

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN**

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

**FINANCIAL EDUCATION SERVICES,
INC.,** a Michigan corporation,

UNITED WEALTH SERVICES, INC., a
Michigan corporation,

VR-TECH, LLC, a Michigan limited
liability company,

VR-TECH MGT, LLC, a Michigan
limited liability company,

CM RENT INC., a Colorado corporation,

**YOUTH FINANCIAL LITERACY
FOUNDATION,** a Michigan nonprofit
corporation,

LK COMMERCIAL LENDING LLC, a
Michigan limited liability company,

**STATEWIDE COMMERCIAL
LENDING LLC,** a South Carolina limited
liability company,

PARIMAL NAIK, in his individual and
corporate capacity,

MICHAEL TOLOFF, in his individual
and corporate capacity,

Case No. 2:22-cv-11120-BAF-APP

Hon. Bernard A. Friedman

CHRISTOPHER TOLOFF, in his individual and corporate capacity, and

GERALD THOMPSON, in his individual and corporate capacity,

Defendants, and

GAYLE L. TOLOFF, individually and as trustee, grantor, and beneficiary of the Gayle L. Toloff Revocable Living Trust,

Relief Defendant.

FIRST AMENDED COMPLAINT FOR PERMANENT INJUNCTION, MONETARY RELIEF, CIVIL PENALTIES, AND OTHER RELIEF

Plaintiff, the Federal Trade Commission (“FTC”), for its Complaint alleges:

1. The FTC brings this action under Sections 5(a), 5(m)(1)(A), 13(b), 16(a), and 19 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 45(a), 45(m)(1)(A), 53(b), 56(a), and 57b, Section 410(b) of the Credit Repair Organizations Act (“CROA”), 15 U.S.C. § 1679h(b), Section 6(b) of the Telemarketing and Consumer Fraud and Abuse Prevention Act (“Telemarketing Act”), 15 U.S.C. § 6105(b), Section 621(a) of the Fair Credit Reporting Act (“FCRA”), 15 U.S.C. § 1681s(a), and Section 522(a) of the Gramm-Leach-Bliley Act (“GLB Act”), 15 U.S.C. § 6822(a), which authorize the FTC to seek, and the Court to order, temporary, preliminary, and permanent injunctive relief, monetary civil penalties and other monetary relief, and other relief for Defendants’ acts or practices in violation of Section

5(a) of the FTC Act, 15 U.S.C. § 45(a), and in violation of multiple provisions of CROA, 15 U.S.C. §§ 1679-1679l, multiple provisions of the FTC's Telemarketing Sales Rule ("TSR"), 16 C.F.R. Part 310, Section 604(f)(2) of the FCRA, 15 U.S.C. § 1681b(f)(2), and Section 521 of the GLB Act, 15 U.S.C. § 6821, in connection with Defendants' marketing and sale of credit repair services and investment opportunities.

SUMMARY OF CASE

2. Since at least 2015, Defendants have operated an unlawful credit repair scam that has deceived consumers across the country. Through Internet websites, social media, telemarketing, and using a network of sales agents ("FES Agents"), Defendants falsely claim they can improve consumers' credit scores by removing all negative items from their credit reports and adding credit building products. Defendants often provide FES Agents with the necessary promotional and marketing materials, including social media-ready advertising and scripts, to market Defendants' credit repair services to English- and Spanish-speaking consumers. And Defendants routinely take prohibited advance fees from consumers for their credit repair services and do not make required disclosures regarding those services.
3. In addition, Defendants market an investment opportunity—encouraging consumers to become FES Agents and then recruit other consumers to purchase Defendants' credit repair services (often at the same time as

marketing their credit repair services). Defendants falsely claim that FES Agents will earn substantial income. Defendants often provide FES Agents with the necessary marketing materials, including social media-ready advertising and scripts, to recruit new agents. In reality, however, Defendants' purported investment opportunity is an illegal pyramid scheme. Defendants' compensation plan incentivizes recruiting new FES Agents over selling credit repair services, and few consumers ever realize the promised earnings.

JURISDICTION AND VENUE

4. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), 1345, and 1355(a).
5. Venue is proper in this District under 28 U.S.C. §§ 1391(b)(1), (b)(2), (c)(1), and (c)(2), and 1395(a), and 15 U.S.C. § 53(b).

PLAINTIFF

6. The FTC is an independent agency of the United States Government created by the FTC Act, which authorizes the FTC to commence this district court civil action by its own attorneys. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce. The FTC also enforces CROA, 15 U.S.C. §§ 1679-1679l, which prohibits untrue or misleading representations to induce the purchase of credit repair services, requires

certain affirmative disclosures in the offering or sale of credit repair services, and prohibits credit repair service organizations from charging or receiving money or other valuable consideration for the performance of credit repair services before such services are fully performed. The FTC also enforces the Telemarketing Act, 15 U.S.C. §§ 6101-6108. Pursuant to the Telemarketing Act, the FTC promulgated and enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive telemarketing acts or practices. The FTC also enforces the FCRA, 15 U.S.C. §§ 1681-1681x, which protects the privacy of consumer financial information by limiting the provision and use of consumer credit reports. The FTC also enforces Section 521(a) of the GLB Act, 15 U.S.C. § 6821(a), which prohibits obtaining a person's financial information by making false, fictitious, or fraudulent statements.

DEFENDANTS

7. Defendant **Financial Education Services, Inc.** ("FES") is a Michigan corporation with its principal place of business at 37637 Five Mile Road, Suite 397, Livonia, Michigan. FES was originally incorporated as Credit Education Services, Inc. FES has also done business as American Credit Education Premium Services, American Credit Education Services, United Credit Education Premium Services, United Credit Education Services, United Wealth Education, and VR-Tech Marketing Group. At all times relevant to this Complaint, acting alone or in concert with others, FES has

marketed and sold credit repair services and investment opportunities to consumers throughout the United States. FES transacts or has transacted business in this District and throughout the United States.

8. Defendant **United Wealth Services, Inc.** (“United Wealth”) is a Michigan corporation with its principal place of business at 37735 Enterprise Court, Suite 600, Farmington Hills, Michigan. United Wealth has also used an address of 37637 Five Mile Road, Suite 397, Livonia, Michigan. United Wealth has also done business as United Wealth Education. At all times relevant to this Complaint, acting alone or in concert with others, United Wealth has marketed and sold credit repair services and investment opportunities to consumers throughout the United States. United Wealth transacts or has transacted business in this District and throughout the United States.
9. Defendant **VR-Tech, LLC** (“VR-Tech”) is a Michigan limited liability company with its principal place of business at 37735 Enterprise Court, Suite 600, Farmington Hills, Michigan. VR-Tech was formed from the merger of three previously incorporated Michigan companies, VR-Tech Data Processing Solutions, LLC, VR-Tech Software Solutions, LLC, and VR-Tech Marketing Group, LLC. VR-Tech has also done business as Financial Education & Services, LLC. At all times relevant to this Complaint, acting alone or in concert with others, VR-Tech has marketed and sold credit repair services and

investment opportunities to consumers throughout the United States. VR-Tech transacts or has transacted business in this District and throughout the United States.

10. Defendant **VR-Tech MGT, LLC** (“VR-Tech Mgt”) is a Michigan limited liability company with its principal place of business at 37735 Enterprise Court, Suite 600, Farmington Hills, Michigan. At all times relevant to this Complaint, acting alone or in concert with others, VR-Tech Mgt has marketed and sold credit repair services and investment opportunities to consumers throughout the United States. VR-Tech Mgt transacts or has transacted business in this District and throughout the United States.
11. Defendant **CM Rent Inc.** (“CM Rent”) is a Colorado company with its principal place of business at 1415 Park Avenue, Denver, Colorado. CM Rent is registered as a foreign corporation in Michigan, with an address of 1 Towne Square, Suite 1835, Southfield, Michigan. CM Rent has also done business as Credit My Rent. At all times relevant to this Complaint, acting alone or in concert with others, CM-Rent has marketed and sold credit repair services and investment opportunities to consumers throughout the United States. CM-Rent transacts or has transacted business in this District and throughout the United States.
12. Defendant **Youth Financial Literacy Foundation** (“Youth Financial”) is a Michigan nonprofit corporation with its principal place of business at 37637

Five Mile Road, Suite 397, Livonia, Michigan. Youth Financial was originally incorporated as MSU Common Sense, Inc., which changed its name to The Thompson Scholarship Foundation, Inc., which changed its name to Patro Scholarship Foundation, Inc., which changed its name to Youth Financial. Youth Financial has also done business as American Credit Education Services, Financial Education, Financial Literacy Education Services, and United Credit Education Services. At all times relevant to this Complaint, Youth Financial has carried on business for its own profit or that of its members. At all times relevant to this Complaint, acting alone or in concert with others, Youth Financial has marketed and sold credit repair services and investment opportunities to consumers throughout the United States. Youth Financial transacts or has transacted business in this District and throughout the United States.

