



News Release

Office of the Attorney General

FOR IMMEDIATE RELEASE
September 30, 2016
#16-16

CONTACT: Harlow Sumerford
(615) 741-5860
Harlow.Sumerford@ag.tn.gov

Attorney General Announces \$133 Million Settlement with USA Discounters *Members of the military and veterans eligible for restitution and credits*

Attorney General Herbert H. Slatery III, along with the Division of Consumer Affairs, and attorneys general from 49 other states and the District of Columbia today announced a settlement with retailer USA Discounters, also doing business as USA Living and Fletcher's Jewelers. The settlement resolves the states' claims of deceptive trade practices against 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 USA Discounters engaged in unfair, abusive, false and deceptive acts and practices. These allegations include engaging in abusive collection tactics by constantly contacting service members' chains-of-command, which caused some service members to lose security clearances and face demotions.

The states also alleged USA Discounters only filed its lawsuits in a few Virginia jurisdictions, no matter the service member's residence or deployment status. Service members were often unable to travel to Virginia to defend themselves in court while stationed at a different state military base or overseas.

In addition, the states alleged USA Discounters sold overpriced household goods at high interest rates, often using the military allotment system to guarantee payment. The states claim these unlawful business practices were secured through misrepresentations and omissions in advertising, during the loan's origination, and during the collection process.

"This company took advantage of our men and women in uniform, often while they were away serving the country," Attorney General Slatery said. "Today's settlement not only provides restitution for our military members, veterans and others, but also sends a strong message that unfair and deceptive trade practices will not be tolerated."



According to the settlement, USA Discounters agreed to provide relief to certain former and current customers. The total estimated value to consumers is approximately \$95.9 million, primarily benefiting active and veteran service members. USA Discounters cooperated fully with the investigation. Namely, USA Discounters agreed to:

- Cancel 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);
- Cancel 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.

“Members of the military and their families deserve better than unfair credit plans and abusive collection practices,” Tennessee Department of Commerce & Insurance Deputy Commissioner Bill Giannini said. “This settlement demonstrates that Tennessee won’t tolerate anyone taking advantage of our military families.”

The approximate value of restitution to consumers in Tennessee is \$1.7 million. USA Discounters closed its stores in the summer of 2015 before later declaring bankruptcy.

For more information about this settlement, contact Tennessee Division of Consumer Affairs (615) 741-4737.