

FILED

JUL 1 2021

ADMINISTRATIVE HEARING PROCESS

**CONSUMER PROTECTION DIVISION,
OFFICE OF THE ATTORNEY GENERAL**

Proponent,

v.

NATIONAL TAX EXPERTS, INC., *et al.*

Respondents.

**IN THE CONSUMER
PROTECTION DIVISION,
OFFICE OF
THE ATTORNEY GENERAL
OF MARYLAND**

CPD Case No. 21-006-335248

OAH Case No. OAG-CPD-04-2106275

FINAL ORDER BY CONSENT

The Consumer Protection Division of the Office of the Attorney General (the “Agency”)¹ hereby orders Respondents National Tax Experts, Inc. and Patrick Oakes (referred collectively as the “Respondents”) to cease and desist from violating the Maryland Consumer Protection Act, the Maryland Credit Services Businesses Act, and the Maryland Debt Settlement Services Act and take affirmative steps pursuant to § 13-403(b)(1) of the Consumer Protection Act as described herein.

THE PARTIES

1. The Consumer Protection Division of the Office of the Attorney General of Maryland is responsible for enforcement of Maryland consumer protection laws, including the Maryland Consumer Protection Act, Md. Code Ann., Com. Law §§ 13-101 through 13-501 (2013 Repl. Vol, 2020 Supp.) (the “CPA”), the Maryland Credit Services Businesses Act, Md. Code Ann., Com. Law §§ 14-1901 through 14-1916 (2013 Repl. Vol, 2020 Supp.) (the “MCSBA”), and

¹ The Consumer Protection Division acting in its capacity as a quasi-judicial agency is referred to herein as the “Agency,” while the Consumer Protection Division acting as the Proponent in the instant matter is referred to as the “Division.”

the Maryland Debt Settlement Services Act, Md. Code Ann., Fin. Inst. §§ 12-1001 through 12-1017 (2013 Repl. Vol, 2020 Supp.) (the “MDSSA”).

2. Respondent National Tax Experts, Inc. (“NTE”) is a corporation organized under the laws of the State of California that lists the address for its principal office as 1 Sansome St., Ste 3500, San Francisco California, 941045. Although NTE is not registered to do business in Maryland, NTE has advertised, marketed, and sold services to help clients pay the lowest amount of tax possible under current tax laws throughout the United States, including to Maryland consumers.

3. Respondent Patrick Oakes resides in Sherman Oakes, California and, has been the sole owner of NTE since February 1, 2017. In his time as owner, Respondent Oakes possessed or exercised the authority to control the policies and trade practices of NTE, had knowledge of its policies and trade practices, and directed or supervised its employees.

DEFINITIONS

4. “Clearly and conspicuously” when referring to a statement or disclosure, shall mean that such statement or disclosure is disclosed in such size, color, contrast, location, duration, and audibility that it is readily noticeable, readable, understandable, and capable of being heard. A statement may not contradict or be inconsistent with any other information with which it is presented. If a statement modifies, explains, or clarifies other information with which it is presented, it must be presented in proximity to the information it modifies, in a manner that is likely to be noticed, readable, and understandable, and it must not be obscured in any manner. Audio disclosure shall be delivered in a volume and cadence sufficient for a consumer to hear and comprehend it. Visual disclosure shall be of a size and shade and appear on the screen for a duration sufficient for a consumer to read and comprehend it. In a print advertisement or

promotional material, including, but without limitation, point of sale display or brochure materials directed to consumers, the disclosures shall be in a type size and location sufficiently noticeable for a consumer to read and comprehend it, in a print that contrasts with the background against which it appears.

5. "Consumer" shall have the same meaning as "Maryland consumer" and shall not be construed to mean a consumer in any other state or country.

6. "Maryland consumer" shall mean any actual or prospective purchaser, lessee, or recipient of goods, services, realty, or credit, which are primarily for personal, household, or agricultural purposes, while residing in the State of Maryland.

