

## IN THE MATTER OF

## SAAB-SCANIA OF AMERICA, INC.

CONSENT ORDER IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket C-3183. Complaint, April 16, 1986—Decision, April 16, 1986*

This consent order requires an Orange, Conn. wholly-owned subsidiary of a Swedish automobile company, among other things, to make repairs or reimburse consumers for costs they incurred because of paint problems with Saab cars assembled at the company's factory in Malines, Belgium, from 1976 to 1978. The offer to repair or reimburse will be made to consumers who bought a new Belgian-made Saab after Dec. 31, 1977 and to subsequent owners who bought their vehicle within the first 36 months after the original purchase. The repair or reimbursement cost will be up to \$2,000 per car, except for cars purchased in Massachusetts. The Attorneys General in Massachusetts, Maine and Vermont have reached separate agreements with Saab in those states over the paint problem, but Saab consumers in Maine and Vermont are eligible for the repair or reimbursement program.

*Appearances*

For the Commission: *Eloise Gore.*

For the respondent: *Jeremy G. Zimmermann and Linda L. Randell, Wiggin & Dana, New Haven, Conn.*

## COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Saab-Scania of America, Inc., a corporation, hereinafter sometimes referred to as respondent, has violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Saab-Scania of America, Inc., is a Connecticut corporation, with its principal office and place of business at Saab Drive, Orange, Connecticut.

PAR. 2. Respondent is now, and has been, engaged in the advertising, offering for sale, sale, and distribution of Saab automobiles to authorized dealers for sale to members of the public.

PAR. 3. In the course and conduct of its aforesaid business, respondent causes and has caused automobiles to be shipped to dealers in

various states, and therefore maintains, and at all times mentioned herein has maintained, a substantial course of trade in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Among the automobiles that respondent offered for sale, sold, and distributed were 1976 through 1978 model year Saab automobiles that were assembled at respondent's factory in Malines, Belgium.

PAR. 5. These Belgium-assembled Saabs were subject, in a significant number of instances, to a paint condition which resulted in the incomplete adhesion of the exterior paint to the underlying metal. This paint condition causes the paint later to lift, peel, or blister. The paint condition does not include paint problems or rust caused by accident, normal road hazard, or other external conditions.

PAR. 6. The paint condition described in Paragraph Five is costly to repair and significantly diminishes the economic value of the automobile.

PAR. 7. On or before December 31, 1977, respondent knew or should have known that a significant number of its Belgium-assembled Saab automobiles were subject to the paint condition described in Paragraphs Five and Six.

PAR. 8. Even after respondent knew or should have known that a significant number of Belgium-assembled Saab automobiles were subject to the paint condition described in Paragraphs Five and Six, respondent failed to disclose to prospective purchasers of Belgium-assembled Saab automobiles, facts about the existence, nature, extent, likelihood of occurrence, or cost of correcting the paint condition.

PAR. 9. The facts described in Paragraph Eight would have been material to many purchasers because such facts, if known, likely would have affected their decisions concerning the purchase of Saab automobiles. Absent disclosure of these facts, purchasers could not otherwise reasonably determine that the paint condition was likely to occur or take action to avoid the economic injury attendant to the paint condition.

PAR. 10. Respondent's failure to disclose the material facts described in Paragraph Eight, above, to purchasers of Saab automobiles has and has had the capacity and tendency to mislead members of the public, particularly those who purchased Belgium-assembled Saab automobiles after December 31, 1977.

PAR. 11. Respondent's actions described above have caused substantial and ongoing injury to consumers that is not outweighed by countervailing benefits to consumers or competitors and is not reasonably avoidable by consumers.

PAR. 12. The acts and practices of respondent in failing to disclose

material facts as alleged above were and are to the prejudice and injury of the public and constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act as amended.

#### DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent Saab-Scania of America, Inc. (Saab) is a corporation organized, existing and doing business under the laws of Connecticut, with its office and principal place of business located at Saab Drive, Orange, Connecticut.
2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

## ORDER

For the purposes of this order, the following definitions shall apply:

1. *Saab* means Saab-Scania of America, Inc., its successors and assigns.
2. *Saab-Scania AB* means Saab-Scania AB, of Sweden, the parent corporation of Saab-Scania of America, Inc.
3. *Motor vehicle* means a passenger car.
4. *Belgian Saab* means a Saab motor vehicle that was assembled at the factory of Saab-Scania AB in Malines, Belgium and that was delivered to the first retail purchaser on or after January 1, 1978, as indicated by the date the warranty period began according to Saab's records.
5. *Paint condition* means the incomplete adhesion of the exterior paint to the underlying metal of a Belgian Saab causing the paint later to lift, peel, or blister. This term does not include paint problems or rust caused by accident, normal road hazard, or other external conditions.
6. *Repair* means the performance of all tasks necessary to restore completely the area where the paint condition exists, whether visibly or latently. The repair includes, but is not necessarily limited to, stripping the paint on the exterior surface of the motor vehicle to the sheet metal surface; correcting all rusting; and preparing, priming and repainting the surface in a color matching the exterior body color.
7. *Complete repair* is a repair which was performed by Saab at no charge to the owner and which was valued at \$800 or more according to Saab's records.
8. *Person* means any individual, partnership, corporation, firm, trust, estate, cooperative, association, or other entity.
9. *Dealer* means any person who, pursuant to a sales and service agreement with Saab, purchases or receives on consignment motor vehicles from Saab for resale or lease to the public, including any dealer owned or operated by Saab.
10. *Months-in-service* is calculated as beginning on the date on which Saab or a dealer delivered the motor vehicle to the first retail purchaser.
11. *Warranty period* means the first twelve months-in-service.
12. *Owner* means any person who lawfully acquired custody and/or possession of a Belgian Saab within the vehicle's first 36 months-in-service. This term includes, but is not limited to, any past or current registered owner or person acting on such owner's behalf. This term does not include a dealer or person in temporary possession of the vehicle by right of a lien.

13. *Original owner* means that owner who was the first retail purchaser.

14. *Subsequent owner* means any owner who owned a Belgian Saab after the original owner.

15. *Attorney General settlement* means any formal or informal agreement with the Attorneys General of the states of Maine, Massachusetts, or Vermont.

#### I.

*It is ordered,* That respondent, Saab-Scania of America, Inc., a corporation, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, offering for sale, sale or distribution in the United States of any motor vehicle, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from failing to:

#### NOTIFICATION

A. Identify owners to be notified of their potential eligibility for repair of the paint condition and/or reimbursement for past repairs to correct the paint condition, as specified below:

1. Each original owner shall be notified except: a) any owner who has received a complete repair of the paint condition or b) any owner who purchased his/her Belgian Saab in a state in which there was an Attorney General settlement; and

2. Saab will use its own records to obtain the names and addresses of original owners to be notified;

B. Within sixty (60) days after the date of the service of this order, send, by first-class mail in an envelope on which is disclosed the vehicle identification number (VIN), to each original owner, as identified in Paragraph I.A., a self-addressed, postage pre-paid envelope and a copy of the Notice Package (using the exact language and format used in Attachment A) which shall include: a) one (1) copy of the "Notice of Program to Determine Eligibility for Free Repair or Reimbursement," b) one (1) copy of the "Request Form" and c) one (1) self-addressed, postage pre-paid postcard;

C. Within thirty (30) days of an inquiry or sixty (60) days after the date of service of this order, whichever is later, send the Notice Package to each owner of a Belgian Saab who inquires of Saab or one of its dealers about Saab's program for repair and reimbursement due to the paint condition; however, it shall not be necessary to mail the

Notice Package if the owner states that the paint condition did not appear within the first 36 months-in-service or that he/she did not own the Belgian Saab within the first 36 months-in-service or that he/she previously received a complete repair;

D. Within thirty (30) days of identification, send a copy of the Notice Package and return envelope, as described in Paragraph I.B., by first class mail to each subsequent owner of a Belgian Saab that has been identified by an original owner as having been sold within the first 36 months-in-service or within an unspecified time; *provided*, that, if the original owner fails to specifically or completely identify the subsequent owner by name and/or address, Saab shall expeditiously attempt to identify the name and address of the current owner of that Belgian Saab, based on the Vehicle Identification Number, using either Saab's corporate or dealer records or state motor vehicle records and send the Notice Package to that address within thirty (30) days of identifying the current owner;

E. For any Notice Package (other than those sent pursuant to Paragraph I.F.) that is returned to Saab as being undeliverable, make a reasonable attempt to obtain the original owner's present address and send the Notice Package and return envelope by first class mail to that address; however, if unable to locate the original owner, send the Notice Package and return envelope by first class mail to the person identified as the current owner of that Belgian Saab based on the Vehicle Identification Number in Saab's corporate or dealer records, and, if unable to so identify and locate the current owner, take additional steps to make a reasonable attempt to obtain the current owner's present address and send the Notice Package and return envelope by first class mail to that address; however, such additional attempts need not include use of a commercial locator service except as provided in Paragraph I.F.;

F. Use a commercial locator service to endeavor to obtain correct addresses and locate owners if, at any time within ninety (90) days of the date the Notice Packages were sent, as provided in Paragraphs I.B. and I.D., Saab learns from dealers, the United States Postal Service, or otherwise that the Notice Packages have not been or will not be delivered to twenty percent (20%) or more of the number of owners eligible pursuant to Paragraph I.A.;

#### INSPECTION

G. Within sixty (60) days after the owner submits the Request Form to Saab requesting an inspection, schedule and perform inspections of each Belgian Saab for which:

1. the owner has completed and mailed to Saab the Request Form

requesting inspection/repair within sixty (60) days after Saab sent the Notice Package to this owner;

2. the owner can provide reasonable proof that he/she owned and/or legally possessed the Belgian Saab within its first 36 months-in-service; and

3. the owner has stated in a signed statement that the paint condition occurred within the first 36 months-in-service;

H. Have a representative of Saab conveniently available to the owner to arrange for inspections and repairs, to review documentation, and to determine eligibility for repair;

#### REPAIR

I. Determine which owners are eligible for repair based upon the following criteria:

1. the owner owned the Belgian Saab within the first 36 months-in-service;

2. the paint condition occurred within the first 36 months-in-service;

3. the owner owned the Belgian Saab at a time when the paint condition occurred;

4. the owner has not previously received a complete repair; and

5. the original owner did not purchase the Belgian Saab in Massachusetts;

J. Except as provided in Paragraphs I.K. and I.M., send by first class mail within thirty (30) days after the inspection, described in Paragraphs I.G. through I.H., to each owner whose Belgian Saab was inspected, a letter informing the owner whether he/she is eligible for repair, and if not eligible, the reasons therefor, which letter shall contain the following:

