THE OFFICE OF MASSACHUSETTS ATTORNEY GENERAL *Tom Reilly*

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AG REILLY ANNOUNCES \$24 MILLION MULTI-STATE SETTLEMENT BENEFITTING SMALL BUSINESSES DECEIVED BY A NEW JERSEY-BASED TELECOM COMPANY

National Settlement will Clear Massachusetts Small Businesses of \$1.6 million Debt for Inadequate Telecom Services

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BOSTON - More than 1,000 small business owners from across the country - including 73 in Massachusetts who will receive an estimated \$1.6 million - will either receive refunds or be cleared of \$24 million in debt under the terms of a settlement reached with three finance companies linked to a telecommunications scam spearheaded by NorVergence, a now-bankrupt New Jersey-based telephone company, Attorney General Tom Reilly announced today.

The settlement, filed today in Suffolk Superior Court, resolves allegations that CIT Group/Equipment Financing, Inc.(CIT), of Livingston, New Jersey, Lyon Financial Services, known as U.S. Bancorp Business Equipment Finance Group (US Bancorp), of Marshall, Minnesota, and Wells Fargo Financial Leasing, Inc. (Wells Fargo), of Des Moines, Iowa, knew or should have known that their financing agreements with more than 1,000 small businesses were fraudulently obtained. At the center of the controversy is NorVergence, a bankrupt New Jersey-based telecommunications provider, which misled customers into signing long-term contracts with claims that the company would provide discounts on local, long distance, wireless and Internet services.

"This settlement lifts the burden off many small business owners who were being forced to pay hundreds or thousands of dollars each month for non-existent services," AG Reilly said. "Today's action is another step forward in our efforts to hold NorVergence accountable for its widespread telecommunications scam, and to end the continuing victimization of these consumers by the finance companies which, through their actions, whether intentionally or not, facilitated and furthered the

scam."

Under the NorVergence contracts, the small businesses were obligated to enter into financing agreements for a "Matrix Box" that they were told was essential for obtaining the discounted services. NorVergence then sold or assigned the long-term financing agreements for the Matrix Boxes to 40 different finance companies, including CIT, US Bancorp and Wells Fargo. In June 2004, NorVergence stopped providing any of the telecommunications services. However, the finance companies continued to demand payments -- often thousands of dollars a month -- from the small businesses for the Matrix Box. In fact, the Matrix Box had a retail value of less than \$1,000 total, and were worthless to these small businesses once their telecommunications services were discontinued by NorVergence. In November 2004, AG Reilly filed a separate lawsuit against NorVergence seeking restitution for more than 200 small businesses, non-profit organizations and local government entities in Massachusetts. Today's agreements resolve the AG's allegations that the finance companies knew or should have known that the value of the Matrix Boxes were greatly inflated and that by continuing to demand payments for the now worthless Matrix Boxes, they were furthering and exacerbating the fraud that NorVergence had committed on its customers.

NorVergence told consumers that they needed data routers that they branded the "Matrix box," purportedly to combine and ultimately reduce rates on local telephone, long-distance telephone, wireless, and Internet services. What customers received, however, as AG Reilly alleges in his suit against NorVergence, was a worthless black box. Consumers who signed contracts for the telecommunications services, including the so-called Matrix Box, were obligated to pay between \$300 to \$2300 per month for, in some cases, up to five years.

NorVergence assigned these customers' contracts to several out-of-state financing companies, including the three named in today's settlement. In many instances, these assignments were done without the customers' knowledge or consent. As a result, even after NorVergence stopped providing any telecommunications services, many NorVergence customers in Massachusetts were forced to either pay the finance companies thousands of dollars for services they were not receiving, or else fight the financing companies and risk collection actions and default judgments in other states.

NorVergence had more than 9,000 customer accounts nationwide, and more than 250 in Massachusetts.

When NorVergence was forced into bankruptcy in June 2004, its customers were left without service but the finance companies, including CIT, US Bancorp and Wells Fargo, still tried to hold the customers responsible for the five-year rental agreement payments. US Bancorp and Wells Fargo then sued or threatened suit against many of these customers, including Massachusetts customers. The finance companies, however, filed -- or threatened to file -- their suits in the states in which they have their corporate headquarters, which in most cases is a distant and inconvenient forum for the NorVergence customers. This made it financially difficult or impossible

for the customers to mount a defense.

Under the terms of today's settlement, CIT, US Bancorp, and Wells Fargo will refund or clear \$24 million in rental payments they claimed to be owed by more than 1,000 NorVergence customers nationwide. In Massachusetts, CIT, US Bancorp, and Wells Fargo will refund or not collect over \$1.6 million in rental payments they claimed to be owed by 73 Massachusetts consumers. In addition, CIT, US Bancorp, and Wells Fargo have agreed not to enforce the waiver of jurisdiction clause -- which means that even if a Massachusetts customer opts not to accept the terms of the AG's settlement, that customer can no longer be sued outside of Massachusetts.

