



SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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EXECUTIVES AT DEBT COLLECTION AGENCY ADMIT ROLES IN \$10 MILLION FRAUD SCHEME AND TARP BANK FRAUD

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and United States Attorney for the District of Connecticut David B. Fein today announced that three more executives of Oxford Collection Agency, Inc. ("Oxford"), have pleaded guilty in Bridgeport, Conn. federal court to charges stemming from a \$10 million fraud scheme. Oxford was a private financial services company that engaged in accounts receivables management, primarily debt collecting, with offices in New York, Pennsylvania, and Florida.

Randall Silver, 43, of New Hyde Park, N.Y., pleaded guilty on December 13 to one count of conspiracy to commit wire fraud, bank fraud, and money laundering, and one count of wire fraud. Silver was a Vice President of Finance and Chief Financial Officer at Oxford. Charles Harris, 38, of Babylon, N.Y., and Carlos Novelli, 43, of Vero Beach, Fla., pleaded guilty on December 17 and December 18, respectively, to one count of conspiracy to commit wire fraud and bank bribery. Harris was an Executive Vice President at Oxford and Novelli was the company's Chief Operations Officer.

"Executives at Oxford stole from their company's clients, investors, and from Webster Bank, a TARP recipient, to line their own pockets," said Christy Romero, Special Inspector General for TARP (SIGTARP). "To keep up their on-going, \$10 million scheme, the defendants, with falsified information, fraudulently obtained a \$6 million line of credit from Webster Bank to fund their debt collection business. The fraud included underreporting the amounts of money actually collected on behalf of clients, pocketing the difference for personal use, and bribing clients to secure more business. Ripping off a TARP bank equals ripping off taxpayers. SIGTARP and our law enforcement partners will continue to hold those responsible for TARP fraud accountable for their crimes."

According to court documents and statements made in court, various businesses and other entities contracted with Oxford to collect debts owed them by consumers. Oxford's clients included, among others, an educational institution, a laboratory, a computer company, and various banks. Oxford collected debts from consumers under the pretense that it would report all such collections to its clients and remit the appropriate amount to the client. However, Silver, Harris, Novelli, and other Oxford executives routinely caused Oxford to collect debts that were never remitted to its clients. The co-conspirators referred to these unremitted collections as a client's "backlog." To hide the backlog, co-conspirators would make periodic fraudulent collection reports to certain clients that under-reported the amount of funds collected.

Certain co-conspirators also transferred money from one client trust account to another client account, from Oxford's operating account to a client account, or from a client account to Oxford's operating

account to cover various shortfalls and backlogs or to improperly use collections to directly fund Oxford's operations.

Starting in April 2007, Oxford secured a line of credit from Connecticut-based Webster Bank, a bank that received funds through the Troubled Asset Relief Program (TARP), without informing Webster Bank about its significant client backlogs or outstanding payroll taxes. Oxford executives, including Richard Pinto, Oxford's Chairman of the Board, and his son, Peter Pinto, Oxford's President and Chief Executive Officer, sent falsified financial statements to Webster Bank. With Silver's assistance in the fraud scheme, the Webster Bank credit line was increased to \$6 million. Richard Pinto, Peter Pinto, Silver, and others also laundered funds from the credit line to promote the ongoing fraud scheme against their clients. During this same period, the Pintos, Silver, and others also solicited millions of dollars in investments from various investors, without ever disclosing to their investors the existence of their backlogs. Some of the investor funds were transferred into Richard Pinto's personal bank account without investor knowledge.

Victims lost more than \$10 million as a result of this scheme.

As part of the scheme, certain co-conspirators also paid kickbacks to employees of one or more financial institutions in order to compensate them for providing Oxford with the bank's debt collection business.

In pleading guilty to a wire fraud charge unrelated to the conspiracy offenses, Silver admitted that he embezzled \$193,963 from Oxford by transferring funds from Oxford's "Client Payables" account at Webster Bank to an account at a New York bank that he controlled.

On May 11, 2012, Richard Pinto and Peter Pinto each pleaded guilty to one count of conspiracy to commit wire fraud, bank fraud, and money laundering and one count of wire fraud stemming from this scheme.

Each of the conspiracy charges carries a maximum term of imprisonment of five years, and wire fraud carries a maximum term of imprisonment of 20 years. When they are sentenced, the defendants also face fines and orders of restitution.

This matter is being investigated by SIGTARP, the Internal Revenue Service - Criminal Investigation, the Federal Bureau of Investigation, and the Connecticut Securities, Commodities, and Investor Fraud Task Force. The case is being prosecuted by Assistant U.S. Attorney Liam Brennan, Special U.S. Attorney John McReynolds, and Deputy U.S. Attorney Deirdre Daly.

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President's Financial Fraud Enforcement Task Force, please visit www.StopFraud.gov.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

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