1. If the owner's Belgian Saab is eligible for repair: a) what Saab will do to repair the paint condition; b) when Saab will provide repair, which shall not be at a time greater than sixty (60) days after receipt of the owner's request for repair following Saab's notification to the owner of his/her eligibility; c) where the repair will be provided, whether at a dealership or other location convenient to the owner; d) how the owner can arrange the date and time for the repair, or set the date and time for the repair with allowance for change by the owner if necessary; e) how long the owner has to respond and request repair, but this period shall not be less than thirty (30) days from the date the owner receives this letter nor more than forty-five (45) days after Saab sends it; and f) whom the owner should contact with questions about the repair procedure, with appropriate telephone number(s) and address(es); and

2. If Saab rejects the request for repair: a) the reason(s) why the request was rejected and (b) instructions on how the owner can seek reconsideration of the rejection by Saab within forty-five (45) days of the date Saab mails this letter rejecting the repair request;

K. At its option, authorize dealers to arrange for performing repairs simultaneously with or immediately following the inspection; provided that such arrangements shall be at a time and place mutually convenient to the owner and the dealer, and if such arrangements are not made at the time of inspection, comply with the notification requirements as set forth in Paragraph I.J.;

L. Repair the paint condition on each eligible Belgian Saab at no cost to the owner within sixty (60) days after the owner requests an appointment for repair following Saab's notification to the owner of his/her eligibility; provided that:

1. the owner has not accepted any offer of cash settlement made by Saab, as set forth in Paragraph I.M., if Saab makes such an offer; and
2. Saab shall not be responsible or liable under this order for repair costs in excess of \$2000.00 per Belgian Saab;

#### CASH SETTLEMENT

M. At Saab's option, offer the owner a cash settlement in lieu of repairs, as follows:

1. Any offer for a cash settlement shall be made to the owner in writing and shall be sent by first class mail to the owner, in duplicate, within thirty (30) days after the inspection and include a self-addressed, postage-paid envelope;

2. The offer shall explain that the owner may accept the cash settlement by signing and returning one (1) copy of the written offer within thirty (30) days in the envelope provided;

3. Saab may determine the amount of the cash settlement, but the letter, as described in Paragraph I.M.2., must include: a) an explanation that accepting the cash settlement nullifies the owner's right to a free repair; b) what Saab would do to repair the paint condition if the owner does not accept the cash settlement and the other information as required by Paragraph I.J. 1. and 2.; c) Saab's estimate of the cost of repairing the vehicle if the owner has the repair made on his/her own; and d) instructions on how to obtain the cash settlement;

4. If the owner accepts Saab's offer, Saab shall send the cash settlement within thirty (30) days of receiving the owner's acceptance;

5. If the owner does not accept the offer within the later of thirty (30) days after the owner receives it or forty-five (45) days after Saab sends it, Saab shall perform its obligations to repair, as set forth in Paragraph I.L. as if no cash settlement had been offered;



## RECONSIDERATION OF REJECTION

N. Within thirty (30) days after an owner requests reconsideration pursuant to Paragraph I.J., review the rejected request and either a) determine that the owner does not qualify for repair and send to the owner by first class mail a second letter describing the reason(s) for the rejection; or b) determine that the owner does qualify for repair and notify the owner and provide repairs as set forth in Paragraphs I.J. and I.L. or offer cash settlement as set forth in Paragraph I.M.;

## REIMBURSEMENT

O. Determine which owners are eligible for reimbursement for past repairs based upon the following criteria:

1. the paint condition occurred within the first 36 months-in-service;
2. the owner owned the Belgian Saab within the first 36 months-in-service;
3. initial repair(s) was (were) attempted within the first 42 months-in-service;
4. the owner has not previously received a complete repair;
5. the original owner did not purchase the Belgian Saab in Massachusetts;
6. the owner provides adequate documentation of the amount of expenses incurred and evidence that the expenses incurred were due to the paint condition; provided that a) such documentation and evidence shall include but is not limited to itemized receipts for work done by dealers, auto body shops, or other providers of repairs; or cancelled checks paid to dealers, auto body shops, or other providers of repairs if accompanied by related evidence of prior contact with Saab or a dealer regarding the paint condition; or other records reasonably demonstrating that the owner's Belgian Saab had the paint condition and was repaired either partially or completely and b) Saab shall instruct its dealers to provide, upon request, copies of repair bills or receipts for repairs performed by or through a dealer to assist the owner in obtaining documentation; and
7. the owner's request for reimbursement is mailed within sixty (60) days after the date Saab sent the Notice Package to this owner;

P. Within thirty (30) days after the owner has returned to Saab the Request Form requesting reimbursement and submitted evidence of repair expenses, as described in Paragraph I.O.4., reimburse in person or by first class mail each eligible owner of a Belgian Saab for all reasonable repair expenses (not to exceed \$2,000.00) incurred for attempts to eliminate the paint condition, whether or not they eliminated the condition;

Q. In each instance where Saab rejects an owner's request for reimbursement or reimburses an amount less than the amount requested, provide the owner, in writing, within thirty (30) days after Saab receives the owner's request for reimbursement: 1) the specific reasons for the decision; and 2) how the owner may seek reconsideration by Saab;

#### LIMITATIONS

R. In the event that an owner (or owners) qualifies for both repair and reimbursement, provide free repairs and reimbursement as outlined in Paragraphs I.L. and I.P.; however, Saab shall not be responsible or liable under this order for a total of reimbursement and repair costs in excess of \$2000.00 per Belgian Saab, and if the total amount for which the owner(s) would be eligible would exceed \$2000.00, offer the owner(s) the choice of how to allocate the money as between repair and reimbursement;

S. Saab shall have no obligations under this order

(1) to any owner who has received a Notice Package from Saab, unless the owner has notified Saab of a request for inspection, repair, or reimbursement within sixty (60) days of the owner's receipt of the Notice Package; or

(2) to any owner who has not received a Notice Package from Saab, unless the owner has requested information from Saab concerning inspection, repair, or reimbursement related to the paint condition within 240 days from the date of Saab's initial mailing of the Notice Package to original owners pursuant to this order.

## II.

#### NOTICE TO DEALERS

*It is further ordered,* That, within twenty (20) days after the date of service of this order, Saab shall:

A. Provide to every dealer a copy of the "Notice to Dealers" as provided in Attachment B to this order; and

B. Notify all dealers in writing to forward owner inquiries, as described in Paragraph I.C., to Saab within five (5) business days after the owner inquires.

## III.

*It is further ordered,* That for three (3) years after the date of service of this order, Saab shall maintain and upon request make available

to the Federal Trade Commission for inspection and copying, documents demonstrating compliance with this order, including but not limited to:

A. a log stating the name and address of each owner sent the Notice Package, the date on which the Notice Package was sent, the date of any response(s), and the nature and date of Saab's ultimate disposition of the owner's request for repair or reimbursement;

B. copies of all correspondence and other communications to, from, or concerning any such owner;

C. the name and last known address of each original owner known to Saab who was not sent a Notice Package and the reason why the Notice Package was not sent; and

D. all documents relied upon, or concerning, any decision by Saab about inspecting, repairing, or offering a cash settlement for the paint condition.

#### IV.

*It is further ordered,* That Saab shall notify the Commission at least thirty (30) days prior to any change in its corporate structure, such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries, or any other change in the corporation which may affect compliance obligations arising out of this order.

#### V.

*It is further ordered,* That Saab shall, within 65 days and 510 days after the date of service of this order, file with the Commission reports, in writing, setting forth in detail the manner and form in which it has complied with this order.

#### ATTACHMENT A

##### Notice Of Program To Determine Eligibility for FREE REPAIR or REIMBURSEMENT

[DATE SENT]

Dear Saab Owner:

You may be eligible for a free repair or reimbursement for past repairs if your Saab developed a particular paint condition that occurred on a percentage of Saab automobiles built before 1979. It appears that the paint finish on some Saabs that were assembled in Belgium was not up to the usual high quality of Saab automobiles.

On some of these Belgium-assembled Saabs, the paint may lift or blister, sometimes

causing rust to form. The paint condition was caused by incomplete adhesion of the paint to the sheet metal. This condition is different from rusting that may result from road conditions, such as snow and salt. To repair the paint condition properly, affected body panels should be stripped to the sheet metal surface and prepared, primed and repainted. The paint condition does not affect the performance, operation, or safety of the car.

Because Saab-Scania has a continuing interest in the quality of our cars and the satisfaction of our customers, we have agreed with the Federal Trade Commission that under certain circumstances we will offer free repairs or reimbursement for repairs previously performed at your expense. It will be necessary to inspect your car to determine eligibility for free repairs.

You need not be the original owner or own the car now to be eligible. But, you must meet the following conditions and return the attached form within 55 days of the date of this letter.

**YOU MAY BE ELIGIBLE FOR *INSPECTION* and *FREE REPAIR* IF:**

- your car was originally purchased on or after January 1, 1978,
- the paint condition appeared within 36 months after the car was delivered to the first owner, and
- the car was never repaired or a partial repair was attempted and the condition reoccurred.

**IF YOU REQUEST *INSPECTION* AND *FREE REPAIR*:**

- Please complete the enclosed form and send it to us within *55 days* of the date of this letter.
- We will get back to you within 60 days of receiving your completed form with the results of our review.
- We may then schedule a date for inspection of your car at a Saab dealer in your area.
- Within 30 days after the inspection, we will tell you whether and how your car will be repaired.

**YOU MAY BE ELIGIBLE FOR *REIMBURSEMENT* IF:**

- your car was originally purchased on or after January 1, 1978,
- the paint condition appeared within 36 months after the car was delivered to the first owner, and
- you paid for a repair that was performed within the first 42 months.

**IF YOU REQUEST *REIMBURSEMENT*:**

- Please complete the enclosed form and send it to us, with copies of all your supporting documentation, within *55 days* of the date of this letter.
- We will get back to you within 30 days of receiving your completed form with the results of our review.

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- If we approve your request, in whole or in part, we will include a check for your reimbursement.
- If we do not approve your request, in whole or in part, we will tell you the specific reasons for our decision.

If you believe you qualify for repair, reimbursement or both, please complete and sign the enclosed form and return it to us in the return envelope we have provided for your convenience. To be eligible for free repair or reimbursement, *you must return the form with any necessary documents within 55 days of the date of this letter.*

If you have any questions about this letter or Saab's offer, please call us at 203-795-5671 and ask to speak to our National Consumer Relations Coordinator.

Very truly yours,  
Saab-Scania of America, Inc.

