

NEWS RELEASE

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AG STRANGE ANNOUNCES SETTLEMENT WITH USA DISCOUNTERS

(MONTGOMERY) –Alabama Attorney General Luther Strange announced a settlement today with retailer USA Discounters, also doing business as USA Living and Fletcher’s Jewelers, along with 49 other state attorneys general, to resolve the states’ claims of deceptive trade practices by the company.

USA Discounters sold consumer products, including furniture, appliances, televisions, computers, smart phones, jewelry and other consumer goods, principally on credit. USA Discounters typically marketed to members of the military and veterans, advertising that military, veterans and government employees would never be denied credit for goods purchased from the retailer.

The Attorneys General alleged that USA Discounters engaged in unfair, abusive, false and deceptive acts and practices. These allegations include that, in collecting on consumer debts, USA Discounters engaged in abusive tactics, constantly contacted service members’ chains-of-command, and caused some service members to lose security clearances and face demotions. The states also alleged that USA Discounters only filed its lawsuits in a few Virginia jurisdictions, no matter the service member’s location, deployment status, or residence. In addition, the states alleged USA Discounters sold overpriced household goods at high interest rates, often using the military allotment system to guarantee payment. These unlawful business practices, the states claim, were secured through misrepresentations and omissions in advertising, during the loan’s origination, and during the collection process.

USA Discounters closed its stores in the summer of 2015 before later declaring bankruptcy.

“This company victimized many consumers and particularly targeted those with military or government service,” said Attorney General Strange. “These abusive and deceptive practices will not be tolerated. I am pleased that we have been able to obtain debt relief for many of its victims.”

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USA Discounters agreed to provide relief to certain former and current customers. The total estimated value to consumers for these restitution measures is approximately \$95.9 million, primarily benefiting active and veteran service members. Namely, USA Discounters agreed to:

- Write off all accounts with balances for customers whose last contract was dated June 1, 2012 or earlier, and correct the negative comment from the company on those consumers' credit reports (Approximately \$71 million);
- Apply a \$100 credit to all accounts whose contracts were dated after June 1, 2012, which were not discharged in bankruptcy, and correct the negative comment from the company on those consumers' credit reports (Approximately \$2.89 million);
- Write off all judgments not obtained in the correct state, and correct the negative comment from the company on those consumers' credit reports (Approximately \$21.2 million);
- Credit all judgments that were obtained in the correct state against members of the military with a credit equal to 50 percent of the original judgment amount (Approximately \$728,000);
- Pay a penalty of \$40 million to the states. This \$40 million penalty will be subordinated to all secured, administrative, priority, and unsecured claims that are allowed in the bankruptcy case.

State Attorneys General focused on the judgments obtained in a state different from where the debtor resided because it impacted service members the hardest. Service members were often unable to travel to another state to defend themselves in court while stationed at a different state military base or overseas.

The approximate value of the restitution to consumers and the number of consumers impacted in Alabama is yet to be determined.