7. "Tax debt relief services" shall mean any service or program represented, directly or by implication, to renegotiate, settle, reduce, or in any way alter the terms of payment or other terms of a tax debt owed by a consumer to one or more tax authorities.

PROCEDURAL HISTORY

8. On March 8, 2021, the Division filed its Statement of Charges alleging that the Respondents violated the CPA, the MCSBA, and the MDSSA, in connection with their offer and sale of tax debt relief services in the State of Maryland.

9. The Division's Statement of Charges alleges that, in their offer or sale of tax debt relief services to Maryland consumers, the Respondents engaged in unfair and deceptive trade practices that violated the CPA when they sent consumers advertisements warning consumers that because of their tax debts, their bank accounts, property and other assets were facing imminent seizure. The mailings purported to be from a court or other government agency and instructed consumers to call a phone number that would connect them to NTE. The Division alleged that these and other statements contained in the Respondents' mailings were unfair and deceptive and

violated the CPA because the Respondents are not affiliated with any court or government agency and the Respondents did not know whether the consumers they targeted with their advertisements were facing imminent seizure of their bank accounts, property or other assets.

10. The Respondents, in their advertisements and when they communicated with consumers, promised to help consumers settle their tax debts. In some instances, the Respondents indicated an attorney would be involved in providing the offered tax debt relief services. The Division alleges that these and other claims that the Respondents made were unfair and deceptive trade practices that violated the CPA because the Respondents did not provide promised tax debt relief services and did not provide the assistance of an attorney.

11. The Division further alleged that the Respondents violated the MCSBA by offering, selling, and providing their tax debt relief services to consumers in Maryland without first being licensed as a credit services business under the MCSBA, charging fees before performing the promised tax debt relief services, making false and misleading statements in connection with their offer of tax relief services, failing to post a required surety bond, and using contracts that did not include disclosures and other terms required by the MCSBA.

12. The Division further alleged that the Respondents violated the MDSSA by offering, providing, or attempting to provide tax debt relief services to consumers in Maryland without first being duly registered as a debt settlement services provider, charging fees before performing the promised tax debt relief services, making false and misleading statements in connection with their offer of tax debt relief services, and using contracts that did not include disclosures and contain other terms required by the MDSSA.

13. The Respondents' alleged violations of the MCSBA and MDSSA are also unfair and deceptive trade practices that are prohibited by the CPA.

14. The parties consent and agree to the terms of this Final Order to resolve the Division's allegations without trial or adjudication.

15. The Respondents are willing to consent and agree to the terms of this Final Order to resolve the Division's concerns under the CPA, the MCSBA, and the MDSSA as to the matters addressed in this Final Order and thereby avoid significant expense, inconvenience, and uncertainty.

16. The Respondents are entering into this Final Order solely for the purpose of settlement, and nothing contained herein may be taken as or construed to be an admission or concession of any violation of law, rule, or regulation, or of any other matter of fact or law, or of any liability or wrongdoing, all of which the Respondents expressly deny. No part of this Final Order, including its statements and commitments, shall constitute evidence of any liability, fault, or wrongdoing by the Respondents, except in an action to enforce this Final Order.

17. The Final Order shall not be construed or used as a waiver or limitation of any defense otherwise available to Respondents in any other action, or of the Respondents' right to defend themselves from, or make any arguments in, any other private, individual, regulatory, governmental, or class claims or suits relating to the subject matter or terms of this Final Order other than an action to enforce this Final Order. This Final Order is made without trial or adjudication of any issue of fact or law or finding of liability of any kind.

RESPONDENTS' DENIAL

18. The Respondents deny they have committed any unfair or deceptive trade practices prohibited by the CPA and deny that they have violated the MCSBA, MDSSA, or any other Maryland law.

CEASE AND DESIST PROVISIONS

19. For purposes of resolving disputes concerning the above allegations, the Respondents agree to the relief set forth below.