/s/Alex S. Lieuwma  
National Service Manager

P.S. In order to be sure we reach all Saab owners who may be eligible for repair or reimbursement, we need your help. *If you sold your Saab within the first 36 months, and you are not seeking reimbursement for repairs made while you owned the car, please send us the name and address of the person you sold the car to and the approximate date on which you sold the car.* You may use the enclosed postage-paid postcard, to let us know that you sold your car. Even if you don't know the buyer's name or address, please return the card indicating that the car was sold within the first 36 months. Thank you for your assistance.

## [REQUEST FORM]

## SAAB-SCANIA OF AMERICA, INC.

Request for Inspection/Repair or Reimbursement for the Cost of Repair of Paint Conditions on Belgian-assembled Saabs

(Please return this form within 55 days.)

Name \_\_\_\_\_  
Address \_\_\_\_\_

Vehicle Identification Number (VIN) \_\_\_\_\_ (The VIN is the number written on the envelope next to your address.)

1. When did you purchase your Saab? \_\_\_\_\_

2. From whom did you purchase your Saab?

Name: \_\_\_\_\_

Address: \_\_\_\_\_

3. Since you bought your Saab, either new or used, has the paint peeled or blistered:  
yes \_\_\_\_\_ no \_\_\_\_\_

4. If the paint peeled or blistered, please answer the following questions. (If the paint has *not* peeled or blistered, please use the attached postcard instead of this form.)

a) When did the peeling or blistering first occur? \_\_\_\_\_

month year

b) Please describe the extent and location of the peeling or blistering. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

c) Did you try to have the condition repaired?  
yes \_\_\_\_\_ no \_\_\_\_\_

5. If you tried to have the condition repaired, please answer the following questions.

a) When were the repairs done? \_\_\_\_\_  
month year

b) Who did them?  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_

c) Did you pay any money attempting to have the condition repaired?  
yes \_\_\_\_\_ If yes, how much did you pay? \$ \_\_\_\_\_  
no \_\_\_\_\_

d) Have you been reimbursed by Saab or the dealer for any of this cost?  
yes \_\_\_\_\_ If yes, when? \_\_\_\_\_ How much? \$ \_\_\_\_\_  
no \_\_\_\_\_

6. Has the paint condition reoccurred on any portion of the car?  
yes \_\_\_\_\_ no \_\_\_\_\_

7. If the paint condition reoccurred, please answer the following questions.

a) When did it reoccur? \_\_\_\_\_  
month year

b) Please describe the extent and location of any peeling or blistering. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

c) Did you try to have the condition repaired?  
yes \_\_\_\_\_ no \_\_\_\_\_

8. If you tried to have the paint condition repaired, please answer the following questions:

a) When were the repairs done? \_\_\_\_\_  
month year

b) Who did them?  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_

c) Did you pay any money attempting to have the condition repaired?  
yes \_\_\_\_\_ If yes, how much did you pay? \$ \_\_\_\_\_  
no \_\_\_\_\_

d) Have you been reimbursed by Saab or the dealer for any of this cost?  
yes \_\_\_\_\_ If yes, when? \_\_\_\_\_ How much? \$ \_\_\_\_\_  
no \_\_\_\_\_

9. If you paid for repairs and were not reimbursed, you may be eligible for reimbursement.

Please supply copies of the following documents if you have any of them:

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a) Repair orders, letters or other written records to or from any Saab dealer, Saab-Scania of America, Inc., and any government or consumer organization, or others discussing the paint condition and the date it occurred.

and

b) Paint repair bills or invoices showing the date of repair, a description of the repair and the actual cost of the repair.

If you do not have all of the forms mentioned, send copies of whatever relevant records you do have. The repair shop or dealer may have copies of bills, and you may be able to get copies from them.

You may be eligible for reimbursement even if you no longer own your Saab.

10. If you own a Saab in which the paint condition occurred during the first 36 months and the *condition is still unrepaired*, you may be eligible for free repair of the condition. If you are in this category and would like Saab to inspect your car to determine if it is eligible for free repair, please tell us the name and address of the dealer most convenient for you.

Dealer Name: \_\_\_\_\_

Address: \_\_\_\_\_

11. If you have sold your Saab, please provide the approximate date on which you sold it and the name and address, if you know them, of the person to whom you sold it.

Date Saab Sold: \_\_\_\_\_

Buyer's Name: \_\_\_\_\_

Address: \_\_\_\_\_

The above information is accurate to the best of my knowledge.

\_\_\_\_\_  
Your signature

\_\_\_\_\_  
Date

Thank you for filling out and returning this form. If you have requested free repair, we will let you know within 60 days whether you qualify for inspection and, if so, schedule an inspection date. If you have requested reimbursement, we will respond to you within 30 days.

Very truly yours,  
Saab-Scania of America, Inc.

/s/Alex S. Lieuwma  
National Service Manager

[separate postcard]

1) Your Name: \_\_\_\_\_

Address: \_\_\_\_\_

Vehicle Identification Number (VIN) \_\_\_\_\_

(The VIN is the number written on the envelope next to your address.)

- 2) If you have sold your Saab, please provide the approximate date on which you sold it and the name and address, if you know, of the person to whom you sold it.

Date Saab Sold: \_\_\_\_\_

Buyer's Name: \_\_\_\_\_

Address: \_\_\_\_\_

(Please return this card even if you don't know the name of the person who bought your Saab. Just write in the approximate date on which you sold it.)

- 3) If you own your Saab and the paint condition has *not* occurred, please check here.

Thank you.

#### ATTACHMENT B

Dear Dealer:

I am writing to inform you of an agreement which Saab-Scania of America, Inc. has entered into with the Federal Trade Commission. This agreement relates to a particular paint condition that developed on some model year 1976 through 1978 Saab automobiles that were assembled in Malines, Belgium. As you know, that factory was closed in 1978.

On some of these Belgium-assembled Saabs, the paint may lift or blister, sometimes causing rust to form. The paint condition was caused by incomplete adhesion of the paint to the sheet metal. This condition is different from rusting that may result from road conditions, such as snow and salt. To repair the paint condition properly, affected body panels should be stripped to the sheet metal surface and prepared, primed and repainted. The paint condition does not affect the performance, operation, or safety of the car.

Because Saab-Scania has a continuing interest in the quality of our cars and the satisfaction of our customers, Saab-Scania has agreed with the Federal Trade Commission that under certain circumstances Saab-Scania will offer free repairs or reimbursement for repairs previously performed at the owner's expense. Saab-Scania has reached this voluntary agreement for settlement purposes only, and does not believe that the FTC Act has been violated.

Generally the agreement provides that a Belgium-assembled Saab is eligible for inspection by a Saab-Scania representative (District Service Manager) and free repair if:

- the car was originally purchased on or after January 1, 1978,
- the paint condition appeared within 36 months after the car was delivered to the first owner,
- the current owner requesting repair is either the original owner of the car or has owned the car since sometime during the first 36 months after the car was delivered to the first owner,
- the car was never repaired, or partial repair was attempted and the condition reoccurred.

Put only  
in letter  
to Mass.  
dealers

- the car was not originally purchased in Massachusetts, and therefore was not included in a prior voluntary agreement entered into in that state.



Generally, the agreement further provides that an owner is eligible for reimbursement for expenses incurred in repairing the condition in the past if:

- the car was originally purchased on or after January 1, 1978,
  - the paint condition appeared within 36 months after the car was delivered to the first owner,
  - the owner requesting reimbursement owned the car sometime during the first 36 months (regardless of whether the owner still owns the car) and paid for a repair that was performed within the first 42 months,
  - the owner requesting reimbursement did not already receive a complete repair (that is, at a cost to Saab-Scania of \$800 or more) free of charge,
  - the car was not originally purchased in Massachusetts.
- put only  
in letter  
to Mass.  
dealers

An owner may qualify for both repair and reimbursement.

Saab-Scania is identifying original owners of Belgium-assembled cars purchased on or after January 1, 1978 and will be sending information directly to these owners about Saab-Scania agreement. An owner seeking inspection/repair or reimbursement will be required to complete a Request Form which will be included in the Notice Package sent by Saab-Scania to the owner.

All determinations of eligibility for inspection, repair and/or reimbursement will be made by Saab-Scania.

If an owner contacts you for information about eligibility for inspection, possible free repair or reimbursement, please refer the owner to our National Consumer Relations Coordinator at Saab-Scania in Orange, and tell the owner that you will pass along the owner's name to Saab-Scania. We are requesting that all dealers notify Saab-Scania of the owner's name within 5 days after the owner makes such an inquiry. The National Consumer Relations Coordinator can be reached at 203-795-5671 or by writing to her at Saab-Scania, on Saab Drive, Orange, CT 06477.

Very truly yours,

/s/Alex S. Lieuwma  
National Service Manager

IN THE MATTER OF  
AMERICAN HOME PRODUCTS CORPORATION

MODIFYING ORDER IN REGARD TO ALLEGED VIOLATION OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket 8641. Order, June 9, 1970—Modifying Order, May 22, 1986*

The Federal Trade Commission has modified a 1970 order with American Home Products Corp. (77 F.T.C. 726) by removing some restrictions on the company's advertising for Preparation H. The modified order allows respondent to use in its advertising any claims that the Food and Drug Administration has tentatively approved.

ORDER REOPENING THE PROCEEDING AND  
MODIFYING CEASE AND DESIST ORDER

On January 21, 1986, American Home Products Corporation (Petitioner) filed a petition pursuant to Rule 2.51 of the Commission's Rules of Practice, 16 C.F.R. 2.51, and Paragraph III of the order in question to reopen the proceeding and modify the final cease and desist order entered against it by the Commission on June 9, 1970, in Docket No. 8641 (77 F.T.C. 726).

The final order in this matter was the product of extended litigation concerning therapeutic advertising claims for Preparation H Ointment or Suppositories. The order effectively proscribes all therapeutic advertising claims for Preparation H Ointment or Suppositories, or any other non-prescription drug product for the treatment or relief of hemorrhoids or any of its symptoms, except for three specifically enumerated claims. The three claims permitted under the order are (1) that the use of the product will help reduce swelling of hemorrhoidal tissue caused by edema, infection, or inflammation; (2) that the use of the product will help reduce swelling of hemorrhoidal tissue by lubricating the affected area; and (3) that use of the product will afford temporary relief of pain and itching of hemorrhoidal tissue in many cases. The order concludes with a proviso (Part III) that if the Food and Drug Administration (FDA) should approve for such products any other claims as permissible in labeling, respondent may petition for a modification of the order on that ground.

