

**Letitia James**

New York State Attorney General

Attorney General James and FTC Recover \$34.2 Million for Thousands of U.S. Servicemembers Defrauded by Harris Jewelry

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Harris Jewelry Required to Provide Refunds, Stop Collecting Debt, and Correct Bad Credit Scores for More Than 46,000 Servicemembers and Veterans Nationwide

NEW YORK – New York Attorney General Letitia James and the Federal Trade Commission (FTC) today [recovered \\$34.2 million for more than 46,000 servicemembers and veterans](#) who were deceived and defrauded by national jewelry retailer, Harris Jewelry. The company used deceptive marketing tactics to lure active-duty servicemembers to their financing program, falsely claiming that investing in this program would improve servicemembers' credit scores. Instead, servicemembers were tricked into obtaining high-interest loans on overpriced, poor-quality jewelry that saddled them with thousands of dollars of debt and worsened their credit. Attorney General James and FTC co-led an 18-state agreement that requires Harris Jewelry to refund tens of thousands of servicemembers for warranties they were tricked into purchasing, to stop collecting millions of dollars of debt, to correct bad credit scores, and to dissolve all its businesses. This agreement also requires Harris Jewelry to pay \$1 million to all 18 states. Today's agreement [resolves an earlier lawsuit filed by the Office of the Attorney General \(OAG\)](#) against Harris Jewelry and its principals for these deceptive business practices.

"It's abhorrent that Harris Jewelry built their business by taking advantage of young servicemembers risking their lives to protect our country," said **Attorney General James**. "Harris Jewelry claimed to serve and support our troops, but its business practices were entirely self-serving. For years, Harris Jewelry misled military members and saddled them with thousands of dollars of debt. My office joined forces with FTC and 17 other states to protect servicemembers from Harris Jewelry and combat their predatory practices. Today's action will help thousands of servicemembers get back on their feet after falling

victim to Harris Jewelry's schemes. Our troops bravely put our protection above their own and deserve to be treated with integrity and respect. Predatory lenders and businesses harming servicemembers should be warned that their actions will not be tolerated."

"Today's action against Harris Jewelry shows that companies that target our country's servicemembers with false promises and deceptive sales practices will face serious consequences," said **Samuel Levine, director, FTC's Bureau of Consumer Protection**. "The FTC is committed to working with state enforcers to halt unfair and deceptive business practices across the marketplace. We are grateful for their partnership in this case, which allowed us to deliver strong relief for servicemembers."

Harris Jewelry, headquartered in Hauppauge, New York, operated retail stores near and on military bases around the country. Their business model was designed to primarily target and service people in the military. A multi-state investigation led by New York found that local servicemembers were enticed into retail stores through a marketing scheme, dubbed "Operation Teddy Bear," in which Harris Jewelry advertised teddy bears in military uniforms with promises of charitable donations. The OAG's investigation found that [no legal contract was actually signed between Harris Jewelry and Operation Troop Aid, Inc.](#), which Harris claimed to support. Moreover, consumers were often given varying and conflicting information about the amount donated to the charity. Sometimes they were told all the proceeds would be donated, other times they were told only a portion would be donated.

In addition, Harris Jewelry offered predatory lending contracts that were marketed to servicemembers as a way to build or improve their credit scores. The credit advanced to servicemembers through what was called the Harris Program was not based on a consumers' credit score, potential income, or other legitimate factors that banks consider. Rather, it was based on a servicemember's branch of service, the amount of time they have remaining on the term of enlistment, and the category of merchandise they purchased. Servicemembers were led to believe that they were investing in the Harris Program and the jewelry they purchased was a gift from Harris Jewelry.

The jewelry itself was significantly overpriced and poor quality. The OAG's investigation found that the company dramatically inflated the retail price of its products, generally by multiplying its wholesale cost by six or seven times, and in some cases 10 times the wholesale cost. For example, Harris Jewelry purchased its popular Mother's Medal of

Honor at \$77.70 but sold it at \$799. The jewelry was not worth the price, and consumers often reported stones falling out, chains breaking, and the finish fading.