20. The Cease and Desist provisions of this Final Order shall apply to Respondent NTE and its officers, employees, agents, successors, assignees, affiliates, merged or acquired entities, parent or controlling entities, wholly-owned subsidiaries and all other persons acting in concert or in participation with it.

21. The provisions of this Final Order shall apply to Respondent Patrick Oakes and his agents, employees, and assigns, and any partnership, corporation or entity in which he either currently, or in the future, has a majority ownership interest, has authority to control, or has the authority to establish policy.

22. The provisions of this Final Order shall apply to the Respondents in connection with their offer, sale and/or performance of any tax debt relief services to consumers residing in Maryland.

23. The Respondents shall cease and desist from committing any unfair or deceptive trade practices that violate the CPA.

24. The Respondents shall not offer, sell, and/or perform any tax debt relief services to or on behalf of Maryland consumers.

25. The Respondents shall not make written or oral representations to consumers that Respondents are a Maryland court or another government agency.

26. In any mailing made by NTE, the Respondents shall not utilize the name of any other company or entity in the return address.

RESTITUTION

27. The Division contends that consumers were harmed as a result of the Respondents' unfair and deceptive trade practices in connection with their offer, sale and performance of tax debt relief services.

28. The Respondents shall pay a restitution amount to the Agency equal to the amount of all fees that Maryland consumers paid for the Respondents' tax debt relief services that were purchased on or after February 1, 2017, less any amounts already refunded to the consumers and any reductions permitted under paragraphs 30 and 31 (the "Restitution Amount").

29. The Agency shall distribute the Restitution Amount to each consumer harmed by the Respondents' unfair and deceptive trade practices consistent with the terms of this Final Order.

30. If (a) the Respondents prepared a tax return for a consumer, (b) the tax return prepared by the Respondents was filed with the appropriate tax authority by the Respondents or by the consumer after the consumer was provided the tax return by the Respondents, and (c) the Respondents provide sufficient documentation to the Division to show that the tax return was filed with the appropriate taxing authority, then the Respondents may reduce the Restitution Amount due under paragraph 28 for that consumer by One Hundred and Seventy Five Dollars (\$175.00) for each tax year in which any tax returns were filed. The Respondents shall not be permitted to obtain a separate credit for federal and state tax returns that were filed in the same tax year.

31. If (a) the Respondents submitted a request to settle, reduce, abate, or otherwise modify the amount or other terms of a consumer's tax debt, including related penalties and interest, to an appropriate tax authority, (b) the tax authority agreed to accept the settlement or other modification and reduced, eliminated or otherwise modified the amount or other terms of a tax debt (including penalties and interest) owed by that consumer, including but not limited to placing

the consumer into “Currently Not Collectible” or similar collection status, and (c) the Respondents provide sufficient documentation to the Division to show: (i) that the tax authority agreed to a settlement or other modification, then the Respondents may reduce the Restitution Amount due under paragraph 28 for that consumer by a percentage that equals the percentage of the consumer’s tax debt (including penalties and interest) that was eliminated, reduced, abated, through the agreement, compromise or other modification with the tax authority, as compared to the consumer’s recorded tax lien at the time the consumer hired Respondents; or (ii) that the tax authority agreed to the Respondents’ request that the consumer be placed in a “Currently Not Collectible” or similar non-collectible status, and if the consumer remains in that status on the date that this Final Order is entered, the Respondents may reduce the Restitution Amount due under paragraph 28 for that consumer by 50%.

32. On the date of this Final Order, the Respondents shall make an initial restitution payment to the Division of Fifty Thousand Dollars (\$50,000). Additional restitution shall be paid pursuant to the payment terms in paragraphs 48 through 49.

33. The Agency shall place the restitution payment it receives into a bank account to be maintained by the Agency that shall be used to pay restitution to consumers (the “Restitution Account”).