Subsequently, the Food and Drug Administration (FDA) undertook a comprehensive review of the safety and effectiveness of over-the-counter (OTC) drug products under the "Drug Amendments of 1962" to the "Federal Food, Drug and Cosmetic Act." As part of this review, the FDA appointed panels of independent experts in medicine and

pharmacology to review the available literature and data and evaluate the safety and effectiveness of ingredients used in OTC products. After completing their evaluations the panels reported their findings and conclusions concerning the classes of OTC products evaluated and recommended appropriate labeling claims for each of the classes of OTC products reviewed. The labeling recommendations are incorporated into proposed monographs which, after a three step procedure designed to determine appropriate revisions, if any, will be promulgated as final monographs or rules which will govern the labeling claims of OTC products. One such panel reviewed and evaluated OTC hemorrhoidal (anorectal) drug ingredients. Its findings and conclusions and recommendations and a proposed monograph for OTC anorectal drugs were published in the Federal Register on May 27, 1980. (45 FR 35575.)

It is this proposed monograph that forms the basis for Petitioner's requested modification. Under this proposed monograph OTC anorectal drug ingredients are classified into several groups on the basis of their pharmacologic action, such as local anesthetics, vasoconstrictors, protectants, and counterirritants. An OTC anorectal drug can be classified as a protectant if, for example, it contains cocoa butter 50 percent or greater per dosage unit or it contains white petrolatum USP 50 percent or greater per dosage unit. An OTC anorectal drug meeting these percentage requirements would be entitled under the proposed monograph to be labeled with certain specific protectant claims.

Petitioner claims that Preparation H Ointment contains 72.8% petrolatum and that Preparation H Suppositories contains 79.5% cocoa butter thereby qualifying those products as protectants under the proposed monograph. As a consequence, Petitioner argues that it should be entitled to make as labeling claims those claims permitted by the FDA under the proposed monograph. However, the Commission's final order prohibits the use of a number of these claims and Petitioner asserts this prohibition places it at a competitive disadvantage with OTC anorectal protectant drug products marketed by others. As a consequence, Petitioner has requested that the final order be modified to allow it to make all advertising claims it is allowed by the proposed monograph to use in its labeling for Preparation H Ointment or Suppositories.

We agree. In prior decisions, we have held that proposed FDA monographs may be relied on as a reasonable basis for performance claims. *AHC Pharmacal, Inc.*, 101 F.T.C. 40, 43 (1983); *Thompson Medical Co., Inc.*, 104 F.T.C. 648, 826 (1984); *Chesebrough-Pond's Inc.*, Docket No. C-602 (November 25, 1985) [106 F.T.C. 567]. Such relief is particularly appropriate where, as here, the advertising claims would

be dependent on their acceptability as labeling claims. Based on the foregoing, we conclude that Petitioner has made the requisite showing for a reopening of the proceeding and a modification of the order under Rule 2.51 and Paragraph III of the final order. Respondent has asked that Part III of the final order. Respondent has asked that Part III of the order be modified to make clear that it may make claims in advertising that the FDA has allowed in labeling.

*It is therefore ordered,* That the proceeding is hereby reopened and that Paragraph III of the final order issued June 9, 1970, in Docket No. 8641 be, and it hereby is modified to read as follows:

III. This order is not intended to nor does it prohibit respondent from making any representations for non-prescription drug preparations for the treatment or relief of hemorrhoids or any of their symptoms which the Food and Drug Administration has determined, in the course of its over-the-counter drug review, relate to conditions for which the drug preparation is generally recognized as safe and effective and not misbranded. In the event that respondent at any time in the future markets any non-prescription drug preparation for the treatment or relief of hemorrhoids or any of its symptoms for which it desires to make any of the representations now prohibited under Paragraph I of the order, it may petition the Commission for a modification of the order. Such petition shall be accompanied by a showing that the representation is not false or misleading within the meaning of the Federal Trade Commission Act.

Commissioners Oliver and Strenio did not participate.

Complaint

107 F.T.C.

IN THE MATTER OF  
ALBERT SCHNEIDER

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF  
THE FEDERAL TRADE COMMISSION ACT

*Docket C-3184. Complaint, May 23, 1986—Decision, May 23, 1986*

This consent order requires, among other things, a corporate officer of Cellular Capital Corporation to cease making misrepresentations to induce consumers to purchase application preparation services for the cellular license lottery operated by the Federal Communications Commission. Additionally, respondent is required to make two affirmative disclosures to prospective applicants: (1) that the purchase of a cellular application is a high-risk investment, and (2) that an operating cellular system is unlikely to return any profits to its owners in the first three years of operation.

*Appearances*

For the Commission: *David C. Fix.*

For the respondents: *Pro se.*

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Albert Schneider, hereinafter referred to as respondent, has violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint stating its charges in that respect as follows:

PARAGRAPH 1. Respondent is an individual who has his business address at The Eighth Floor, One Erieview Plaza, Cleveland, Ohio.

PAR. 2. Respondent, individually and in cooperation with others, is now and for some time last past has been engaged in the offering for sale of application preparation and filing services in connection with the Non-Wireline Cellular Telephone Lottery (the "lottery") operated by the Federal Communications Commission ("FCC"). The lottery is a random drawing used by the FCC to select the non-wireline applicant in each geographical market who is to be awarded a license to construct and operate a new type of mobile telephone system called a cellular system. From 1981 until the institution of the lottery in 1984, such licenses were awarded on the basis of public hearings.

PAR. 3. Respondent maintains, and has maintained, a substantial course of business, including the acts and practices as hereinafter set forth, which is in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. As set forth below, in connection with the sale of his services, respondent has engaged in numerous misrepresentations of material facts and has deceptively failed to disclose material facts.

PAR. 5. Respondent misrepresents, directly or by implication, the likelihood that each of his customers will obtain an FCC cellular telephone license or an interest in such a license through the use of respondent's application preparation and filing services. Respondent represents, *inter alia*, that it is a virtual certainty that each of his customers will obtain such a license or an interest in such a license. In fact, it is unlikely that respondent's customers will obtain such a license or any interest in such a license.

PAR. 6. Respondent falsely represents, directly or by implication, that after only one year, almost one percent of the Baltimore/Washington and Chicago markets had subscribed to the local non-wireline cellular company. In fact, the subscribership in both markets after one year was only a small fraction of a percent.

PAR. 7. Respondent falsely represents, directly or by implication, that the typical cellular telephone system will be profitable in the first year of operation. In fact, a typical cellular telephone system will not be profitable in the first year of operation.

PAR. 8. Respondent falsely represents, directly or by implication, that his customers have a binding commitment from Cellular Capital Corporation (CCC) and Ameritrust Bank to provide necessary funding for construction of a cellular telephone system. In fact, CCC has only nominal assets, and CCC and Ameritrust Bank have merely agreed to consider loan applications from respondent's customers should they be awarded licenses.

PAR. 9. Respondent misrepresents, directly or by implication, the qualifications of Peter T. Lewis and the services provided by his company, Lewis Telecom, Inc., the principal preparer of the applications. Respondent falsely represents, *inter alia*, that Mr. Lewis built the cellular system for the Baltimore market and the telecommunications system for the Pershing missile sites, and that Lewis Telecom, Inc. has done all the engineering for 300 cellular markets and has completed 70% of these applications to date. In fact, Mr. Lewis did not build the cellular system for the Baltimore market or the telecommunications system for the Pershing Missile sites. Lewis Telecom, Inc. did not do all the engineering for 300 cellular markets, nor has it completed 70% of these applications to date.

PAR. 10. The false representations of material facts set forth in

Paragraphs Five through Nine are likely to mislead consumers and induce purchases of defendants' services. These representations thus constitute deceptive and unfair acts or practices prohibited as unlawful by Section 5(a) of the FTC Act.

PAR. 11. Respondent does not disclose that the purchase of his application and preparation services is a high risk investment. This non-disclosure is deceptive in light of respondent's representations that each customer is virtually certain to receive all or part of an extremely valuable cellular telephone license.

PAR. 12. Respondent does not disclose that his assessment of the value of the cellular telephone licenses to be awarded is based on assumptions which are highly optimistic or unfounded. This non-disclosure is deceptive in light of respondent's representations that these cellular telephone licenses are enormously profitable and extremely valuable.

PAR. 13. Respondent does not disclose that treatment of his application purchasing program as a tax shelter is highly questionable and is likely to be disallowed. This nondisclosure is deceptive in light of respondent's representations that, due to the income tax benefits, his customers could not lose money even in the unlikely event that no part of a license was obtained.

PAR. 14. The undisclosed material facts set forth in Paragraphs Eleven through Thirteen are necessary to dispel false assumptions likely to arise in light of stated representations. The failures to disclose such material facts are likely to mislead consumers and induce purchases of defendants services. These failures to disclose thus constitute deceptive and unfair acts or practices prohibited as unlawful by Section 5(a) of the FTC Act.

PAR. 15. The acts and practices of respondent, as herein alleged, were and are all to the prejudice and injury of the public and constituted, and now constitute, unfair or deceptive acts or practices in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act.

#### DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter

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executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent Albert Schneider is an individual who has his business address at the Eighth Floor, One Erieview Plaza, Cleveland, Ohio.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

#### ORDER

##### I.

*It is ordered,* That respondent Albert Schneider, his agents, representatives, brokers, and employees, and those persons in active concert or participation with them, who receive actual notice of this order by personal service or otherwise, and each of them, directly or indirectly, in the promotion, offering for sale or sale of any non-wireline MSA cellular telephone system application preparation service, do forthwith cease and desist from the following activities:

(1) Representing, directly or indirectly, that any applicant in the Federal Communications Commission ("FCC") nonwireline cellular telephone license lottery ("lottery") is certain or substantially certain to obtain all or part of a cellular telephone license ("license"), or otherwise misrepresenting the likelihood that an applicant will obtain all or part of a license;

(2) Representing, directly or indirectly, that past agreements to share licenses (settlement agreements) entered into by applicants in the second and third tiers of the FCC lottery provide a basis for



concluding that future applicants in the FCC lottery are likely to receive an interest in a license through similar agreements;

(3) Misrepresenting, directly or indirectly, the value or profit potential of a license awarded through the FCC lottery. At the time of making any representation of value or profit potential, defendant must possess and rely upon a reasonable basis for the representation consisting of competent and reliable data;

(4) Misrepresenting, directly or indirectly, past or current profit performance of cellular telephone systems; or making any representation regarding past or current profit performance of cellular telephone systems unless at the time of making such representation defendant possesses and relies upon a reasonable basis consisting of competent and reliable data;

(5) Misrepresenting, directly or indirectly, any financing arrangements made for purchasers of defendant's application services;

(6) Misrepresenting, directly or indirectly, the nature of the services provided by the application preparers or the qualifications of those providing technical services;

(7) Misrepresenting, directly or indirectly, any material fact relevant to a customer's decision to purchase application preparation services for the FCC lottery; and

(8) Making any representations with respect to income tax benefits available to purchasers of defendant's products or services other than to refer the prospective applicant to their own tax accountant or attorney.