Harris offered servicemembers protection plans on the jewelry that they claimed was optional but was added to nearly all eligible transactions without their awareness. The costs of the protection plans ranged from \$39.99 to \$349.99, depending on the retail price of the item. In some instances, the cost of the protection plan exceeded the wholesale cost Harris paid for the item. Protection plans were added to a consumer's retail installment contract as a routine practice without disclosure to the consumer.

With the inflated purchase price, protection plans, taxes, shipping and handling fees, teddy bears, and other fees, servicemembers were charged more than they were initially told. Using the \$799 Mother's Medal of Honor as an example, servicemembers were charged \$79.99 for a protection plan, taxes, and other fees, bringing the total principal cost to \$974.31. At a 14.99 percent interest rate over a 10-month period, the total amount paid by a servicemember ended up being \$1,039.26 for the Mother's Medal of Honor.

In essence, Harris Jewelry used charity pleas as a marketing tactic to dupe servicemembers into high-priced, deceptive in-house financing contracts for vastly overpriced jewelry. The jewelry was poor quality, the prices were highly inflated, finance contracts had hidden fees, and the payments were directly tied to the military pay days.

According to today's consent order, Harris Jewelry violated the FTC Act, the Truth in Lending Act, the Electronic Fund Transfer Act, the Military Lending Act, the Holder Rule; and state laws in connection with jewelry sales and financing to members of the military.

Specifically, OAG and FTC allege that Harris Jewelry:

- **Made false or unsubstantiated claims that financing jewelry purchases through the company would result in higher credit scores:** The company told servicemembers that they would achieve a significant improvement in their credit score by entering into a retail installment contract with Harris Jewelry when, in fact, that was not true in many instances.
- **Misrepresented that the protection plan was required to finance purchases:** In connection with the sale of jewelry and military-themed gifts, Harris Jewelry offered a protection plan that covered ring and watch sizing, battery replacements, and repairs. In several instances, the company gave the false impression that the

protection plan was not optional or was required to finance the purchase, when it was in fact optional.

- **Failed to provide written disclosures and meet authorization requirements for contracts as required by law:** Harris Jewelry failed to include written disclosures in its retail installment contracts as required by the Truth in Lending Act and Military Lending Act and meet authorization requirements as required by the Electronic Fund Transfer Act. Its internet and print ads also failed to include the required Truth in Lending disclosure. The company also failed to provide written notice as required by FTC's Holder Rule in its contracts and failed to make oral disclosures at the time of sale as required by the Military Lending Act.

Today's agreement requires Harris Jewelry to stop collecting \$21,307,229 in outstanding debt that is held by 13,426 servicemembers and to provide \$12,872,493 in refunds to 46,204 servicemembers who paid for lifetime protection plans. In New York, 443 servicemembers will have \$756,644 in debt canceled and 1,692 servicemembers will be refunded \$479,514. Harris Jewelry is also required to vacate judgments against 112 consumers totaling \$115,335.64 and delete any negative credit entries reported to consumer reporting agencies.

In addition, Harris Jewelry is required to pay \$1 million to the 18 states. New York will receive \$150,000, which Attorney General James has delivered to Jefferson County for programs to support veterans and servicemembers. Jefferson County is home to Fort Drum, the largest military base in New York, and the site of a former Harris Jewelry that deceived active-duty servicemembers.

Servicemembers and veterans who entered into a predatory financing loan with Harris Jewelry starting in January 2014 will be eligible for restitution to the extent they paid for warranties. An independent monitor will be installed to oversee the relief and contact eligible servicemembers and veterans. Eligible servicemembers and veterans will receive an email and letter in the mail notifying them of this agreement and their eligibility, servicemembers will then have to claim their restitution. If any individual did not receive a letter but believes they qualify, they should file a claim with the [Watertown Regional Office](#).

"We are very appreciative of Attorney General James and her dedicated staff for coming to the aid of our Fort Drum soldiers and families, twice!" said **Jefferson County Administrator Robert F. Hagemann, III**. "First, in terms of successfully taking to task

certain unscrupulous businesses looking to take financial advantage of many of our innocent military neighbors. Secondly, the attorney general has chosen to “pay it forward” with funding for Jefferson County that will allow us the opportunity to reinvest in our Fort Drum soldiers through the Joseph P. Dwyer Veteran Peer-to-Peer support program.”