13. Defendant **LK Commercial Lending LLC** (“LK Commercial Lending”) is a Michigan limited liability company with its principal place of business at 37735 Enterprise Court, Suite 500, Farmington Hills, Michigan. At all times relevant to this Complaint, acting alone or in concert with others, LK Commercial Lending has obtained consumer reports of consumers located throughout the United States. LK Commercial Lending transacts or has transacted business in this District and throughout the United States.

14. Defendant **Statewide Commercial Lending LLC** (“Statewide Commercial Lending”) is a South Carolina limited liability company with its registered address at 5301 N. Trenholm Road, Suite A, Columbia, South Carolina and principal place of business at 37735 Enterprise Court, Suite 500, Farmington Hills, Michigan. At all times relevant to this Complaint, acting alone or in concert with others, Statewide Commercial Lending has obtained consumer reports of consumers located throughout the United States. Statewide Commercial Lending transacts or has transacted business in this District and throughout the United States.
15. Defendant **Parimal Naik** is or was an owner, officer, director, or manager of Youth Financial, FES, VR-Tech, CM Rent, and LK Commercial Lending. He is an authorized signatory on many of Defendants’ bank accounts. Defendants’ telecommunications services are often paid using his credit card. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in this Complaint. Defendant Parimal Naik resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.
16. Defendant **Michael Toloff** is or was an owner, officer, director, or manager of Youth Financial, FES, VR-Tech Mgt, CM Rent, LK Commercial Lending,

and Statewide Commercial Lending. He is an authorized signatory on many of Defendants' bank accounts. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in this Complaint. Defendant Michael Toloff resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.

17. Defendant **Christopher Toloff** is or was an owner, officer, director, or manager of Youth Financial, FES, VR-Tech Mgt, and CM Rent. He is an authorized signatory on many of Defendants' bank accounts. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in this Complaint. Defendant Christopher Toloff resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.
18. Defendant **Gerald Thompson** is or was an owner, officer, director, or manager of Youth Financial and FES. He is an authorized signatory on many of Defendants' bank accounts. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in

this Complaint. Defendant Gerald Thompson resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.

19. Relief Defendant **Gayle L. Toloff**, individually and in her capacity as trustee, grantor, and beneficiary of the Gayle L. Toloff Revocable Living Trust (“Gayle Toloff Trust”), is an individual who has received funds that can be traced directly to Defendants’ unlawful acts or practices alleged below, and she has no legitimate claim to those funds. Relief Defendant Gayle Toloff resides in this District.

COMMON ENTERPRISE

20. Defendants FES, United Wealth, VR-Tech, VR-Tech Mgt, CM Rent, and Youth Financial, LK Commercial Lending, and Statewide Commercial Lending (collectively, “Corporate Defendants”) have operated as a common enterprise while engaging in the unlawful acts and practices alleged below. Corporate Defendants have conducted the business practices described below through an interrelated network of companies that have common ownership, officers, managers, business functions, employees, and office locations, and that commingled funds. Because these Corporate Defendants have operated as a common enterprise, each of them is liable for the acts and practices alleged below.

COMMERCE

21. At all times relevant to this Complaint, Defendants have maintained a substantial course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS’ UNLAWFUL BUSINESS ACTIVITIES

Defendants’ Unlawful Credit Repair Services

Defendants’ Deceptive Internet and Social Media Claims

22. To induce consumers to purchase their credit repair services, Defendants and their agents utilize Internet websites, including ucesprotectionplan.com, united-credit.org, creditmyrent.com, financialeducationservices.com and fesprotectionplan.com, as well as social media sites, such as Facebook, Instagram, and YouTube on which they make deceptive claims regarding their services.
23. Defendants claim they can successfully and permanently remove all negative information from consumers’ credit histories or credit reports. Defendants also claim they will build a positive payment history for consumers by reporting their rental payments to credit reporting agencies, through their Credit My Rent service. Defendants also claim they can obtain for consumers credit-building products, such as secured credit cards. Defendants claim that these activities will significantly increase consumers’ credit scores and their eligibility for funding at lower interest rates.

24. For example, Defendants and their agents have made the following statements regarding Defendants' credit repair services:

- Who needs negative items removed from their credit report Permanently???
- Attention!! If you have 400-500 credit score and want a 700-800 score, I have a connection that legally erases negative things..repos, foreclosures, late payments, medical, student loans evictions, and more.
- If you have 400-675 credit score and want a 700-800 credit score, David can LEGALLY erase negative items...repos, foreclosures, late payments, medical, student loans, evictions, and more
- Good morning! Did You Know? Late payments can be removed from your credit report & increase your score by 100 points!!
- Si tu puntaje de credito es menos de 600 nosotros tenemos los servicios financieros para aumentar tu credito [translation: If your credit score is less than 600 we have the financial services to increase your credit]
- Si usted tiene un credito entre 499-699 puntos le borramos legalmente todo lo que la esta afectando a su credito. [translation: If you have a credit between 499-699 points, we legally erase everything that is affecting your credit.]
- [YouTube video presenter states:] Now this is what I love, is Credit My Rent. For a lot of people, they're biggest expense is their rent, but it's not being reported to the credit bureaus. Now this is a separate service where you can actually back date up to two years of your rent payments, have them reported to – we actually do work with Transunion and Equifax right now – and it can help you boost your credit score anywhere from 50 to 100 points.
- Student Loans ⊗ Deleted
Medical bills ⊗ Deleted
Late payments ⊗ Deleted

Collections ⊗ Deleted

Bankruptcy ⊗ Deleted

Evictions ⊗ Deleted

Repossessions ⊗ Deleted

Any negative items on your credit report that are currently affecting your score ⊗ Deleted !!

- Build Credit, the Smart Way
CreditMyRent is the fastest & most effective way to build credit without taking on new debt
- The [secured credit] card is designed to advance the accumulation of new information in a credit file by reporting account activity to all three of the major national credit bureaus every month.

25. Defendants and their agents also depict purported success stories of consumers for whom Defendants allegedly raised their credit. The testimonials include the following statements:

- I had three student loans removed from my credit reports within 45 days and my credit score increased from a 590 to a 662!
- When I started in the service I had a low 500 credit score and within six months it jumped to over 700 and I was able to purchase a new Mercedes Benz!
- My credit score went up 140 points, from a 530 to a 670, in my first 30 days, allowing me to purchase a new home!
- When I started my credit score was a 505 and I had 23 derogatory items on my credit reports. After just 60 days, 18 of the 23 were deleted and my credit score went up 174 points to a 679!
- My credit score has gone up 120 points, from a 660 to a 780, and I was able to get a new car at 1.9% interest. It really works!

- In January of 2014 I had a 412 credit score and by March 2014, my score went up to 714. This service is AMAZING!!!
- In just 60 days in the credit restoration service my credit score jumped 120 points, from a 505 to 625!
- United Wealth Education has been a godsend for me and my family. Since enrolling in the company my credit score has increased over 180 points. This company is amazing!
- Lo hice por 16 meses, donde mi estado crediticio cambio de 25 artículos negativos con 430 puntos en mi crédito, a escalarlo a 749 en solamente 16 meses [English translation: I did it for 16 months, where my credit status changed from 25 negative accounts and a 430 credit score to 749 in just 16 months]
- Christina began using the services over a year ago and within a four month period her score increased 150 points!!
- [YouTube video presenter states:] I signed up for the program, my credit score went up 130-something points within the first 45 days. I went from a 465 to a 538, by month three I went from that 538 to a 610. I added on the other products they offer which is a secured credit card and CreditMyRent which we'll discuss in a minute, and my score went from the 610 to the 700. And so the same thing that happened to me can definitely happen to you.
- [YouTube video presenter states:] Within three months my score went from a 540 to a 750—210 points in three months. I was able to go and get my dream car, a Dodge Challenger Hemi.
- [YouTube video presenter states:] I not only got my child support judgment removed within 30 days, they also removed \$20,000 of medical collections in the same 30 days. And then on top of that, because of everything

Jacqueline went over, including the CreditMyRent, I was able to take my score from a 540 to a 705 within four months of the program.