## II.

*It is further ordered,* That respondent Schneider, his agents, representatives, brokers and employees, and those persons in active concert or participation with them, who receive actual notice of this order by personal service or otherwise and each of them, directly or indirectly, in the promotion, offering for sale or sale of any non-wireline MSA cellular telephone system application preparation service are hereby enjoined from failing to disclose to prospective applicants statements (1) and (2) below in all sales brochures, in every oral presentation, and on the front page of all sales or service contracts or agreements with ultimate consumers:

(1) "The purchase of an application for the Federal Communication Commission's cellular telephone lottery is a high-risk investment. Do not purchase an application unless you can afford and are prepared to lose all the money invested."

(2) "An operating cellular system is unlikely to return any profits to its owners in at least the first three years of operation."

*It is further ordered,* That the statements required above shall be set forth in a clear and conspicuous manner in print at least as large as the capitalized corporate name within the text of the brochure, contract or agreement then used by the defendant(s), but in no event smaller than 10 point type; that such disclosure shall be in 100% black ink against a light background, and boxed; that the copy of the foregoing statements set forth on the front page of each sales or service agreement or contract shall be preceded by the heading "RISK FACTORS YOU SHOULD CONSIDER PRIOR TO PURCHASE", and shall also include a signature line for the customer preceded by a declaration that the customer has read and understands the statement; and that no agreement or contract shall be deemed valid or complete unless the customer has signed and dated the required declaration.

### III.

*It is further ordered,* That respondent Schneider shall fully comply with the Paragraphs IV and VII of the Consent Decree and Permanent Injunction entered by the United States District Court for the Northern District of California in the case *Federal Trade Commission v. The Cellular Corporation, et al.* (Civ. No. C85-8231 WHO), which paragraphs are attached hereto and incorporated herein.\*

### IV.

*It is further ordered,* That this settlement agreement is premised on the sworn financial statements of respondent Schneider previously provided to the Commission. If the Commission finds any material misstatement or misrepresentation in the sworn financial statements, that finding shall cause this order to be set aside and the Commission in that event shall be permitted to reopen this matter and proceed against respondent Schneider to the full extent of any possible monetary liability he may have for the acts and practices alleged in the Commission's complaint in this matter in excess of the liability imposed herein. Prior to the making of any such motion, the Commission will notify respondent Schneider of any alleged discrepancy and provide him with a reasonable opportunity to explain or justify the disputed entry.

\* Not reproduced herein. Copies of all attachments are available from the Commission's Public Reference Branch, H-130, 6th St. and Pa. Ave., N.W., Washington, D.C. 20580.

## V.

*It is further ordered,* That respondent Schneider shall immediately provide a copy of this order to each officer, employee, sales representative, or independent contractor engaged in the promotion or sale of respondent's non-wireline MSA cellular telephone system application preparation services.

## VI.

*It is further ordered,* That respondent Schneider shall, within sixty (60) days after the order is approved by the Commission, file with the Federal Trade Commission a report setting forth in detail the manner and form in which he has complied with this order.

Commissioners Oliver and Strenio did not participate.

IN THE MATTER OF  
JOHN C. ANDERSON

CONSENT ORDER IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket C-3185. Complaint, May 27, 1986—Decision, May 27, 1986*

This consent order prohibits, among other things, a former official of Credit Establishing Bureau, a Detroit-based credit repair clinic that went out of business in February, 1984, from falsely representing in the future that he can improve credit records and arrange for consumers to receive major credit cards.

*Appearances*

For the Commission: *Kathleen V. Buffon.*

For the respondent: *Pro se.*

COMPLAINT

The Federal Trade Commission, having reason to believe that John C. Anderson, individually and as a former partner trading and doing business as Credit Establishing Bureau, formerly a partnership, ("respondent") has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. John C. Anderson is a former partner of Credit Establishing Bureau ("CEB"), formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. John C. Anderson, together with others, formulated, directed and controlled the acts and practices of said business, including the acts and practices alleged in this complaint. His address is 18665 Marsha, Riverview, Michigan.

PAR. 2. For purposes of this complaint, the following definitions shall apply:

A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a

person's credit profile by removing negative information appearing therein, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of a person in return for the payment of money.

PAR. 3. CEB has engaged in the advertising, solicitation, offering for sale and sale of credit improvement services and credit card procurement services to the public by means of newspaper, radio and television advertisements, by direct personal contact with prospective clients, and through letters, contracts and other documents.

PAR. 4. The acts and practices of CEB alleged in this complaint have been in or affecting commerce.

PAR. 5. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts and other written documents, examples of which are attached hereto as Exhibits 1 through 4, and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit improvement service.

PAR. 6. Typical of CEB's statements referred to in Paragraph Five, but not necessarily inclusive thereof, are the following:

A. Television and radio advertisements:

1. Credit problems? No problem! Stop being rejected time and again.
2. If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help. Their friendly, qualified counselors . . . can challenge negative entries on your credit profile and improve your credit rating.

B. Contracts:

1. Credit Establishing Bureau shall assist in obtaining a credit profile. . . .
2. Credit Establishing Bureau will dispute all negative entries on client's credit profile. . . .
3. Work to be conducted by Credit Establishing Bureau is under the Federal Fair Credit Reporting Act.
4. Credit Establishing Bureau agrees to improve client's profile, or money back Guaranteed.

C. Oral statements to the effect that:

1. CEB can remove bankruptcies, judgments, and other negative information from clients' credit profiles and has done so frequently in the past.
2. Removal of bankruptcies from credit profiles is CEB's specialty.
3. Many people who have had bad credit profiles now have A-1 ratings and are able to obtain credit because of CEB's services.

4. After CEB disputes negative information in a client's credit profile, the credit bureau will remove the information or improve its rating in order to meet the requirements of the Fair Credit Reporting Act.

PAR. 7. Through the use of the statements referred to in Paragraph Six, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB sought and obtained credit profiles and performed credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act enabled CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB improved the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB provided refunds to all clients whose credit profiles were not improved by its credit improvement services.

PAR. 8. In truth and in fact:

A. CEB did not seek and obtain credit profiles and did not perform credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, which regulates the information that may be reported in a person's credit profile, did not enable CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB did not improve the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB did not provide refunds to all clients whose credit profiles were not improved by their credit improvement services.

Therefore, the representations set forth in Paragraph Seven were and are false and misleading.

PAR. 9. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts, and other written documents, examples of which are attached hereto as Exhibits 1 through 4, and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit card procurement service.

PAR. 10. Typical of CEB's statements referred to in Paragraph Nine, but not necessarily inclusive thereof, are the following:

**A. Advertisements:**

If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help! Their friendly, qualified counselors can get you Master & Visa credit cards.

**B. Contracts:**

Credit Establishing Bureau guarantees that the heresaid client will obtain a Mastercard or Visa credit card or 80% of your total fee will be refunded.

**C. Oral statements to the effect that:**

1. CEB works in conjunction with a local bank. An agent of CEB will go to the bank on the client's behalf and submit a credit card application. CEB will represent its client to the bank as a creditworthy individual. With CEB's backing, the client has a much better chance of obtaining a credit card.

2. Because of the prospective client's circumstances (e.g., employment, age, length of time in area), CEB will be able to obtain a credit card for him or her on an unsecured basis through a local bank.

3. CEB will refund the fee if it is unable to obtain a credit card on an unsecured basis through a local bank.

PAR. 11. Through the use of the statements referred to in Paragraph Ten, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB regularly obtained Master or Visa credit cards on an unsecured basis for its clients regardless of clients' prior credit histories.

B. CEB had an established connection with a local bank through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB performed services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB provided refunds to clients who did not obtain a credit card through its services.

**PAR. 12. In truth and in fact:**

A. CEB did not regularly obtain Master or Visa credit cards on an unsecured basis for their clients regardless of clients' prior credit histories.

B. CEB did not have an established connection with a local bank

through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB did not perform services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was not good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB, in many instances, did not provide refunds to clients who did not obtain a credit card through its services.

Therefore, the representations set forth in Paragraph Eleven were and are false and misleading.

PAR. 13. CEB's aforesaid false and misleading representations have induced persons to pay over to it substantial sums of money for services that CEB could not or did not perform as represented. CEB has received said sums of money and, in a substantial number of instances, has failed or refused to refund such money to such persons. Therefore, the continued retention of said money constitutes an unfair act or practice.

PAR. 14. The acts and practices of CEB as alleged in this complaint constituted and now constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act.



Complaint

107 F.T.C.

EXHIBIT 1



WXON-TV, INC.

Client      CREDIT ESTABLISHING BUREAU  
 Date  
 Length  
 Writer  
 Remarks

VIDEO

AUDIC

NO CREDIT? CREDIT PROBLEMS? NO PROBLEM! STOP BEING REJECTED TIME AND TIME AGAIN. WE AT THE "CREDIT ESTABLISHING BUREAU" ARE HERE TO HELP. OUR COUNSELOR CAN HELP YOU GET MASTER AND VISA CREDIT CARDS. IF YOU HAVE BAD CREDIT, WE CAN CHALLENGE NEGATIVE ENTRIES ON YOUR CREDIT PROFILE, AND IMPROVE YOUR CREDIT RATING IF YOU NEED TO ESTABLISH OR RE-ESTABLISH YOUR CREDIT, YOU NEED HELP!

FOR CREDIT HELP CALL 559-9404

GET THE CREDIT YOU DESERVE!

Complaint

EXHIBIT 2



ACCOUNT CREDIT ESTABLISHING BUREAU  
 LENGTH :30 DATE 11/14/83-11/17/83  
 WRITTEN BY \_\_\_\_\_

PRODUCTION INSTRUCTIONS:

AGENCY ADDRESS:

CREDIT ESTABLISHING BUREAU  
 17344 W. 12 MILE ROAD  
 Suite 103  
 SOUTHFIELD, MICHIGAN 48075  
 ATT: G. Tannous

MUSIC USED

PRODUCED BY \_\_\_\_\_ DATE \_\_\_\_\_

The following information was furnished to the station by the advertiser. The station is not responsible for the accuracy of the information. The advertiser is advised that the station is not responsible for the accuracy of the information. The advertiser is advised that the station is not responsible for the accuracy of the information.