“Anytime a company takes advantage of its customers it is disgraceful — and it is especially so in this instance, where 45,000 of our nation’s heroes were defrauded by Harris Jewelry,” said **State Senator Patty Ritchie**. “I am grateful that Attorney General James was able to join forces with the Federal Trade Commission to rectify this situation. Thanks to their efforts, servicemembers and veterans who fell victim to Harris Jewelry’s deceptive business practices will be provided with the relief they deserve.”

“As Chairman of the New York State Senate Committee on Veterans, Homeland Security, and Military Affairs, I know that threats to our military community can take many forms,” said **State Senator John E. Brooks**. “Thanks to Attorney General James’ effective leadership, this predatory business can no longer target the wallets of our military servicemembers and veterans. Just as it was the duty of servicemembers to protect us from threats seen and unseen, I am happy to know that our attorney general is doing the same for them in turn.”

“It is unconscionable that a New York-based business like Harris Jewelry would prey on and defraud active-duty servicemembers and veterans in our state and across the country — selling poor quality merchandise at stores near bases and destroying personal credit ratings,” said **Assemblymember Didi Barrett**. “Thank you to Attorney General Letitia James and her team, and the Federal Trade Commission, for pursuing these egregious violations of both state and federal laws and recovering hard-earned money for our military men and women.”

“While deceiving any consumer is unacceptable, systematically taking advantage of active military servicemembers as a matter of everyday business is completely shameful,” said **Assemblymember Pamela Hunter**. “As a veteran myself, the thought of a servicemember buying jewelry as a gift for a loved one only for it to entirely undermine their financial stability is incredibly disturbing. These individuals that go months at a time without seeing their families do not deserve to be burdened by unmanageable debt levied on them by an unscrupulous business. Although this settlement will not undo the strain many of these families suffered through, it is my hope that the settlement will bring

relief to those victimized by Harris Jewelry, and I am thankful that we have an attorney general with a steadfast commitment to consumer protection.”

“I'd like to thank the attorney general and the Federal Trade Commission for their efforts on this,” said **Assemblymember Mark Walczyk**. “The jeweler defrauded hundreds of thousands of servicemembers, including many in Northern New York. Their business practices were shameful, and I'm glad to see the brave men and women who were wronged by them are getting a fair shake.”

“It is disgusting that businesses like Harris Jewelry would actively target and deceive the great men and women who have chosen to serve this nation,” said **Watertown Mayor Jeff Smith**. “The members of the 10th Mountain Division are neighbors and are part of our community in Watertown, New York. It becomes personal when the men and women of the 10th Mountain Division are targeted by such deceptive and predatory business practices as was done by Harris Jewelry. It is comforting to know that Attorney General Letitia James is diligently working to protect the men and women of the 10th Mountain Division from fraudulent business practices. Especially, when it is the men and women of the 10th Mountain Division (the most deployed division in the United States Army) are protecting this great nation.”

“The NYC Department of Veterans' Services commends New York Attorney General Letitia James and the Federal Trade Commission (FTC) for their hard-fought efforts in exposing this financial fraud targeted at our military community,” said **New York City Veteran's Commissioner James Hendon**. “Bringing the responsible parties to justice and recovering lost assets for those that have served our nation deserves the highest praise. This settlement demonstrates that preventing financial fraud against our servicemembers, veterans and military families will never be accepted in our city and great state.”

Joining Attorney General James and FTC in today's agreement are the attorneys general of California, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Iowa, Kansas, Louisiana, Maryland, Nevada, North Carolina, Pennsylvania, Virginia, Washington, and Hawaii's Office of Consumer Protection.

The case was led by Assistant Attorney General in Charge of the Watertown Regional Office Deanna R. Nelson and Assistant Attorney General Julia Toce with assistance from Investigator Chad Shelmidine, under the supervision of Deputy Attorney General of the

Division of Regional Affairs Jill Faber. The Division of Regional Affairs is overseen by First Deputy Attorney General Jennifer Levy.