- [YouTube presenter states:] Within a few months, her credit score jumped 200 points, she had about 13 items deleted from her credit . . . now she's a homeowner.
- [Slide from YouTube video presentation:] My credit score went from a 586 to a 748 allowing me to purchase a new car with no money down and a very low monthly payment!
- [Slide from YouTube video presentation:] I took advantage of the protection plan and my score went up 269 points in the first 4 months.

Defendants' Deceptive Telemarketing Activity

26. Defendants' and their agents' Internet websites and social media accounts

often list telephone numbers for consumers to call for more information.

Their social media accounts also encourage consumers to message their

contact information to receive a telephone call for more information.

27. When consumers then speak with Defendants' representatives over the

telephone, the representatives make many of the same deceptive

representations included on Defendants' websites and social media accounts.

For example, in numerous instances, Defendants' representatives falsely

claim that Defendants can remove negative items from consumers' credit

reports, including student loans, child support judgments, and bankruptcies.

Defendants' representatives explain that they achieve their results by sending

manual dispute letters to the credit reporting agencies. Defendants'

representatives sometimes refer to their dispute process as something “the credit bureaus don’t want you to know about.”

28. In numerous instances, Defendants’ representatives claim that as a result of Defendants’ services, consumers’ credit scores will improve significantly within 30 to 90 days.

Defendants’ COVID-Related Claims

29. Defendants and their agents have also made numerous recent statements that prey on consumers’ fears regarding the financial uncertainty associated with the COVID-19 pandemic as a reason for purchasing their credit repair services. For example, in YouTube video presentations, Defendants and their agents have made statements such as:

- During this pandemic a lot of people didn’t expect to have gotten laid off, going through divorces and things like that. Bad things happen to good people all the time. But ultimately a good credit score opens up possibilities to create the lifestyle that you deserve.
- Now over 43 million Americans have a credit score of a 599, or less than perfect credit. And this was before COVID. Guys this number has doubled. It is over 80 million, ladies and gentlemen, people with less than perfect credit. Now when you have less than perfect credit, you know, you were like me when I had a 509 credit score, you know, I had anxiety, I was embarrassed to even go apply for a car or even try to go rent an apartment because guys I was afraid of getting denied.
- Over 43 million Americans have a credit score of 599 or less, and that was pre-pandemic. Now that number has multiplied by three, almost four times.

Imagine over 90 million people with a credit score less than 599. Can we agree that we're offering something that people need?

30. Meanwhile, in some instances, Defendants encourage FES Agents to market their credit repair services by saying, without any substantiation, that because of the COVID-19 pandemic, the credit bureau and creditor work force would be less likely to respond timely to dispute letters, resulting in the automatic removal of the disputed items.

Defendants' Unlawful Enrollment Process

31. Before providing any of the promised credit repair services, Defendants require consumers to make an upfront payment for these services.

Defendants' representatives typically tell consumers that Defendants' services cost \$89 per month with a one-time payment of \$99, variously referred to as a registration or activation fee. In more recent instances, the monthly fee drops to \$69 per month after 3 months of enrollment, and then to \$49 per month after one year. To enroll, Defendants require consumers to pay the \$99 registration fee and the first month fee of \$89, for a total of \$188. In some instances, Defendants will offer to lower or waive the registration fee if the consumers agree to sign up on the call.
32. Consumers enrolling in Defendants' Credit My Rent service must pay additional fees before receiving services. The base fee is \$14.95 per month, for which Defendants purport to report one rent payment each month. For an

additional upfront payment of \$99 (in addition to the monthly fee), Defendants purport to report 12 months of past rental history. For an additional upfront payment of \$149, Defendants purport to report 24 months of past rental history.

33. Defendants require consumers to provide their financial information, including their credit or debit card number or account routing number and bank account number, on the phone. In numerous instances, shortly after consumers provide Defendants with their billing information, Defendants charge consumers' credit or debit cards or withdraw payment from consumers' bank accounts before fully performing the promised credit repair services.
34. To process payments from consumers' accounts, Defendants use the services of one or more merchant processors. In contracts signed by Defendants with their merchant processors, Defendants agree to operate their business in compliance with the TSR and the GLB Act, among other statutes and regulations.
35. In numerous instances, Defendants fail to provide or obtain written and dated contracts signed by consumers that contain: (1) the terms and conditions of payment, including the total amount of all payments to be made by the consumer to Defendants or to any other person, (2) a full and detailed description of the credit repair services to be performed by Defendants for the

consumer, including (a) all guarantees of performance, and (b) an estimate of (i) the date by which the performance of the services (to be performed by Defendants or any other person) will be complete or (ii) the length of the period necessary to perform such services; (3) Defendants' name and principal business address; or (4) a conspicuous statement in bold face type, in immediate proximity to the space reserved for the consumer's signature on the contract, which reads as follows: "You may cancel this contract without penalty or obligation at any time before midnight of the 3rd business day after the date on which you signed the contract. See the attached notice of cancellation form for an explanation of this right."

36. In numerous instances, Defendants fail to provide consumers with a written statement containing prescribed language concerning "Consumer Credit File Rights Under State and Federal Law" before any contract or agreement is executed.
37. In numerous instances, Defendants fail to provide consumers with a "Notice of Cancellation" form, in duplicate, containing prescribed language concerning consumers' three-day right to cancel that consumers can use to cancel the contract.

Defendants Unlawfully Obtain Consumers' Credit Reports

38. In numerous instances, as part of their purported credit repair services, Defendants obtain consumers' credit reports from consumer reporting agencies.
39. In numerous instances, Defendants purport to seek consumers' consent by representing to consumers that obtaining their credit report is necessary to begin the credit repair process and/or verify the consumers' financial information.
40. In numerous instances, Defendants obtain consumers' credit reports in the names of LK Commercial Lending and Statewide Commercial Lending.
41. Defendants obtain consumers' credit reports from one or more consumer reporting agencies. In contracts signed by Defendants with consumer reporting agencies, Defendants expressly agree to comply with the FCRA.
42. In numerous instances, consumers are unaware that their credit reports will be pulled in the name of LK Commercial Lending or Statewide Commercial Lending.
43. In numerous instances, Defendants falsely represent to consumer reporting agencies that LK Commercial Lending and Statewide Commercial Lending are lenders.
44. In numerous instances, Defendants falsely certify to consumer reporting agencies that their permissible purpose for obtaining consumer reports is in

connection with a credit transaction involving the consumer on whom the information is to be furnished and involving the extension of credit to, or review or collection of an account of, the consumer.

45. In fact, neither LK Commercial Lending nor Statewide Commercial Lending are lenders. Neither LK Commercial Lending nor Statewide Commercial Lending have ever issued or received an application for any loan or other extension of credit. Nor have they made any loans or other extension of credit.

Defendants Do Not Follow Through on Credit Repair Promises

46. In numerous instances, Defendants send consumers form dispute letters challenging, without support, all or almost all negative information in consumers' credit reports. Defendants instruct consumers to print the letters and mail them directly to the credit reporting agencies. In numerous instances, however, these unsupported challenges have not caused credit reporting agencies to delete permanently or change the information.
47. Further, in many instances, the credit building products offered by Defendants do not have the positive impact on the consumer's credit score promised by Defendants. For example, through their CreditMyRent brand, Defendants claim to report consumers' positive rental history to TransUnion and Equifax but, in numerous instances, fail to do so. Even when they do, rental payments do not factor in FICO® Score 8, the FICO score commonly used by lenders.

48. In short, in numerous instances, Defendants fail to remove negative information permanently from consumers' credit reports. And in numerous instances, consumers who purchase Defendants' credit repair services do not obtain the promised improvements to their credit scores. In fact, in some instances, consumers reported that their credit scores actually worsened after purchasing Defendants' credit repair services.

Defendants' Unlawful Investment Opportunity and Pyramid Scheme

49. In addition to marketing their credit repair services, Defendants also market a purported investment opportunity, soliciting consumers to become FES Agents to recruit additional consumers to purchase Defendants' credit repair services and become FES Agents themselves. This investment opportunity is, in reality, an illegal pyramid scheme.

