

Local credit card scam, linked to 'payday' loans, shut down

Jeff Gelles, Inquirer Business Columnist

With his car needing tires and his budget already stretched to the breaking point, Bill Losse might as well have had a bull's-eye on his back when the telemarketer called. For an up-front fee plus a \$19 monthly charge, she said, Losse could get an interest-free "Platinum Trust Card," which the caller compared to an American Express card, and a \$10,000 credit limit.

The retired New Jersey corrections officer probably did have that bull's-eye, according to investigators from the Federal Trade Commission. For more than two years, they say, scammers operating from offices in Jenkintown and Philadelphia targeted Losse and thousands of other hard-pressed consumers around the country, many of whom, like Losse, had recently applied online for a short-term "payday" loan.

But instead of helping them, the FTC says, the scammers hit their targets with an elaborate fraud in which virtually nothing was really as it was portrayed - not even the location of their business, which hid behind bogus addresses in Nevada and Utah.

Losse, of Browns Mills, didn't get a real credit card. For his \$89 fee, he got a plastic card usable only at a handful of websites that sold what the FTC calls "ludicrously overpriced products" in large wholesale quantities - such as a case of 72 packages of "washable poster paints" for \$863.

The line of credit was an illusion, too. Customers who actually found things worth buying discovered that much of the price was deducted up front directly from their checking accounts. Some victims, including Losse, had money taken even after they complained and canceled their cards. Others said money was taken even though they'd rejected the offer outright.

And timely payments likely did nothing to help anyone's credit records - a key element of the pitch made to Losse and other victims. The FTC says there's no evidence that Platinum Trust Card or its cousin, the "Express Platinum Card," ever bothered to report on-time payments to credit bureaus.

Earlier this month, the FTC filed a civil-fraud lawsuit against four Philadelphia-area men behind the scheme and a web of companies connected to the cards. A federal judge appointed a receiver, who shut down the operation. Named as defendants in the lawsuit are two brothers, Blake Rubin, of Huntingdon Valley, and Chase Rubin, of Rydal; Jules Shore, of Abington; and Justin Diaczuk, of Philadelphia.

Through their attorney, Kenneth M. Dubrow of Philadelphia's Chartwell Law Offices, the defendants have declined to discuss the allegations against them or their business operations, which the FTC says took in at least \$4.82 million in less than three years and recorded 10,000 sales in one recent two-month period.

But details of the operation are on display in documents filed in support of the FTC's request for a preliminary injunction against the business, including e-mails, call transcripts, and telemarketing scripts found in employees' cubicles.

Steven Baker, director of the FTC's regional office in Chicago, which led the investigation, says the records show a scam that stands out for its sheer brazenness.

"The difference between what you get here and what you're told you'll get is really incredibly stark," Baker said last week. "Basically, the business doesn't exist except to rip people off."

The cards generated extraordinarily high rates of complaints about unauthorized charges, both from consumers and payment processors, and investigations by authorities in several states.

In e-mails disclosed in court papers, those behind the Platinum Trust Card seem to acknowledge and even joke about their deceptions, while at times showing an ugly disdain for the consumers they targeted.

In one October 2010 e-mail, Blake Rubin told a manager that Platinum Trust Card needed to be renamed, and invited suggestions.

The manager, not a defendant in the FTC suit, responded: "Platinum Scam Card?"

The next day, that same manager sent Blake Rubin an e-mail with the subject line "new mission statement + company name" that volunteered both "Platinum Scam Card" and a racially derogatory slogan.

Blake Rubin's response: "Haha. I like it."

That same manager sent a January 2011 e-mail to Blake Rubin, outlining his revenue goals for the year and mentioning having spent time on customer phone calls. "These customers are soooooo stupid," he told Rubin. With the right scripts, he added, "we could sell them ANYTHING."

Investigators found scripts advising employees how to deal with skeptical customers - including those aware of other schemes in which "gold" or "platinum" cards are deceptively compared with Visa, MasterCard, or American Express cards, but are only usable for shopping from particular catalogs or websites.

If a potential customer asked whether the card was "a shopping or catalog card," a rebuttal script advised saying: "No Sir/Ma'm we don't deal with any catalogs we send out a real plastic credit card."

According to call transcripts, a staffer identified as "Mike" stuck closely to a script for addressing the question, "Is this a Visa or MasterCard?" when he replied to a customer, "Ms. H."

"Well, Platinum Trust is actually a privately branded card, more like an American Express in the sense that it's a zero-interest card. The only difference is that you don't have to pay your balance in full. You just pay 5 percent of whatever you purchase. It's a credit card," he said.

When Ms. H persisted in her skepticism, asking if it had the Visa or MasterCard logo on it, Mike again replied that it was "more like an American Express." And when Ms. H mentioned that "at different places you have to order from a book or -" Mike interrupted to say:

"We don't deal with catalogs or books or magazines or anything like that. It is a credit card. I wouldn't even consider those catalog cards credit cards. I don't even know why they call them that, honestly."

Losse, the Browns Mills resident, was typical of the scam's victims in another way that investigators say they haven't fully explained: He was apparently targeted because he had recently applied for an online payday loan, a transaction that required him to provide his checking account number and bank routing number because that is how such lenders ensure they will be repaid.

Somehow, the marketer for the Platinum Trust Card already had that crucial private financial information - keys to a bank account that make it easier for scammers to take money even when consumers reject their pitches or try to quickly reverse an unwise choice.

"My mistake was taking that quickie loan," says Losse, 61, who counts \$592 in losses from unauthorized withdrawals and the fallout in bounced-check fees when his account was depleted. "I think that was the dumbest thing I've ever done."

Losse says the offer of a \$10,000 credit line was too attractive to pass up, given the financial stresses of retirement.

The FTC's Baker says scammers commonly target those facing financial distress, a pattern that has left his agency especially busy since 2008's steep economic downturn. Even so, he says, he found this particular scheme especially troubling.

"This is a serious deception against people who can least afford it," Baker says. "They're just trying to keep their heads above water."