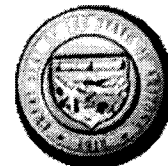
All consumers who signed agreements with NorVergence bought by CIT, US Bancorp, or Wells Fargo or who signed NorVergence agreements directly with one of these finance companies, will receive a notice about participating in this settlement. The settlement mandates that CIT and USB will only collect 15 percent of the customer's remaining balance after July 15, 2004. Wells Fargo will collect 14 percent of the customer's remaining balance after July 31, 2004. Also, any consumer that previously settled with CIT, US Bancorp, or Wells Fargo regarding NorVergence service for terms that are less favorable than this settlement can receive the more favorable settlement terms if they choose.

AG Reilly led this multi-state action with Attorneys General from Arizona, Colorado, Connecticut, Delaware, Illinois, Kansas, Louisiana, Maryland, Michigan, Missouri, New Hampshire, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Washington, West Virginia, the District of Columbia and the Georgia Governor's Office of Consumer Affairs.

Assistant Attorneys General Geoffrey G. Why and Scott Schafer of AG Reilly's Consumer Protection and Antitrust Division and Assistant Attorney General Karlen Reed of AG Reilly's Utilities Division handled this case with assistance from paralegal Caitlin Burke.

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May 26, 2005

Terry Goddard Settles NorVergence Claims with Two Leasing Companies

(Phoenix, AZ) Attorney General Terry Goddard today announced two settlements that could result in more than \$450,000 in debt forgiveness to 10 Arizona victims still being required to make payments on a telecommunications device that is worthless.

Goddard joined 20 other state attorneys general in nationwide settlement agreements with Wells Fargo Financial Leasing, Inc. (WFFL) and Lyon Financial Services d/b/a U.S. Bancorp Business Equipment Finance Group (USB). The settlement is in connection with a widespread telecommunications fraud involving NorVergence, Inc., a bankrupt New Jersey-based telephone equipment and service company. A third company, CIT Technology, is also part of the national settlements, but it does not hold any contracts in Arizona.

NorVergence customers will be contacted directly by WFFL and USB with information on how to participate in these settlement agreements. If all affected Arizona customers participate, the finance companies will forgive or refund about \$458,727. Nationwide, these settlement agreements could provide more than \$24 million of potential debt forgiveness or refunds to consumers and will affect more than 1,000 former NorVergence contracts.

"The victims in this case were harmed twice. First they were sold a box that didn't do anything, and then again when collection agencies started hounding them to pay for a useless box," Goddard said. "This settlement will help end the nightmare that started with the hope of saving money in business costs, and ended up costing money, time and lots of frustration."

NorVergence's deceptive sales pitch offered to reduce local telephone, long-distance telephone, wireless, and Internet services using purportedly high-tech devices called Matrix boxes. But these boxes were actually just data routers that only cost NorVergence between \$500 and \$1,500. NorVergence promised consumers a possible 30 percent reduction in their telecommunications bills.

NorVergence typically required an equipment rental agreement for three to five years at a monthly rate of \$200 to \$4,000 per month, but the Matrix boxes did not provide the promised telephone or Internet services.

After securing contracts with businesses, NorVergence sold the rental agreements to approximately 40 different finance companies, including, USB, WFFL and CIT. NorVergence had over 9,000 customer accounts nationwide. A majority of the customers were small businesses, non-profit organizations, and local government entities.

Goddard and other state attorneys general have alleged the NorVergence contracts were fraudulent. The Federal Trade Commission also launched an investigation, and some consumers have filed class action lawsuits seeking to collect on the NorVergence leases.

While Wells Fargo and U.S. Bancorp deny any wrongdoing, they have agreed to forgive 85 to 86 percent of the unpaid amounts due under the NorVergence contracts, not including sales or property taxes.

Joining Goddard in the US Bancorp agreement were Attorneys General from Colorado, Connecticut, Delaware, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Michigan, New Hampshire, North Carolina, Ohio, Pennsylvania, Rhode Island, West Virginia and Washington, D.C., and the Georgia Governor's Office of Consumer Affairs.

The Wells Fargo agreement was signed by Goddard and the Attorneys General of Connecticut, Delaware, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Michigan, New Hampshire, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Washington and Washington, D.C., and the Georgia Governor's Office of Consumer Affairs.

The CIT agreement was signed by the Attorneys General from Connecticut, Delaware, Illinois, Maryland, Massachusetts, Michigan, Pennsylvania, Rhode Island and Washington, D.C., and the Georgia Governor's Office of Consumer Affairs.

The settlements also invalidate the so-called "floating" forum clauses in the NorVergence contracts which arguably permitted these companies to sue for collection in other states. Now, any such litigation will generally be restricted to consumers' home states.

Affected consumers will be contacted by the finance companies within 30 days with instructions on how to join in the settlements; consumers will then have 35 days to decide whether to participate.

"These settlements are just a portion of the contracts still out there," Goddard said. "There are other companies still trying to collect on the original NorVergence contracts. We will continue our efforts to help other Arizona consumers who are victims of this fraud."

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