Defendants' Deceptive Internet and Social Media Claims

50. Defendants and their agents utilize Internet websites, including myuwe.net, financialeducationservices.com, fesuniversity.com, and momentumsociety.net, as well as social media sites, including Facebook, Instagram, and YouTube, on which they make deceptive claims regarding their investment opportunities.

51. Defendants claim that consumers who enroll as FES Agents will earn substantial income, typically in the form of commissions and bonuses, for the

recruitment of new FES Agents and downstream revenue from the purchases by consumers of credit repair services.

52. For example, Defendants and their agents have made the following statements regarding Defendants' investment opportunity:

- If I could show you how to earn a [sic] extra 500-1000 a week in a home based business that you can run in all 50 states would you be willing to hear more information?

Imagine creating your own weekly \$1200 check...would that help your family

- [YouTube presenter states:] Then the next way we get paid is called our Monthly Infinity Bonus. And it starts at Sales Director. So at Sales Director, at \$10,000 a month in volume, you're bringing in it's 0.5%, which is about \$50, but that's just a bonus, guys. . . . So we're always getting this every single month. But if you skip down a couple to where J[] G[] is, at Executive Sales Director, she's bringing in over \$50,000 a month in business, her and her whole team, she's getting 1% of that. So she's getting a bonus every month of \$500. And then if you skip a few and go down to Executive Vice President where we currently are, that's the whole team, we're generating about half a million in business, every 30 days. So 2 percent of that, guys I'm getting \$10,000, that's a six-figure income just in this bonus, every single month. . . . Shout out to our senior vice President X[] M[] because he's currently bringing in, with the team and all of us, about a million dollars every single 30 days in business. At 2.25 percent, that's over \$22,000 he's getting as a bonus. And then Pinnacle Senior Vice President, shout out to Mr. N[], at \$10 million in business volume a month he's bringing in 3 percent, So this infinity bonus for him, he's getting over \$300,000 a month guys.
- [YouTube presenter states:] Just imagine how this could grow. Obviously if you did it once a month you could be looking at, "hey I'm earning about \$5,000 a month." Or what if this happened once a week? Then the numbers

grow and you could be looking at \$20,000 a month. And these are substantial figures, but I can assure you that this company produces individuals that have gone out and had the ability to earn this kind of money. And what if you did this twice a week? I mean it's phenomenal.

- Trabaja de donde sea en Puerto Rico y Estados Unidos, trabaja tus horas, Gana DINERO extra, Pasa mas tiempo con tu familia [English translation: Work from wherever in Puerto Rico and the United States, work your own hours, earn extra income, spend more time with your family]
- [YouTube presenter states:] te van a dar lo que es residuales, no solamente de lo que tú vas a referir, si no de lo que va a referir tu red, aparte de las comisiones. O sea que es tremendo este plan de compensación que tú puedes ejercer, y aparte de eso también van a pagar tu automóvil, van a pagar tu casa, te van a dar bonus en cash, te dan todo tipo de compensación mientras tú te structures, a medida tu vayas escalando estas gradas que miras hasta al éxito, ellos van a irte dando más beneficios para que tu no tengas que pagar por tu auto, por tu casa, y ahorrar todo tu dinero. ¿Qué te parece eso? [translation: they are going to give you what is residual, not only from what you will refer, but from what your network will refer, apart from the commissions. So this tremendous compensation plan that you can exercise, and apart from that they will also pay your automobile, they will pay your house, they will give you a cash bonus, they give you all types of compensation while you structure yourself, as you go climbing these stairs that you look at to success, they are going to give you more benefits so that you don't have to pay for your auto, for your house, and [so that you can] save all your money. How does that sound to you?]
- THE FIVE DIMENSIONS OF THE PAY PLAN
 - Personal Income
 - Earn Directly for each Protection Plan Member you enroll.
 - Team Income
 - Compound your success by building a strong team
 - Expansion Income
 - Grow you [sic] local market or network with people from across the United States

Residual Income

- Earn over-and-over based on the sale of services to your team and their customers

Bonus Income

- The Compensation Plan features six ways to earn, including lucrative bonus opportunities

- R&R CLUB

In addition to Four Dimensions of income, you could earn special R&R Club perks, designed specifically to set you up for long-term wealth-generating success.

Level 1: \$600 monthly expense allowance

Level 2-3: \$10K cash bonus, \$1,500 car allowance

Level 4: \$25K cash bonus

Level 5: \$50K cash bonus with automobile upgrade option

Level 6: \$5K monthly house payment

Level 7-10: Monthly retirement bonus up to \$25K, monthly bonus from \$100K-\$250K

- HOW IT WORKS:

As an Independent Agent, you have the ability to share the suite of wealth-building products with your network, either online or in person.

- Earn direct commissions for each sale
- Build a team and earn weekly residual bonuses
- Qualify for free services and products

53. Defendants and their agents also depict purported success stories of

consumers who became FES Agents. The testimonials include the following statements:

- As a wife, mom of four growing boys and one disabled, I needed an opportunity that would give me more income and time flexibility with my family. While I did make a lot of money with my first work from-home opportunity, I didn't get time with family like I wanted. Then, a Friend introduced me to FES after a financial crisis hit my family...I'm forever

grateful because I really needed the services! Now, it's been five years since I said "YES to FES" and my life has truly changed! I've become Pinnacle Senior Vice President, earned the Bentley, house payment and numerous company cruises.

- Never in a million years did we hope or dream that there could be an opportunity that would potentially replace my Six Figure Real Estate income, create a secure lifestyle, and at the same time build a legacy for my family.
- I'm a high school drop out. Worked at a call center for over 10 years. Relied on payday loans. Overworked and under paid. I was struggling financially. Got started with FES. My finances drastically changed. I was able to have the time freedom I wanted. Fast forward. I was able to purchase the car I wanted and the condo I wanted. I am living life on my own terms. FES has changed my family tree. We are the first millionaires in our family.
- [photo of what purports to be five FES Agents with the accompanying statement:] 2020 AVERAGE INCOME \$214,329
- [Slide from YouTube video presentation:] We joined FES a little over 15 months ago. Getting Laid off as a P.E. Teacher. My wife and I didn't have money saved, took a chance at what I believed would be just some extra income for us. Fast forward to now, we've been blessed to become Six figure earners, be awarded a free Audi, cruise contest winners, and hit level two in the R&R Club. Our life has changed drastically!
- Knew this was coming!!!! This single mom moved to Atlanta 4 years ago, retired hair stylist slept on a friends [sic] couch fast forward to joining our company and becoming a millionaire! I posted her getting her G wagon last year and now it's paid off! She can legit sell this for 280k IF she were to ever go broke and need cash! . . . Wealth is the goal!!!!
#unitedwealtheducation

Defendants' Deceptive Telemarketing Activity

54. When consumers speak with Defendants' representatives regarding Defendants' credit repair services, typically by telephone, the representatives often also try to recruit consumers to become FES Agents. In other instances, consumers are invited to participate in telephonic conferences, such as Zoom calls or Facebook Live videos. During these calls, Defendants' representatives make many of the same representations included on Defendants' websites and social media accounts. For example, in numerous instances, Defendants' representatives state that consumers who become FES Agents will make commissions on recruitment of additional consumers to become FES Agents as well as from purchases by consumers of credit repair services. In numerous instances, Defendants' representatives claim consumers can earn thousands of dollars per week or tens of thousands of dollars per month as an FES Agent. Defendants' representatives also entice consumers by stating that FES Agents who rise high enough can get rewards like a new car.

Defendants' COVID-Related Claims

55. Defendants and their agents have also made numerous recent statements that prey on consumers' fears regarding the COVID-19 pandemic and its financial effects as reason for enrolling in their investment opportunity. For example, in YouTube video presentations, Defendants and their agents have made

statements regarding the benefits of Defendants' investment opportunity such as:

- You can imagine during Covid how many restaurant owners, how many different people that have brick and mortars lost money because of that. And so I like to joke and tell people, but it's true, in this day and age it's not brick and mortar, everything is click and mortar. And so you gotta figure it out, right? And so this is the best way.
- And I just heard a sad story you know the other day, you know somebody that never had COVID, went and got you know the shot, and the second shot, they ended up dying. And so you know tell somebody, if anything tonight that you guys gain from this, tell your family, friends, and loved ones you love them. Because you never know when you're gonna see them. So United Wealth Education, right, we provide agents the ability to build a business by marketing innovative financial literacy tools and products and services from the comfort of your phone or home.
- Well first of all, because of COVID, I lost my job. So I had no job. Then I started working as a driver, long hours, low paying, not really worth it. . . . Actually I got sick, missed a month back, I was really down low, had barely money. . . had to max out my credit cards. So that reason, my cousin's wife, she's a Sales Director right now, she introduced me to the company.

