and federal procurement procedures and government purchasing in order to identify fraudulent debts. BARR Credit will certify its compliance annually during the agreement's five-year term.

While not admitting liability, BARR Credit acknowledged that any attempt to demand payment from federal agencies for alleged debts can result in False Claims Act liability if the debts are not bona fide debts that comply with federal procurement procedures.

“Debt collectors should do their homework before trying to collect payment from federal agencies,” said U.S. Attorney McSwain when announcing the resolution. “The False Claims Act governs their conduct, so they should not try to collect taxpayer money unless they have a legitimate, documented debt to back it up. My Office stands ready with our federal partners to investigate these claims to protect consumers and taxpayers.”

“The OIG is committed to investigating companies whose reckless attempts at debt collection cause them to make false claims to the Bureau of Prisons. We will work tirelessly with our law enforcement partners to ensure those who do not conduct their due diligence under the law are held accountable,” stated Lew F. Sessions, Special Agent-in-Charge of the U.S. Department of Justice Office of the Inspector General’s Fraud Detection Office.

Assistant United States Attorney Michael S. Macko handled the case with investigative assistance from the United States Department of Justice Office of Inspector General.