34. Within sixty (60) days from the date of this Final Order, the Respondents shall provide the Division with a list of all Maryland consumers to whom they sold any tax debt relief service in or since February 2017 (the “Consumer List”). For each such consumer, the Respondents shall provide the following information, to the extent such information is in possession of the Respondents:

- (a) the consumer’s name;

- (b) the consumer's address;
- (c) the consumer's city, state and postal code;
- (d) the consumer's telephone number(s) and email address(es);
- (e) the consumer's social security number;
- (f) the total amount of all fees paid by the consumer to Respondents;
- (g) the amount of any refund already paid to the consumer;
- (h) a list of the tax years for which one or more tax returns were filed by the Respondents or by the consumer after being provided the tax return by the Respondents;
- (i) the total amount of tax debt owed by the consumer to each tax authority that the Respondents were hired to resolve;
- (j) the amount of tax debt that the tax authority accepted to reduce, abate, or otherwise modify as part of a settlement negotiated by the Respondents; and,
- (k) the percentage reduction of each debt itemized under subpart (i) that was negotiated or obtained by the Respondents.

35. The Respondents shall provide the information required under paragraph 34 to the Division, in electronic form, in the form of a spread sheet, with each item separately listed.

36. The Respondents shall provide the Division reasonable access, upon request, to documentation of any of the information contained in the Consumer List.

37. The Division shall perform a claims process that will be conducted by a person or persons appointed by the Agency (hereinafter the "Claims Administrator"). The Claims Administrator may be an employee of the Agency or an independent claims processor.

38. The claims process shall consist of identifying and locating each consumer who is eligible to receive restitution pursuant to this Final Order, gathering all information necessary to

determine the amounts of restitution due to each consumer who is eligible to receive restitution, and the mailing by the Claims Administrator of restitution payments to all such consumers and any other mailings that assist the claims process.

39. Consumers are eligible to receive restitution equal to the amounts of the fees they paid the Respondents, less any amounts already refunded to the consumer and any reduction permitted by paragraphs 30 and 31.

40. If it is possible to determine a consumer's entitlement to relief from sources other than the consumer, that relief shall be provided to the consumer without the necessity of the consumer submitting information in the claims process.

41. The Claims Administrator shall perform the above duties under the supervision and control of the Division.

42. The Respondents shall give the Claims Administrator complete access to all records, data, and personnel necessary for the Claims Administrator to complete his or her duties.

43. If, at any stage of the claims process, it is determined that the Restitution Account will require additional payments to satisfy all consumer restitution due under this Final Order, the Respondents shall deposit additional money in the amount specified by the Division within sixty (60) days of being notified by the Division of the additional amount.

44. If there are insufficient funds received by the Agency to cover full restitution for consumers and the civil penalty and costs due hereunder, the funds received shall be credited first toward restitution and shall only be credited toward the civil penalty after all restitution claims are satisfied.

45. If there are insufficient funds collected to provide full restitution to each victim, restitution shall be distributed to consumers on a pro rata basis.

46. At the conclusion of any claims process conducted by the Division, any part of the Restitution Amount paid by the Respondents under this Final Order that has not been distributed to consumers may, at the discretion of the Attorney General, be (a) held in trust for consumers by the State or (b) used in accordance with State law, for consumer education or other purposes permitted by State law.

CIVIL PENALTY

47. Pursuant to the payment terms in paragraphs 48 through 49, the Respondents shall pay to the Division a civil penalty in the amount of One Hundred Thousand Dollars (\$100,000). If the Respondents make timely payments pursuant to the payment terms in paragraphs 48 through 51, and on the date of their final payment, have fully complied with the terms of this Final Order, the Division agrees to waive payment of Fifty Thousand Dollars (\$50,000) of the civil penalty.