Signup Process

56. In order to become an FES Agent, Defendants require consumers to pay an upfront fee of \$299. The fee consists of a one-time "set up" fee, purportedly to cover administrative costs associated with setting up the FES Agent's business. In addition, Defendants require consumers who want to become FES Agents to enroll in Defendants' credit repair services if they have not already done so, regardless of the prospective FES Agent's credit score. The

first month's fee of \$89 is added to the administrative fee. FES Agents then pay \$89 per month thereafter (although in more recent instances, the monthly fee drops to \$69 per month after three months, and then to \$49 per month after one year). Defendants inform FES Agents, however, that if they recruit and maintain a certain number of new FES Agents in a month, the next month's fee will be waived.

57. Defendants require consumers to provide their financial information, including their credit or debit card number or account routing number and bank account number, on the phone.

Defendants Provide Consumers with Deceptive Advertising Materials

58. In numerous instances after signing up, Defendants provide new FES Agents with marketing materials necessary for FES Agents to market Defendants' credit repair services and recruit additional FES Agents. For example, in numerous instances, consumers are provided with scripts to use when speaking with consumers for both credit repair and agent recruitment. Defendants also provide consumers with ads for consumers to post on their social media accounts.
59. Defendants also provide numerous training sessions, including Zoom calls and Facebook Live videos (and often in group format), in which consumers are provided strategies and techniques both to market credit repair services and recruit new agents.

60. In numerous instances, these marketing materials contain many of the deceptive statements described in Paragraphs 23-31 and 50-55 above.

Defendants' Investment Opportunity Is an Illegal Pyramid Scheme

61. FES Agents are eligible to receive payment through a myriad of commissions and bonuses that incentivize recruiting new FES Agents over the sale of credit repair services. In addition, Defendants' representatives often emphasize the importance of recruiting new agents in communications with consumers.

Defendants' trainings also focus more on, and emphasize, how to recruit new agents over selling credit repair services.

62. Defendants explain their commissions and bonuses in a compensation plan they provide to prospective and new FES Agents, which is often described during calls with Defendants' representatives or during training sessions.

63. The first way FES Agents are purportedly eligible to be paid is through commissions on purchases by consumers of credit repair services. An FES Agent earns a \$12 commission for each person who enrolls in Defendants' credit repair services, and \$12 each month thereafter as long as the person continues to make his or her payments to Defendants.

64. The second, and main, way FES Agents are purportedly eligible to be paid is by creating "lineage organizations" and "building a team." This is commonly referred to as a "downline." By urging FES Agents to create lineage organizations and build a team, Defendants stress that an FES Agent has the

ability to make significantly more money by recruiting new agents. Through the combination of new agent recruitment and purchases of credit repair services, FES Agents can achieve “titles” and trigger “bonuses.”

65. When first recruited, an FES Agent is called an “agent” and makes the base amount of commission on purchases by consumers of credit repair services. By meeting specific requirements, FES Agents can go through a series of promotions from agent, to field trainer, to senior field trainer, to sales director, to regional sales director, to executive sales director, to vice president, to regional vice president, to executive vice president, to senior vice president, to senior regional vice president, to senior executive vice president, and culminating in pinnacle senior vice president. A higher title corresponds to more money paid out on bonuses.
66. Each title has its own prerequisites to achieving it, but each one essentially boils down to needing a larger number of people in an FES Agent’s downline, a certain number of downline FES Agents having achieved their own titles, and a certain dollar amount in personal credit repair services revenue each month. For example, to move from “agent” to “field trainer,” an FES Agent needs to have two FES Agents in his or her downline (each referred to as a “leg”), with each downline FES Agent bringing in a minimum of \$400 in monthly revenue and the FES Agent and the downline FES Agents together bringing in a minimum of \$1,600 in monthly revenue. To become a “senior

field trainer,” in addition to an increase in the dollar amount of monthly revenue, the FES Agent needs to have both downline FES Agents themselves become “field trainers” (*i.e.*, each must have recruited an additional two FES Agents). Nothing in the compensation plan requires that some or all of the monthly revenue requirements be met through sales to non-participants. Thus FES Agents have the ability to meet the requirement solely through purchases of credit repair services by themselves and other FES Agents, including in the form of continued payment of monthly fees for credit repair services.

67. Defendants explain to consumers that if an FES Agent establishes a strong enough set of “teams” in his or her downline that are consistently performing at a high level (*i.e.*, in terms of new agent recruitment and purchases of credit repair services), the FES Agent at the top can maintain a high title on a monthly basis (and all commensurate bonuses) without having to do very much personal work.
68. Defendants explain that FES Agents can earn bonuses when a qualified FES Agent enrolls a new FES Agent who produces a certain minimum of personal revenue within a specific time frame. If those conditions are met, the enrolling FES Agent and any upline FES Agents receive bonuses. Additional bonuses are available to FES Agents who achieve higher titles and provide significantly more money to those with larger downlines. The amounts of the bonuses increase significantly as the FES Agent earns higher titles, further

emphasizing that the most lucrative rewards come from recruiting new FES Agents rather than the purchase by non-agents of credit repair services. For example, Defendants purport to pay what they call a “customer acquisition bonus” or “CAB” that is generated when an FES Agent enrolls a new agent. “Agents” typically receive a CAB of \$100, “field trainers” receive \$160, “senior field trainers” receive \$240, and “pinnacle senior vice presidents” receive \$560. Another bonus is called the “infinity bonus” that starts for FES Agents who rise to the “sales director” level. The infinity bonus is a percentage of the revenue brought in by the FES Agent’s entire downline. A “sales director” typically gets an infinity bonus of 0.5%, a “regional sales director” receives 0.75%, and so on up to “pinnacle senior vice presidents” who receive 3% of his or her downline’s revenue. Meanwhile, “generation bonuses” start at the “executive sales director” level and typically pay an additional 1% (going up to 2.75% for “pinnacle senior vice president”).

69. Defendants and their agents often encourage FES Agents to “sponsor” new recruits, *i.e.*, if a potential recruit is unwilling to pay the \$288 sign-up fee, the FES Agent should pay some or all of those fees on the recruit’s behalf in order to inflate artificially the original FES Agent’s downline and qualify the FES Agent for bonuses or other compensation.
70. Many FES Agents, to remain FES Agents, continue to pay the monthly credit repair fee and many FES Agents are encouraged to pay, and do pay,

registration fees for new FES Agents to improve their downline. As a result, in many instances, FES Agents end up paying more money to Defendants than they receive from them.

71. In some instances, Defendants do not pay promised bonuses to FES Agents.
72. In numerous instances, consumers do not realize the earnings promised by Defendants, and many consumers lose money as FES Agents.

Consumer Harm

73. Defendants have collected at least \$213,000,000 from consumers through their unlawful credit repair and investment opportunity scheme in the three years prior to the filing of this Complaint.

Ongoing Nature of Defendants' Unlawful Practices

74. Based on the facts and violations of law alleged in this Complaint, the FTC has reason to believe that Defendants are violating or are about to violate laws enforced by the FTC.

VIOLATIONS OF THE FTC ACT

75. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts or practices in or affecting commerce.”
76. Misrepresentations or deceptive omissions of material fact constitute deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

COUNT I
Misrepresentations Regarding Credit Repair Services

77. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of credit repair services, Defendants have represented, directly or indirectly, expressly or by implication, that Defendants will significantly improve consumers' credit scores by, among other things, removing negative information permanently from consumers' credit reports or profiles or adding positive payment history to consumers' credit reports or profiles.
78. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 77 of this Complaint, such representations were false or misleading or not substantiated at the time Defendants made them.
79. Therefore, Defendants' making of the representations as set forth in Paragraph 77 constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT II
Illegal Pyramid

80. Defendants operate or promote participation in a scheme in which consumers pay money to Defendants in return for which they receive (1) the right to market and sell Defendants' credit repair services, and (2) in return for recruiting other consumers to sell Defendants' credit repair services, the right

to receive rewards that are unrelated to the sale of credit repair services to ultimate users.