EXHIBIT 1

30 SEC.

THE FOLLOWING IS AN IMPORTANT ANNOUNCEMENT,  
 THERE IS HOPE! IF YOU HAVE NO CREDIT, BAD  
 CREDIT OR IF YOU HAVE DECLARED BANKRUPTCY,  
 CREDIT ESTABLISHING BUREAU IN SOUTHFIELD  
 CAN HELP! THEIR FRIENDLY QUALIFIED COUNSLER  
 CAN GET YOU MASTER & VISA CREDIT CARDS. THE  
 CAN ALSO CHALLENGE NEGATIVE ENTRIES ON YOUR  
 CREDIT PROFILE AND IMPROVE YOUR CREDIT RATING  
 IF YOU NEED TO ESTABLISH OR RE-ESTABLISH YOUR  
 CREDIT, YOU NEED HELP. CALL THEM RIGHT NOW  
 AT 559-9404, THAT'S 559-9404

TOTAL NUMBER OF COMMERCIALS RUN....12

Station is not responsible for the accuracy of the information. The advertiser is advised that the station is not responsible for the accuracy of the information.

Complaint

107 F.T.C.

EXHIBIT 3

CREDIT ESTABLISHING BUREAU

(313) 559-9404
17344 W. 12 Mile Road
Suite 103
Southfield, MI 48076

FULL DISCLCSURE

This agreement made this 21 day of 25 10/93 by and between
Credit Establishing Bureau and the undersigned, hereinafter referred to as client, witness as follow

Whereas, it is the purpose of this agreement to offer full disclosure to the client of the service:
rendered by Credit Establishing Bureau.

- 1. Credit Establishing Bureau shall assist in obtaining a credit profile from TRW Credit Data
and/or assigned credit reporter on client.
2. Credit Establishing Bureau shall study client's credit profile and determine appropriat
actions.
3. Credit Establishing Bureau will dispute all negative entries on client's credit profile to
verification.
4. If negative entries cannot be removed, Credit Establishing Bureau shall write a Statement o
Explanation of not more than 100 words for each entry. (Civil Code Section 1785.16FCRA
5. Work to be conducted by Credit Establishing Bureau is under the Federal Fair Cred
Reporting Act (Civil Code Section 611.)
6. Credit Establishing Bureau agrees to improve client's profile, or money back Guarantee

Client hereby agrees to pay the total fee of \$ 95.00 to Credit Establishing Bureau
for services rendered.

Form of Payment Check check # 158

Balance with TRW profile (may not be more than 40% of total amount), approximate date will be two t
three weeks from date stated above.

List balance due \$ N/A
TRW \$125.00 Other reported \$ N/A Spouse TRW \$200.00
(please check which one will apply)

If client requests another Credit Reporter
other than TRW please state the name here. N/A

Client's Signature

AGENT \_\_\_\_\_ in

## EXHIBIT 4

## CREDIT ESTABLISHING BUREAU

(313) 559-9404  
17344 W. 12 Mile Road  
Suite 103  
Southfield, MI 48076

CREDIT CARD FULL DISCLOSURE

This agreement on this 17th day of 25, 19 83 by and between "Credit Establishing Bureau" and the undersigned hereinafter referred to as client witness as follow:

Whereas, it is the purpose of this agreement to offer full disclosure to the client of the services rendered by Credit Establishing Bureau in obtaining a Mastercard or Visa credit card.

1. Credit Establishing Bureau shall obtain a credit report from TRW Credit Data on heresaid client.
2. Credit Establishing Bureau shall study client's credit profile and determine appropriate actions.
3. Client understands that if he or she cannot obtain a Mastercard or a Visa credit card on an unsecured basis they will be required to abide by the following procedure:

Submit an official Timesaver application. Once you open and maintain a collateralized savings account of \$300.00 or more with Key Federal Saving & Loan of Baltimore, Maryland your Mastercard and/or Visa will be approved and issued. (All banking will be done through post paid mail.) Key Federal Services Incorporated, the financial institute that issues the credit cards, will verify the information on your application and will have final approval to issue the cards. Usually reason for denial will be an unstable credit profile, and could cause for delay. The balance in your savings account at Key Federal Savings & Loan will determine an equal credit limit for each credit card. You can increase your credit limit for each credit card merely by adding to your savings account. Your savings account is federally insured and will earn 5 1/4% annual interest. Your credit card account will be reviewed every 12 months to determine whether your credit limit can be increased or your savings account can be returned with interest. There is an annual "Bank Action" fee of \$25.00 for each card, that will be billed to your credit card statement. Timesaver Incorporated is the exclusive marketing agent for Key Federal Savings & Loan, and Key Financial Services Incorporated. Timesaver charges a one time processing fee of \$25.00 which must be paid when you submit your application.

- Credit Establishing Bureau Guarantees that the heresaid client will obtain a Mastercard or Visa credit card or 80% of your total fee will be refunded. (Note: 20% is used in requesting profile, investigation of profile and your agent's commission.)

Client hereby agrees to pay the total fee of \$75.00 to Credit Establishing Bureau for services rendered.

Form of payment check check # 158

Client's Signature \_\_\_\_\_ agent \_\_\_\_\_ Int.

## DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge the respondent with violation of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Proposed respondent John C. Anderson is a former partner of Credit Establishing Bureau, formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. John C. Anderson, together with others, formulated, directed and controlled the acts and practices of said business. His address is 18665 Marsha, Riverview, Michigan.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

## ORDER

For purposes of this order, the following definitions shall apply:

- A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's

creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a person's credit profile by removing negative information appearing in a credit profile, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of any person in return for the payment of money.

### I.

*It is ordered*, That respondent John C. Anderson, individually and as a former partner of Credit Establishing Bureau, formerly a partnership, his successors and assigns, and his officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit improvement service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, directly or by implication:

1. That they will seek or obtain any credit profile or will perform any credit improvement service for any person;

2. Any right or remedy available under the Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, including the ability to remove adverse information in any credit profile or to change any rating of such information from negative to positive;

3. That they can or will improve the credit profile of any person regardless of the accuracy or date of the information appearing in the credit profile; or

4. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

C. Participating in any dispute or encouraging any person to engage in any dispute with any consumer reporting agency, pursuant to procedures authorized by Section 611 of the Fair Credit Reporting

Act, 15 U.S.C. 1681i, over the accuracy or completeness of any item of information in any credit profile when they know or have reason to know, from information provided by the client or otherwise, that the item of information in the credit profile is accurate and complete.

## II.

*It is further ordered,* That respondent John C. Anderson, his successors and assigns, and his officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit card procurement service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, directly or by implication:

1. That they can or will obtain a credit card or other extension of credit on an unsecured or any other basis;
2. That they have any connection with any bank, credit card issuer or any other entity through which they can or will arrange for the issuance of credit cards or for the extension of credit;
3. That they can or will perform services for any person that will contribute in any way to that person's ability to obtain a credit card;
4. The likelihood of any person obtaining a credit card through their services; or
5. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

## III.

*It is further ordered,* That respondent John C. Anderson shall maintain and, upon request, make available to the Federal Trade Commission for inspection and copying all records and documents relating to any credit improvement service or credit card procurement service that he offers to any person for at least three (3) years from the date of such offer, including but not limited to:

1. Copies of any advertising and promotional material disseminated to any person;

2. Copies of any contracts, disclosure statements or other documents furnished to any person;
3. Copies of any material offering, directly or by implication, any money-back or satisfaction guarantee in connection with the purchase of such services;
4. Copies of any request for a refund from any person, any correspondence or other records relating to such request, and documentation sufficient to show the date, manner, amount, and recipient of any refund made; and
5. Copies of documents and records sufficient to show that, in the ordinary course of business, respondent performs the services that he represents, directly or by implication, that he can or will perform.

## IV.

*It is further ordered,* That respondent John C. Anderson and his successors and assigns distribute a copy of this order to any present or future officers, agents, representatives and employees having advertising, sales, or managerial responsibilities with respect to the subject matter of this order and that respondent and his successors and assigns secure from each such person a signed statement acknowledging receipt of said order.

## V.

*It is further ordered,* That respondent John C. Anderson promptly notify the Federal Trade Commission of the discontinuance of his present business or employment and of his affiliation with any new business or employment whose activities include credit improvement services or credit card procurement services. Such notice shall include the respondent's new business address and a statement of the nature of the business or employment in which the respondent is newly engaged as well as a description of respondent's duties and responsibilities in connection with the business or employment.

## VI.

*It is further ordered,* That respondent shall, within sixty (60) days after the date of service upon him of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which he has complied with this order, and that respondent shall file such supplemental reports as the Commission subsequently requests.

Commissioner Strenio did not participate.



Complaint

107 F.T.C.

IN THE MATTER OF  
PETER S. EVERTS

CONSENT ORDER IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket C-3186. Complaint, May 27, 1986—Decision, May 27, 1986*

This consent order prohibits, among other things, a former official of Credit Establishing Bureau, a Detroit-based credit repair clinic that went out of business in February, 1984, from falsely representing in the future that he can improve credit records and arrange for consumers to receive major credit cards.

*Appearances*

For the Commission: *Kathleen V. Buffon.*

For the respondent: *Pro se.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Peter S. Everts, individually and as a former employee of Credit Establishing Bureau, formerly a partnership, ("respondent") has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Peter S. Everts is a former employee of Credit Establishing Bureau ("CEB"), formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. Peter S. Everts, together with others, directed, managed and supervised the acts and practices of said business, including the acts and practices alleged in this complaint. His address is 1206 Marseilles Street, Rochester, Michigan.

PAR. 2. For purposes of this complaint, the following definitions shall apply:

A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a

person's credit profile by removing negative information appearing therein, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of a person in return for the payment of money.

PAR. 3. CEB has engaged in the advertising, solicitation, offering for sale and sale of credit improvement services and credit card procurement services to the public by means of newspaper, radio and television advertisements, by direct personal contact with prospective clients, and through letters, contracts and other documents.

PAR. 4. The acts and practices of CEB alleged in this complaint have been in or affecting commerce.

PAR. 5. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts and other written documents, examples of which are attached hereto as Exhibits 1 through 4,\* and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit improvement service.

PAR. 6. Typical of CEB's statements referred to in Paragraph Five, but not necessarily inclusive thereof, are the following:

A. Television and radio advertisements:

1. Credit problems? No problem! Stop being rejected time and again.
2. If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help. Their friendly, qualified counselors . . . . can challenge negative entries on your credit profile and improve your credit rating.

B. Contracts:

1. Credit Establishing Bureau shall assist in obtaining a credit profile. . . .
2. Credit Establishing Bureau will dispute all negative entries on client's credit profile. . . .
3. Work to be conducted by Credit Establishing Bureau is under the Federal Fair Credit Reporting Act.
4. Credit Establishing Bureau agrees to improve client's profile or money back Guaranteed.

