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Alabama Attorney General's Office, Banking Department, Securities Commission Sue Future Income Payments LLC for Activities Related to the Purported Purchase and Sale of Retirees' Pensions

(MONTGOMERY)--Attorney General Steve Marshall, Superintendent of the Alabama State Banking Department Michael E. Hill, and Director of the Alabama Securities Commission Joseph P. Borg, have sued Future Income Payments LLC (FIP), and its chief executive officer, Scott Alan Kohn, for alleged illegal activities related to its purported purchase of pensions. The lawsuit was filed March 20 in Montgomery County Circuit Court.

The Attorney General's Office, Securities Commission and Banking Department are asking the court to issue an injunction to stop activities that they state are in violation of the Alabama Small Loan Act, the Alabama Consumer Credit Act, the Alabama Securities Act and the Alabama Deceptive Trade Practices Act.

"This company operated an illegal lending scheme that took advantage of vulnerable Alabama consumers by targeting the pension benefits that protect retirees from poverty and hardship," said Attorney General Marshall. "Anyone who is still making payments to FIP is advised to stop, and to cancel any debits from their accounts to this company. My office, along with the Alabama Banking Department and Alabama Securities Commission, is committed to putting a stop to this kind of exploitative and illegal activity."

FIP is a Nevada company which markets and advertises the purchase and sale of pension income streams. According to marketing materials and information located on its websites, FIP purchases pensions from retirees, bundles them into structured cash flows, and then sells the cash flows to investors. The allegations in the complaint indicate that the company targeted two groups of individuals, those who needed an immediate source of cash in the form of a lump sum payment, and those who were seeking an investment opportunity. According to the complaint, individuals searching for short-term loan products were directed to FIP's website where they were asked to submit an inquiry form. Shortly thereafter, the consumer would receive a call from a FIP sales person who attempted to sell FIP's services to the Alabama consumer. The plaintiffs allege that FIP engaged in deceptive practices by exploiting those individuals who urgently needed cash for healthcare, family emergencies, or other immediate demands. The consumers were ultimately saddled with unlicensed loans, many of which were made at unlawful interest rates.

Once FIP had secured the pension stream from the consumer, it would then bundle and market "structured cash flows" to investors across the nation, including Alabama. As an incentive to purchase, FIP represented to investors that the investments could provide higher than average returns and that the risk of investing would be mitigated by reserve accounts. According to the complaint, however, no reserve accounts existed, and investors have stopped receiving returns on their investments. "Pension-backed structured cash flows are often touted as a safe and high-yield investment, but these investments can be risky and complex. In the case of FIP, investors were misled into believing not only that the investments were safe, but that they were insured by reserves," said Deputy Director of Enforcement for the Alabama Securities Commission, Amanda Senn.

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