81. Defendants' operation or promotion of this type of scheme, often referred to as a pyramid scheme, constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT III
Misrepresentations Regarding Investment Opportunities

82. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of investment opportunities, Defendants have represented, directly or indirectly, expressly or by implication, that consumers who become agents of Defendants are likely to earn substantial income.
83. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 82 of this Complaint, such representations were false or misleading or not substantiated at the time Defendants made them.
84. Therefore, Defendants' making of the representations as set forth in Paragraph 82 constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT IV
Means and Instrumentalities

85. By furnishing consumers with promotional materials and instructions to be used in recruiting other consumers to purchase Defendants' credit repair services and investment opportunities that contain false, misleading, or unsubstantiated representations, Defendants have provided the means and instrumentalities for the commission of deceptive acts and practices.
86. Therefore, Defendants' practices as set forth in Paragraph 85 constitute deceptive acts or practices in violation of in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

VIOLATIONS OF THE CREDIT REPAIR ORGANIZATIONS ACT

87. The Credit Repair Organizations Act took effect on April 1, 1997, and has since that date remained in full force and effect.
88. The purposes of CROA, according to Congress, are (1) to ensure that prospective buyers of the services of credit repair organizations are provided with the information necessary to make an informed decision regarding the purchase of such services; and (2) to protect the public from unfair or deceptive advertising and business practices by credit repair organizations. 15 U.S.C. § 1679(b).
89. CROA defines a "credit repair organization" as "any person who uses any instrumentality of interstate commerce or the mails to sell, provide, or

perform (or represent that they can or will sell, provide, or perform) any service, in return for the payment of money or other valuable consideration, for the express or implied purpose of . . . improving any consumers' credit record, credit history, or credit rating. . . ." 15 U.S.C. § 1679a(3).

90. Defendants are a "credit repair organization."
91. CROA prohibits all persons from making or using any untrue or misleading representation of the services of the credit repair organization. 15 U.S.C. § 1679b(a)(3).
92. CROA prohibits credit repair organizations from charging or receiving any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform before such service is fully performed. 15 U.S.C. § 1679b(b).
93. CROA requires credit repair organizations to provide consumers with a written statement containing prescribed language concerning "Consumer Credit File Rights Under State and Federal Law" before any contract or agreement is executed. 15 U.S.C. § 1679c(a).
94. CROA prohibits credit repair organizations from providing any services to a consumer unless the credit repair organization has obtained a written and dated contract that has been signed by the consumer. 15 U.S.C. § 1679d(a).
95. CROA requires credit repair organizations to include the following terms and conditions in their contracts for services: (1) the terms and conditions of

payment, including the total amount of all payments to be made by the consumer to the credit repair organization or to any other person, (2) a full and detailed description of the credit repair services to be performed by the credit repair organization for the consumer, including (a) all guarantees of performance, and (b) an estimate of (i) the date by which the performance of the services (to be performed by the credit repair organization or any other person) will be complete or (ii) the length of the period necessary to perform such services; (3) the credit repair organization's name and principal business address; and (4) a conspicuous statement in bold face type, in immediate proximity to the space reserved for the consumer's signature on the contract, which reads as follows: "You may cancel this contract without penalty or obligation at any time before midnight of the 3rd business day after the date on which you signed the contract. See the attached notice of cancellation form for an explanation of this right." 15 U.S.C. § 1679d(b).

96. CROA requires credit repair organizations to provide consumers with a "Notice of Cancellation" form, in duplicate, containing prescribed language concerning consumers' three-day right to cancel that consumers can use to cancel the contract. 15 U.S.C. § 1679e(b).
97. CROA requires that any consumer who enters into a contract with a credit repair organization shall be given a copy of the completed contract and all disclosures required under the Act and a copy of any other document the

credit repair organization requires the consumer to sign. 15 U.S.C. § 1679e(c).

98. Pursuant to Section 410(b)(1) of CROA, 15 U.S.C. § 1679h(b)(1), any violation of any requirement or prohibition of CROA constitutes an unfair or deceptive act or practice in commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). Pursuant to Section 410(b)(2) of CROA, 15 U.S.C. § 1679h(b)(2), all functions and powers of the FTC under the FTC Act are available to the FTC to enforce compliance with CROA in the same manner as if the violation had been a violation of any FTC trade regulation rule.

Section 19(a)(1) of the FTC Act, 15 U.S.C. § 57b(a)(1), provides that the FTC may commence a civil action against “any person, partnership, or corporation” who “violates any rule . . . respecting unfair or deceptive acts or practices.” Section 19(b) of the FTC Act, 15 U.S.C. § 57b(b), provides that in any action commenced under Section 19(a)(1), the court “shall have jurisdiction to grant such relief as the court finds necessary to redress injury to consumers, including but not limited to rescission or reformation of contracts, and the refund of money or return of property, the payment of damages, and public notification.”

COUNT V
Misrepresentations Regarding Credit Repair Services

99. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of services to consumers by a credit repair organization, as that term is defined in Section 403(3) of CROA, 15 U.S.C. § 1679a(3), Defendants have made untrue or misleading representations to consumers, including that Defendants will significantly improve consumers' credit scores by, among other things removing negative information permanently from consumers' credit reports or adding positive payment history to consumers' credit reports or profiles.
100. Therefore, Defendants' acts or practices as set forth in Paragraph 99 violate Section 404(a)(3) of CROA, 15 U.S.C. § 1679b(a)(3).

COUNT VI
Violation of Prohibition against Charging Advanced Fees for Credit Repair Services

101. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of services to consumers by a credit repair organization, as that term is defined in Section 403(3) of CROA, 15 U.S.C. § 1679a(3), Defendants have charged or received money or other valuable consideration for the performance of credit repair services that Defendants have agreed to perform before such services were fully performed.

102. Therefore, Defendants' acts or practices as set forth in Paragraph 101 violate Section 404(b) of CROA, 15 U.S.C. § 1679b(b).

COUNT VII
Failure to Make Required Disclosures

103. In numerous instances, in connection with the sale of services to consumers by a credit repair organization, as that term is defined in Section 403(3) of CROA, 15 U.S.C. § 1679a(3), Defendants have failed to provide a written statement of "Consumer Credit File Rights Under State and Federal Law," in the form and manner required by CROA, to consumers before any contract or agreement was executed.

104. Therefore, Defendants' acts or practices as set forth in Paragraph 103 violate Section 405(a) of CROA, 15 U.S.C. § 1679c(a).

COUNT VIII
Failure to Obtain Signed Contracts from Consumers

105. In numerous instances, in connection with the sale of services to consumers by a credit repair organization, as that term is defined in Section 403(3) of CROA, 15 U.S.C. § 1679a(3), Defendants have provided services to consumers without first having obtained a written and dated contract for the purchase of credit repair services that has been signed by consumers.

106. Therefore, Defendants' acts or practices as set forth in Paragraph 105 violate Section 406(a) of CROA, 15 U.S.C. § 1679d(a).

COUNT IX

Failure to Include Required Terms and Conditions in Contracts

107. In numerous instances, in connection with the sale of services to consumers by a credit repair organization, as that term is defined in Section 403(3) of CROA, 15 U.S.C. § 1679a(3), Defendants have failed to include in their consumer contracts the following required terms and conditions: (1) the terms and conditions of payment, including the total amount of all payments to be made by the consumer to Defendants or to any other person, (2) a full and detailed description of the credit repair services to be performed by Defendants for the consumer, including (a) all guarantees of performance, and (b) an estimate of (i) the date by which the performance of the services (to be performed by Defendants or any other person) will be complete or (ii) the length of the period necessary to perform such services; (3) Defendants' name and principal business address; or (4) the specific conspicuous statement in bold face type, in immediate proximity to the space reserved for the consumer's signature on the contract, regarding the consumers' right to cancel the contracts without penalty or obligation at any time before the third business day after the date on which consumers signed the contracts.
108. Therefore, Defendants' acts or practices as set forth in Paragraph 107 violate Section 406(b) of CROA, 15 U.S.C. § 1679d(b).