C. Oral statements to the effect that:

1. CEB can remove bankruptcies, judgments, and other negative information from clients' credit profiles and has done so frequently in the past.
2. Removal of bankruptcies from credit profiles is CEB's specialty.

\* See pages 442-445. Identical exhibits were used in *John C. Anderson*, Dkt. C-3185.

3. Many people who have had bad credit profiles now have A-1 ratings and are able to obtain credit because of CEB's services.

4. After CEB disputes negative information in a client's credit profile, the credit bureau will remove the information or improve its rating in order to meet the requirements of the Fair Credit Reporting Act.

PAR. 7. Through the use of the statements referred to in Paragraph Six, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB sought and obtained credit profiles and performed credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act enabled CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB improved the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB provided refunds to all clients whose credit profiles were not improved by its credit improvement services.

PAR. 8. In truth and in fact:

A. CEB did not seek and obtain credit profiles and did not perform credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, which regulates the information that may be reported in a person's credit profile, did not enable CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB did not improve the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB did not provide refunds to all clients whose credit profiles were not improved by their credit improvement services.

Therefore, the representations set forth in Paragraph Seven were and are false and misleading.

PAR. 9. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts, and other written documents, examples of which are attached hereto as Exhibits 1 through 4, and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit card procurement service.

PAR. 10. Typical of CEB's statements referred to in Paragraph Nine, but not necessarily inclusive thereof, are the following:

A. Advertisements:

If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help! Their friendly, qualified counselors can get you Master & Visa credit cards.

B. Contracts:

Credit Establishing Bureau guarantees that the heresaid client will obtain a Mastercard or Visa credit card or 80% of your total fee will be refunded.

C. Oral statements to the effect that:

1. CEB works in conjunction with a local bank. An agent of CEB will go to the bank on the client's behalf and submit a credit card application. CEB will represent its client to the bank as a creditworthy individual. With CEB's backing, the client has a much better chance of obtaining a credit card.

2. Because of the prospective client's circumstances (e.g., employment, age, length of time in area), CEB will be able to obtain a credit card for him or her on an unsecured basis through a local bank.

3. CEB will refund the fee if it is unable to obtain a credit card on an unsecured basis through a local bank.

PAR. 11. Through the use of the statements referred to in Paragraph Ten, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB regularly obtained Master or Visa credit cards on an unsecured basis for its clients regardless of clients' prior credit histories.

B. CEB had an established connection with a local bank through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB performed services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB provided refunds to clients who did not obtain a credit card through its services.

PAR. 12. In truth and in fact:

A. CEB did not regularly obtain Master or Visa credit cards on an unsecured basis for their clients regardless of clients' prior credit histories.

B. CEB did not have an established connection with a local bank through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB did not perform services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was not good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB, in many instances, did not provide refunds to clients who did not obtain a credit card through its services.

Therefore, the representations set forth in Paragraph Eleven were and are false and misleading.

PAR. 13. CEB's aforesaid false and misleading representations have induced persons to pay over to it substantial sums of money for services that CEB could not or did not perform as represented. CEB has received said sums of money and, in a substantial number of instances, has failed or refused to refund such money to such persons. Therefore, the continued retention of said money constitutes an unfair act or practice.

PAR. 14. The acts and practices of CEB as alleged in this complaint constituted and now constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act.

#### DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge the respondent with violation of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed

consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Proposed respondent Peter S. Everts is a former employee of Credit Establishing Bureau, formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. Peter S. Everts, together with others, directed, managed and supervised the acts and practices of said business. His address is 1206 Marseilles Street, Rochester, Michigan.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

#### ORDER

For purposes of this order, the following definitions shall apply:

A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a person's credit profile by removing negative information appearing in a credit profile, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of any person in return for the payment of money.

#### I.

*It is ordered,* That respondent Peter S. Everts, individually and as a former employee of Credit Establishing Bureau, formerly a partnership, his successors and assigns, and his officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit improvement service in or

affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, directly or by implication:

1. That they will seek or obtain any credit profile or will perform any credit improvement service for any person;
2. Any right or remedy available under the Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, including the ability to remove adverse information in any credit profile or to change any rating of such information from negative to positive;
3. That they can or will improve the credit profile of any person regardless of the accuracy or date of the information appearing in the credit profile; or
4. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

C. Participating in any dispute or encouraging any person to engage in any dispute with any consumer reporting agency, pursuant to procedures authorized by Section 611 of the Fair Credit Reporting Act, 15 U.S.C. 1681i, over the accuracy or completeness of any item of information in any credit profile when they know or have reason to know, from information provided by the client or otherwise, that the item of information in the credit profile is accurate and complete.

II.

*It is further ordered,* That respondent Peter S. Everts, his successors and assigns, and his officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit card procurement service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, directly or by implication:

1. That they can or will obtain a credit card or other extension of credit on an unsecured or any other basis;
2. That they have any connection with any bank, credit card issuer or any other entity through which they can or will arrange for the issuance of credit cards or for the extension of credit;

3. That they can or will perform services for any person that will contribute in any way to that person's ability to obtain a credit card;

4. The likelihood of any person obtaining a credit card through their services; or

5. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

### III.

*It is further ordered,* That respondent Peter S. Everts shall maintain and, upon request, make available to the Federal Trade Commission for inspection and copying all records and documents relating to any credit improvement service or credit card procurement service that he offers to any person for at least three (3) years from the date of such offer, including but not limited to:

1. Copies of any advertising and promotional material disseminated to any person;

2. Copies of any contracts, disclosure statements or other documents furnished to any person;

3. Copies of any material offering, directly or by implication, any money-back or satisfaction guarantee in connection with the purchase of such services;

4. Copies of any request for a refund from any person, any correspondence or other records relating to such request, and documentation sufficient to show the date, manner, amount, and recipient of any refund made; and

5. Copies of documents and records sufficient to show that, in the ordinary course of business, respondent performs the services that he represents, directly or by implication, that he can or will perform.

### IV.

*It is further ordered,* That respondent Peter S. Everts and his successors and assigns distribute a copy of this order to any present or future officers, agents, representatives and employees having advertising, sales, or managerial responsibilities with respect to the subject matter of this order and that respondent and his successors and



assigns secure from each such person a signed statement acknowledging receipt of said order.

## V.

*It is further ordered,* That respondent Peter S. Everts promptly notify the Federal Trade Commission of the discontinuance of his present business or employment and of his affiliation with any new business or employment whose activities include credit improvement services or credit card procurement services. Such notice shall include the respondent's new business address and a statement of the nature of the business or employment in which the respondent is newly engaged as well as a description of respondent's duties and responsibilities in connection with the business or employment.

## VI.

*It is further ordered,* That respondent shall, within sixty (60) days after the date of service upon him of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which he has complied with this order, and that respondent shall file such supplemental reports as the Commission subsequently requests.

Commissioner Strenio did not participate.

## IN THE MATTER OF

## VICTOR J. HAKIM

CONSENT ORDER IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket C-3187. Complaint, May 27, 1986—Decision, May 27, 1986*

This consent order prohibits, among other things, a former official of Credit Establishing Bureau, a Detroit-based credit repair clinic that went out of business in February, 1984, from falsely representing in the future that he can improve credit records and arrange for consumers to receive major credit cards.

*Appearances*

For the Commission: *Kathleen V. Buffon.*

For the respondent: *Pro se.*

## COMPLAINT

The Federal Trade Commission, having reason to believe that Victor J. Hakim, individually and as a former partner trading and doing business as Credit Establishing Bureau, formerly a partnership, ("respondent") has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Victor J. Hakim is a former partner of Credit Establishing Bureau ("CEB"), formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. Victor J. Hakim, together with others, formulated, directed and controlled the acts and practices of said business. His address is 17010 Edwards, Southfield, Michigan.

PAR. 2. For purposes of this complaint, the following definitions shall apply:

A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a person's credit profile by removing negative information appearing

therein, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of a person in return for the payment of money.

PAR. 3. CEB has engaged in the advertising, solicitation, offering for sale and sale of credit improvement services and credit card procurement services to the public by means of newspaper, radio and television advertisements, by direct personal contact with prospective clients, and through letters, contracts and other documents.

PAR. 4. The acts and practices of CEB alleged in this complaint have been in or affecting commerce.

PAR. 5. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts and other written documents, examples of which are attached hereto as Exhibits 1 through 4,\* and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit improvement service.

PAR. 6. Typical of CEB's statements referred to in Paragraph Five, but not necessarily inclusive thereof, are the following:

A. Television and radio advertisements:

1. Credit problems? No problem! Stop being rejected time and again.
2. If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help. Their friendly, qualified counselors . . . can challenge negative entries on your credit profile and improve your credit rating.

B. Contracts:

1. Credit Establishing Bureau shall assist in obtaining a credit profile. . . .
2. Credit Establishing Bureau will dispute all negative entries on client's credit profile. . . .
3. Work to be conducted by Credit Establishing Bureau is under the Federal Fair Credit Reporting Act.
4. Credit Establishing Bureau agrees to improve client's profile, or money back Guaranteed.

C. Oral statements to the effect that:

1. CEB can remove bankruptcies, judgments, and other negative information from clients' credit profiles and has done so frequently in the past.
2. Removal of bankruptcies from credit profiles is CEB's specialty.

\* See pages 442-445. Identical exhibits were used in *John C. Anderson*, Dkt. C-3185.

3. Many people who have had bad credit profiles now have A-1 ratings and are able to obtain credit because of CEB's services.

4. After CEB disputes negative information in a client's credit profile, the credit bureau will remove the information or improve its rating in order to meet the requirements of the Fair Credit Reporting Act.

PAR. 7. Through the use of the statements referred to in Paragraph Six, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB sought and obtained credit profiles and performed credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act enabled CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB improved the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB provided refunds to all clients whose credit profiles were not improved by its credit improvement services.

PAR. 8. In truth and in fact:

A. CEB did not seek and obtain credit profiles and did not perform credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, which regulates the information that may be reported in a person's credit profile, did not enable CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB did not improve the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB did not provide refunds to all clients whose credit profiles were not improved by their credit improvement services.

Therefore, the representations set forth in Paragraph Seven were and are false and misleading.

PAR. 9. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts, and other written documents, examples of which are attached hereto as Exhibits 1 through 4, and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit card procurement service.

PAR. 10. Typical of CEB's statements referred to in Paragraph Nine, but not necessarily inclusive thereof, are the following:

A. Advertisements:

If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help! Their friendly, qualified counselors can get you Master & Visa credit cards.

B. Contracts:

Credit Establishing Bureau guarantees that the heresaid client will obtain a MasterCard or Visa credit card or 80% of your total fee will be refunded.