PAYMENT TERMS

48. The amount of restitution remaining after the initial restitution payment made pursuant to paragraph 32, and the civil penalty that the Respondents must pay the Division pursuant to paragraph 47, shall be payable in monthly installments. Each monthly installment shall be in the amount of Fifty Thousand Dollars (\$50,000), or in the case of the final payment, the remainder of the amount then due. The initial monthly installment shall be due on the last day of the last day of the first full month that follows the date of the entry of this Final Order, and the remaining payments shall be due on the last day of each succeeding month until the restitution and civil penalty have been paid in full. The funds received by the Division shall be credited first toward restitution. In the event that the Respondents pay all or a portion of the balance ahead of this schedule, the Division will not impose or charge any prepayment penalty.

49. In the event that Respondents fail to pay a monthly installment payment within thirty (30) days of the date such payment is required by paragraph 48 ("Payment Default"), all amounts due under the terms of this Final Order, including the unpaid remainder of the Restitution Amount due under paragraph 28 and the full amount of civil penalty under paragraph 47, shall be immediately due and owing to the Division, less any amounts already paid by the Respondents.

50. Upon the occurrence of a Payment Default, the Respondents waive service of process and confess to the entry of a judgment against the Respondents, jointly and severally, for the entire unpaid sum of the amounts due pursuant to the terms of this Final Order.

51. No delay or failure by the Division in exercising any right, power, or privilege under this Final Order shall affect such right, power, or privilege; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such right, power, or privilege preclude any further exercise thereof, or of any other right, power, or privilege.

DISPUTES

52. The Chief of the Division or his designee shall resolve any disputes that arise concerning this Final Order, including any dispute concerning whether adequate documentation has been provided pursuant to paragraphs 30(c) and 31(c) and may enter any supplemental orders needed to effectuate its purpose.

NOTICE

53. Whenever notice is required under this Final Order, notice shall be provided in writing.

Notice to the Division shall be directed to:

Christopher J. Madaio
Consumer Protection Division
200 St. Paul Place, 16th Floor
Baltimore, MD 21202

410-576-6585
cmadaio@oag.state.md.us

and to:

Chief, Consumer Protection Division
200 St. Paul Place, 16th Floor
Baltimore, MD 21202
consumer@oag.state.md.us

Notice to Respondents shall be directed to:

Douglas Gansler
Cadwalader, Wickersham & Taft LLP
700 Sixth Street, N.W.
Washington, DC 20001
202-862-2300
Douglas.Gansler@cwt.com

Any party may change its designated notice recipients by written notice to the other parties.

ENFORCEMENT

54. The Respondents understand that this Final Order is enforceable by the Consumer Protection Division pursuant to the CPA and that any violation of this Final Order is a violation of the CPA.

55. The Respondents agree that any future violations of this Final Order or violations of the CPA, MCSBA, or MDSSA shall constitute a subsequent violation of the CPA for purposes of Com. Law § 13-410.

56. No part of this Final Order shall create or eliminate any private cause of action or confer or eliminate any right to any third party for violation of any federal or state law.

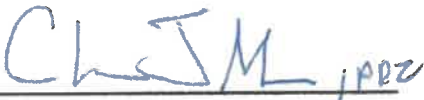
57. Patrick Oakes expressly represents that he is duly authorized to enter into and execute this Final Order on behalf of National Tax Experts, Inc.

AGREED AS TO FORM AND SUBSTANCE,


CONSUMER PROTECTION DIVISION,
OFFICE OF THE ATTORNEY GENERAL

NATIONAL TAX EXPERTS, INC.
1 Sansome St., Ste 3500
San Francisco CA 94104


By:


CHRISTOPHER J. MADAIO
Assistant Attorney General


and


PHILLIP D. ZIPERMAN
Deputy Chief

By:


PATRICK OAKES
6/25/21

and


PATRICK OAKES, INDIVIDUALLY
13305 Valley Vista Blvd.
Sherman Oakes, CA, 91423
6/25/21

SO ORDERED, CONSUMER
PROTECTION DIVISION

By:


WILLIAM D. GRUHN
Chief, Consumer Protection Division

Entered: 7/1/21