COUNT X
Failure to Provide Cancellation Form

109. In numerous instances, in connection with the sale of services to consumers by a credit repair organization, as that term is defined in Section 403(3) of CROA, 15 U.S.C. § 1679a(3), Defendants have failed to provide with their consumer contracts a form with the heading “Notice of Cancellation,” in the form and manner required by CROA to consumers.
110. Therefore, Defendants’ acts or practices as set forth in Paragraph 109 violate Section 407(b) of CROA, 15 U.S.C. § 1679e(b).

COUNT XI
Failure to Provide Consumers with Copy of Contract and Other Disclosures

111. In numerous instances, in connection with the sale of services to consumers by a credit repair organization, as that term is defined in Section 403(3) of CROA, 15 U.S.C. § 1679a(3), Defendants have failed to provide consumers who entered into a contract with Defendants a copy of the completed contract and all disclosures required under CROA and a copy of any other document Defendants required the consumers to sign.
112. Therefore, Defendants’ acts or practices as set forth in Paragraph 111 violate Section 407(c) of CROA, 15 U.S.C. § 1679e(c).

VIOLATIONS OF THE TELEMARKETING SALES RULE

113. In 1994, Congress directed the FTC to prescribe rules prohibiting abusive and deceptive telemarketing acts or practices pursuant to the Telemarketing Act,

15 U.S.C. §§ 6101-6108. The FTC adopted the original Telemarketing Sales Rule in 1995, extensively amended it in 2003, and amended certain sections thereafter. 16 C.F.R. Part 310.

114. Under the TSR, a “telemarketer” means any person who, in connection with telemarketing, initiates or receives telephone calls to or from a consumer or donor. 16 C.F.R. § 310.2(ff). A “seller” means any person who, in connection with a telemarketing transaction, provides, offers to provide, or arranges for others to provide goods or services to the customer in exchange for consideration. 16 C.F.R. § 310.2(dd).
115. Defendants are “seller[s]” or “telemarketer[s]” engaged in “telemarketing,” as those terms are defined in the TSR, 16 C.F.R. § 310.2(dd), (ff), and (gg).
116. The TSR defines “investment opportunity[ies]” to mean “anything, tangible or intangible, that is offered, offered for sale, sold, or traded based wholly or in part on representations, either express or implied, about past, present, or future income, profit, or appreciation. 16 C.F.R. § 310.2(s).
117. The TSR prohibits sellers and telemarketers from misrepresenting, directly or by implication, any material aspect of the performance, efficacy, nature, or central characteristics of goods or services that are the subject of a sales offer. 16 C.F.R. § 310.3(a)(2)(iii).
118. The TSR prohibits sellers and telemarketers from misrepresenting, directly or by implication, any material aspect of an investment opportunity, including

but not limited to, risk, liquidity, earnings potential, or profitability. 16

C.F.R. § 310.3(a)(2)(vi).

119. The TSR prohibits sellers and telemarketers from requesting or receiving payment of any fee or consideration for goods or services represented to remove derogatory information from, or improve, a person's credit history, credit record, or credit rating until: (a) the time frame in which the seller has represented all of the goods or services will be provided to that person has expired; and (b) the seller has provided the person with documentation in the form of a consumer report from a consumer reporting agency demonstrating that the promised results have been achieved, such report having been issued more than six months after the results were achieved. 16 C.F.R. § 310.4(a)(2).

120. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. § 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the TSR constitutes an unfair or deceptive act or practice in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). Section 19(a)(1) of the FTC Act, 15 U.S.C. § 57b(a)(1), provides that the FTC may commence a civil action against "any person, partnership, or corporation" who "violates any rule . . . respecting unfair or deceptive acts or practices." Section 19(b) of the FTC Act, 15 U.S.C. § 57b(b), provides that in any action commenced under Section 19(a)(1), the court "shall have

jurisdiction to grant such relief as the court finds necessary to redress injury to consumers, including but not limited to rescission or reformation of contracts, the refund of money or return of property, the payment of damages, and public notification.”

COUNT XII
Misrepresentations Regarding Credit Repair Services

121. In numerous instances, in connection with the telemarketing of credit repair services, Defendants have misrepresented, directly or by implication, material aspects of the performance, efficacy, nature, or central characteristics of their credit repair services, including but not limited to, that Defendants will significantly improve consumers’ credit scores by, among other things removing negative information permanently from consumers’ credit reports or profiles or adding positive payment history to consumers’ credit reports or profiles.

122. Therefore, Defendants’ acts or practices as set forth in Paragraph 121 violate Section 310.3(a)(2)(iii) of the TSR, 16 C.F.R. § 310.3(a)(2)(iii).

COUNT XIII
Misrepresentations Regarding Investment Opportunities

123. In numerous instances, in connection with the telemarketing of investment opportunities, Defendants have misrepresented, directly or by implication, material aspects of their investment opportunities, including, but not limited to, risk, liquidity, earnings potential, or profitability, by, among other things,

representing that consumers who become agents of Defendants are likely to earn substantial income.

124. Therefore, Defendants' acts or practices as set forth in Paragraph 123 violate Section 310.3(a)(2)(vi) of the TSR, 16 C.F.R. § 310.3(a)(2)(vi).

COUNT XIV
Violation of Prohibition against Charging Advanced Fees for Credit Repair Services

125. In numerous instances, in connection with the telemarketing of credit repair services, Defendants have requested or received payment of a fee or consideration for credit repair services before: (a) the time frame in which Defendants have represented all of the credit repair services will be provided to consumers has expired; and (b) Defendants have provided consumers with documentation in the form of a consumer report from a consumer reporting agency demonstrating that the promised results have been achieved, such report having been issued more than six months after the results were achieved.

126. Therefore, Defendants' acts or practices as set forth in Paragraph 125 violate Section 310.4(a)(2) of the TSR, 16 C.F.R. § 310.4(a)(2).

VIOLATIONS OF THE FCRA

127. The FCRA was enacted in 1970, became effective on April 25, 1971, and has been in force since that date. The Fair and Accurate Credit Transactions Act

(“FACT Act”) amended the FCRA in December 2003, and the Dodd-Frank Act amended the FCRA in July 2010.

128. Section 603(d) of the FCRA, 15 U.S.C. § 1681a(d), defines a “consumer report” as: “any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer’s creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer’s eligibility for (A) credit or insurance to be used primarily for personal, family, or household purposes; (B) employment purposes; or (C) any other purpose authorized under Section 604.”
129. Section 604(f)(1) of the FCRA, 15 U.S.C. § 1681b(f)(1), prohibits persons from using or obtaining a consumer report for any purpose unless it is for a purpose authorized under Section 604. The circumstances enumerated in Section 604 are referred to as the “permissible purposes” of consumer reports. Permissible purposes include, among others, obtaining a consumer report “[i]n accordance with the written instructions of the consumer to whom [the consumer report] relates,” 15 U.S.C. § 1681b(a)(2), and “in connection with a credit transaction involving the consumer on whom the information is to be furnished and involving the extension of credit to, or review or collection of an account of, the consumer.” 15 U.S.C. § 1681b(a)(3)(A).

130. Section 604(f)(2), 15 U.S.C. § 1681b(f)(2), further provides that a person shall not use or obtain a consumer report unless the prospective user has certified the purpose for which the report will be used in accordance with Section 607, 15 U.S.C. § 1681e. Section 607 requires that consumer reporting agencies have procedures that require that prospective users identify themselves and certify both the purposes for which the information is sought and that the information will be used for no other purpose. 15 U.S.C. § 1681e(a).
131. Section 621 of the FCRA provides that, for the purpose of the exercise by the FTC of its functions and powers under the FTC Act, a violation of any requirement or prohibition imposed under the FCRA shall constitute an unfair or deceptive act or practice in commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). 15 U.S.C. § 1681s(a).
132. Section 621 of the FCRA, 15 U.S.C. § 1681s, authorizes the FTC to use all of its functions and powers under the FTC Act to enforce compliance with the FCRA by all persons subject thereto except to the extent that enforcement specifically is committed to some other governmental agency under subparagraphs (A) through (G) of 15 U.S.C. § 1681s(b)(1), irrespective of whether the person is engaged in commerce or meets any other jurisdictional tests set forth by the FTC Act.

133. Enforcement of the FCRA with respect to Defendants is not specifically committed to some other governmental agency under subparagraphs (A) through (G) of 15 U.S.C. § 1681s(b)(1).
134. Section 621(a)(2)(A) of the FCRA, 15 U.S.C. § 1681s(a)(2)(A), as modified by the Section 4 of the Federal Civil Penalties Inflation Adjustment Act of 1990, Pub. L. No. 101-410, 104 Stat. 890, as amended, and as implemented by 16 C.F.R. § 1.98(m), authorizes the Court to award monetary civil penalties of up to \$4,705 for each knowing violation of the FCRA that constitutes a pattern or practice of violations of the statute. As described herein, Defendants committed violations of the FCRA with the knowledge required by Section 621(a)(2)(A) of the FCRA, 15 U.S.C. § 1681s(a)(2)(A).
135. Each instance in which Defendants have violated Section 604(f) of the FCRA, 15 U.S.C. § 1681b(f), constitutes a separate violation of the FCRA for the purpose of assessing monetary civil penalties.

COUNT XV
Falsely Certifying Permissible Purpose

136. In numerous instances in connection with obtaining and using consumer reports, Defendants have falsely certified to consumer reporting agencies that they intend to use consumers reports in connection with credit transactions involving the consumers on whom the information is to be furnished and involving the extension of credit to the consumers. Defendants, however, are

not lenders and do not use the consumer reports in connection with credit transactions involving the consumers on whom the information is to be furnished and involving the extension of credit to the consumers.

Accordingly, in numerous instances, Defendants have obtained consumer reports for a purpose that they did not certify in accordance with Section 607 of the FCRA, 15 U.S.C. § 1681e.

137. Therefore, Defendants' acts and practices set forth in Paragraph 136 violate Section 604(f)(2) of the FCRA, 15 U.S.C. § 1681b(f)(2), and constitute unfair or deceptive acts and practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

VIOLATIONS OF THE GLB ACT

138. Section 521 of the GLB Act, 15 U.S.C. § 6821, became effective on November 12, 1999, and remains in full force and effect. Section 521(a) of the GLB Act, 15 U.S.C. § 6821(a), prohibits any person from “obtain[ing] or attempt[ing] to obtain . . . customer information of a financial institution relating to another person—(1) by making a false, fictitious, or fraudulent statement or representation to an officer, employee, or agent of a financial institution; [or] (2) by making a false, fictitious, or fraudulent statement or representation to a customer of a financial institution.”

139. The GLB Act defines “customer” to mean “with respect to a financial institution, any person (or authorized representative of a person) to whom the

financial institution provides a product or service, including that of acting as a fiduciary.” 15 U.S.C. § 6827(1). The GLB Act defines “customer information of a financial institution” as “any information maintained by or for a financial institution which is derived from the relationship between the financial institution and a customer of a financial institution and is identified with the customer.” 15 U.S.C. § 6827(2). The GLB Act defines “financial institution” to include “any institution engaged in the business of providing financial services to customers who maintain a credit, deposit, trust, or other financial account or relationship with the institution.” 15 U.S.C. § 6827(4)(A). The GLB Act further defines “financial institution” to include “any consumer reporting agency that compiles and maintains files on consumers on a nationwide basis (as defined in section 603(p) of the Consumer Credit Protection Act [15 USCS § 1681a(p)]).” 15 U.S.C. § 6827(4)(B).

140. Section 522(a) of the GLB Act, 15 U.S.C. § 6822(a), empowers the FTC to enforce Section 521 of the GLB Act “in the same manner and with the same power and authority as the [FTC] has under the Fair Debt Collection Practices Act [FDCPA] . . . to enforce compliance with such Act.” Pursuant to Section 814(a) of the FDCPA, 15 U.S.C. § 1692l(a), a violation of the FDCPA is deemed an unfair or deceptive act or practice in violation of the FTC Act. Section 814(a) of the FDCPA further provides that all of the functions and

powers of the FTC under the FTC Act are available to the FTC to enforce compliance by any person with the FDCPA, including the powers to the enforce provisions of the FDCPA in the same manner as if the violation had been a violation of an FTC trade regulation rule. Section 19 of the FTC Act, 15 U.S.C. § 57b, authorizes this Court to grant such relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the GLB Act, including but not limited to the rescission or reformation of contracts, and the refund of money or return of property.

141. Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A), as modified by the Section 4 of the Federal Civil Penalties Inflation Adjustment Act of 1990, Pub. L. No. 101-410, 104 Stat. 890, as amended, and as implemented by 16 C.F.R. § 1.98(d), authorizes this Court to award monetary civil penalties of up to \$50,120 for each violation of the GLB Act. *See* 16 C.F.R. § 1.98(d) (2021). As described herein, Defendants committed violations of Section 521 of the GLB Act, 15 U.S.C. § 6821, with the knowledge required by Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A).
142. Each instance in which Defendants have failed to comply with Section 521 of the GLB Act, 15 U.S.C. § 6821, constitutes a separate violation of the GLB Act for the purpose of assessing monetary civil penalties.

COUNT XVI
Use of False Statements to Obtain Customer Information

143. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of credit repair services and investment opportunities, Defendants make false, fictitious, or fraudulent statements or representations to (i) officers, employees, or agents of a financial institution and/or (ii) customers of financial institutions to obtain or attempt to obtain customer information of a financial institution of those customers, such as credit or debit card numbers, bank account numbers and routing numbers, and consumer credit reports, including by representing, directly or indirectly, expressly or by implication, that (1) Defendants will significantly improve consumers' credit scores by, among other things, removing permanently negative information from consumers' credit reports or profiles or adding positive payment history to consumers' credit reports or profiles, (2) consumers who become agents of Defendants are likely to earn substantial income, and/or (3) Defendants are lenders and intend to use consumers' reports in connection with credit transactions involving the consumers on whom the information is to be furnished and involving the extension of credit to the consumers.
144. Therefore, Defendants' acts and practices set forth in Paragraph 143 violate Section 521(a) of the GLB Act, 15 U.S.C. § 6821(a).

COUNT XVII—RELIEF DEFENDANT

145. Relief Defendant Gayle Toloff, has received, directly or indirectly, funds and other assets from Defendants that are traceable to funds obtained from Defendants' customers through the unlawful acts or practices described herein. In particular, between May 2019 and May 2022, Defendants have transferred to the Gayle Toloff Trust funds totaling at least \$9.2 million.
146. Relief Defendant is not a bona fide purchaser with legal and equitable title to Defendants' customers' funds and other assets, and Relief Defendant will be unjustly enriched if she is not required to disgorge the funds or the value of the benefit she received as a result of Defendants' unlawful acts or practices.
147. By reason of the foregoing, Relief Defendant holds funds and assets in constructive trust for the benefit of Defendants' customers.

CONSUMER INJURY

148. Consumers are suffering, have suffered, and will continue to suffer substantial injury as a result of Defendants' violations of the FTC Act, CROA, the TSR, the FCRA, and the GLB Act. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers and harm the public interest.

PRAYER FOR RELIEF

Wherefore, Plaintiff FTC requests that the Court:

- A. Grant preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including but not limited to, temporary and preliminary injunctions, an order freezing assets, immediate access to business premises, and appointment of a receiver;
- B. Enter a permanent injunction to prevent future violations of the FTC Act, CROA, the TSR, the FCRA, and the GLB Act by Defendants;
- C. Award monetary and other relief within the Court's power to grant;
- D. Award the FTC monetary civil penalties from Defendants for every violation of the FCRA and the GLB Act;
- E. Enter an order against Relief Defendant awarding monetary and other relief, but not injunctive relief; and
- F. Award any additional relief as the Court determines to be just and proper.

Dated: March 27, 2023

Respectfully submitted,

/s/Gregory A. Ashe

GREGORY A. ASHE

K. MICHELLE GRAJALES

JULIA E. HEALD

Federal Trade Commission

600 Pennsylvania Avenue NW

Washington, DC 20580

Telephone: 202-326-3719 (Ashe)

Telephone: 202-326-3172 (Grajales)

Telephone: 202-326-3589 (Heald)

Facsimile: 202-326-3768

Email: gashe@ftc.gov, mgrajales@ftc.gov,
jheald@ftc.gov

DAWN N. ISON

United States Attorney

SUSAN K. DECLERCQ (P60545)

Assistant United States Attorney

211 W. Fort Street, Suite 2001

Detroit, MI 48226

Telephone: 313-226-9149

Email: susan.declercq@usdoj.gov

Attorneys for Plaintiff

FEDERAL TRADE COMMISSION