C. Oral statements to the effect that:

1. CEB works in conjunction with a local bank. An agent of CEB will go to the bank on the client's behalf and submit a credit card application. CEB will represent its client to the bank as a creditworthy individual. With CEB's backing, the client has a much better chance of obtaining a credit card.

2. Because of the prospective client's circumstances (*e.g.*, employment, age, length of time in area), CEB will be able to obtain a credit card for him or her on an unsecured basis through a local bank.

3. CEB will refund the fee if it is unable to obtain a credit card on an unsecured basis through a local bank.

PAR. 11. Through the use of the statements referred to in Paragraph Ten, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB regularly obtained Master or Visa credit cards on an unsecured basis for its clients regardless of clients' prior credit histories.

B. CEB had an established connection with a local bank through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB performed services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB provided refunds to clients who did not obtain a credit card through its services.

PAR. 12. In truth and in fact:

A. CEB did not regularly obtain Master or Visa credit cards on an unsecured basis for their clients regardless of clients' prior credit histories.

B. CEB did not have an established connection with a local bank through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB did not perform services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was not good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB, in many instances, did not provide refunds to clients who did not obtain a credit card through its services.

Therefore, the representations set forth in Paragraph Eleven were and are false and misleading.

PAR. 13. CEB's aforesaid false and misleading representations have induced persons to pay over to it substantial sums of money for services that CEB could not or did not perform as represented. CEB has received said sums of money and, in a substantial number of instances, has failed or refused to refund such money to such persons. Therefore, the continued retention of said money constitutes an unfair act or practice.

PAR. 14. The acts and practices of CEB as alleged in this complaint constituted and now constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act.

#### DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge the respondent with violation of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed

consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Proposed respondent Victor J. Hakim is a former partner of Credit Establishing Bureau, formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. Victor J. Hakim, together with others, formulated, directed and controlled the acts and practices of said business. His address is 17010 Edwards, Southfield, Michigan.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

#### ORDER

For purposes of this order, the following definitions shall apply:

A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a person's credit profile by removing negative information appearing in a credit profile, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of any person in return for the payment of money.

#### I.

*It is ordered,* That respondent Victor J. Hakim, individually and as a former partner of Credit Establishing Bureau, formerly a partnership, his successors and assigns, and his officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit improvement service in or

affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, directly or by implication:

1. That they will seek or obtain any credit profile or will perform any credit improvement service for any person;
2. Any right or remedy available under the Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, including the ability to remove adverse information in any credit profile or to change any rating of such information from negative to positive;
3. That they can or will improve the credit profile of any person regardless of the accuracy or date of the information appearing in the credit profile; or
4. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

C. Participating in any dispute or encouraging any person to engage in any dispute with any consumer reporting agency, pursuant to procedures authorized by Section 611 of the Fair Credit Reporting Act, 15 U.S.C. 1681i, over the accuracy or completeness of any item of information in any credit profile when they know or have reason to know, from information provided by the client or otherwise, that the item of information in the credit profile is accurate and complete.

II.

*It is further ordered,* That respondent, Victor J. Hakim, his successors and assigns, and his officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit card procurement service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, directly or by implication:

1. That they can or will obtain a credit card or other extension of credit on an unsecured or any other basis;
2. That they have any connection with any bank, credit card issuer or any other entity through which they can or will arrange for the issuance of credit cards or for the extension of credit;



3. That they can or will perform services for any person that will contribute in any way to that person's ability to obtain a credit card;

4. The likelihood of any person obtaining a credit card through their services; or

5. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

### III.

*It is further ordered,* That respondent Victor J. Hakim shall maintain and, upon request, make available to the Federal Trade Commission for inspection and copying all records and documents relating to any credit improvement service or credit card procurement service that he offers to any person for at least three (3) years from the date of such offer, including but not limited to:

1. Copies of any advertising and promotional material disseminated to any person;

2. Copies of any contracts, disclosure statements or other documents furnished to any person;

3. Copies of any material offering, directly or by implication, any money-back or satisfaction guarantee in connection with the purchase of such services;

4. Copies of any request for a refund from any person, any correspondence or other records relating to such request, and documentation sufficient to show the date, manner, amount, and recipient of any refund made; and

5. Copies of documents and records sufficient to show that, in the ordinary course of business, respondent performs the services that he represents, directly or by implication, that he can or will perform.

### IV.

*It is further ordered,* That respondent Victor J. Hakim and his successors and assigns distribute a copy of this order to any present or future officers, agents, representatives and employees having advertising, sales, or managerial responsibilities with respect to the subject matter of this order and that respondent and his successors

and assigns secure from each such person a signed statement acknowledging receipt of said order.

V.

*It is further ordered,* That respondent Victor J. Hakim promptly notify the Federal Trade Commission of the discontinuance of his present business or employment and of his affiliation with any new business or employment whose activities include credit improvement services or credit card procurement services. Such notice shall include the respondent's new business address and a statement of the nature of the business or employment in which the respondent is newly engaged as well as a description of respondent's duties and responsibilities in connection with the business or employment.

VI.

*It is further ordered,* That respondent shall, within sixty (60) days after the date of service upon him of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which he has complied with this order, and that respondent shall file such supplemental reports as the Commission subsequently requests.

Commissioner Strenio did not participate.

Complaint

107 F.T.C.

IN THE MATTER OF

JAMES F. HERNDON, JR.

CONSENT ORDER IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT*Docket C-3188. Complaint, May 27, 1986—Decision, May 27, 1986*

This consent order prohibits, among other things, a former official of Credit Establishing Bureau, a Detroit-based credit repair clinic that went out of business in February, 1984, from falsely representing in the future that he can improve credit records and arrange for consumers to receive major credit cards.

*Appearances*For the Commission: *Kathleen V. Buffon.*For the respondent: *Pro se.*

## COMPLAINT

The Federal Trade Commission, having reason to believe that James F. Herndon, Jr., individually and as a former partner trading and doing business as Credit Establishing Bureau, formerly a partnership, ("respondent") has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. James F. Herndon, Jr., is a former partner of Credit Establishing Bureau ("CEB"), formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. James F. Herndon, Jr., together with others, formulated, directed and controlled the acts and practices of said business, including the acts and practices alleged in this complaint. His address is 20576 Vaughan, Detroit, Michigan.

PAR. 2. For purposes of this complaint, the following definitions shall apply:

A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a

person's credit profile by removing negative information appearing therein, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of a person in return for the payment of money.

PAR. 3. CEB has engaged in the advertising, solicitation, offering for sale and sale of credit improvement services and credit card procurement services to the public by means of newspaper, radio and television advertisements, by direct personal contact with prospective clients, and through letters, contracts and other documents.

PAR. 4. The acts and practices of CEB alleged in this complaint have been in or affecting commerce.

PAR. 5. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts and other written documents, examples of which are attached hereto as Exhibits 1 through 4,\* and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit improvement service.

PAR. 6. Typical of CEB's statements referred to in Paragraph Five, but not necessarily inclusive thereof, are the following:

A. Television and radio advertisements:

1. Credit problems? No problem! Stop being rejected time and again.
2. If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help. Their friendly, qualified counselors . . . can challenge negative entries on your credit profile and improve your credit rating.

B. Contracts:

1. Credit Establishing Bureau shall assist in obtaining a credit profile. . . .
2. Credit Establishing Bureau will dispute all negative entries on client's credit profile. . . .
3. Work to be conducted by Credit Establishing Bureau is under the Federal Fair Credit Reporting Act.
4. Credit Establishing Bureau agrees to improve client's profile, or money back Guaranteed.

C. Oral statements to the effect that:

1. CEB can remove bankruptcies, judgments, and other negative information from clients' credit profiles and has done so frequently in the past.
2. Removal of bankruptcies from credit profiles is CEB's specialty.

\* See pages 442-445. Identical exhibits were used in *John C. Anderson*, Dkt. C-3185.

3. Many people who have had bad credit profiles now have A-1 ratings and are able to obtain credit because of CEB's services.

4. After CEB disputes negative information in a client's credit profile, the credit bureau will remove the information or improve its rating in order to meet the requirements of the Fair Credit Reporting Act.

PAR. 7. Through the use of the statements referred to in Paragraph Six, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB sought and obtained credit profiles and performed credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act enabled CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB improved the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB provided refunds to all clients whose credit profiles were not improved by its credit improvement services.

PAR. 8. In truth and in fact:

A. CEB did not seek and obtain credit profiles and did not perform credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, which regulates the information that may be reported in a person's credit profile, did not enable CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB did not improve the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB did not provide refunds to all clients whose credit profiles were not improved by their credit improvement services.

Therefore, the representations set forth in Paragraph Seven were and are false and misleading.

PAR. 9. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts, and other written documents, examples of which are attached hereto as Exhibits 1 through 4, and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit card procurement service.

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PAR. 10. Typical of CEB's statements referred to in Paragraph Nine, but not necessarily inclusive thereof, are the following:

A. Advertisements:

If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help! Their friendly, qualified counselors can get you Master & Visa credit cards.

B. Contracts:

Credit Establishing Bureau guarantees that the heresaid client will obtain a MasterCard or Visa credit card or 80% of your total fee will be refunded.

C. Oral statements to the effect that:

1. CEB works in conjunction with a local bank. An agent of CEB will go to the bank on the client's behalf and submit a credit card application. CEB will represent its client to the bank as a creditworthy individual. With CEB's backing, the client has a much better chance of obtaining a credit card.

2. Because of the prospective client's circumstances (*e.g.*, employment, age, length of time in area), CEB will be able to obtain a credit card for him or her on an unsecured basis through a local bank.

3. CEB will refund the fee if it is unable to obtain a credit card on an unsecured basis through a local bank.

PAR. 11. Through the use of the statements referred to in Paragraph Ten, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB regularly obtained Master or Visa credit cards on an unsecured basis for its clients regardless of clients' prior credit histories.

B. CEB had an established connection with a local bank through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB performed services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB provided refunds to clients who did not obtain a credit card through its services.

PAR. 12. In truth and in fact:

A. CEB did not regularly obtain Master or Visa credit cards on an unsecured basis for their clients regardless of clients' prior credit histories.

B. CEB did not have an established connection with a local bank through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB did not perform services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was not good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB, in many instances, did not provide refunds to clients who did not obtain a credit card through its services.

Therefore, the representations set forth in Paragraph Eleven were and are false and misleading.

PAR. 13. CEB's aforesaid false and misleading representations have induced persons to pay over to it substantial sums of money for services that CEB could not or did not perform as represented. CEB has received said sums of money and, in a substantial number of instances, has failed or refused to refund such money to such persons. Therefore, the continued retention of said money constitutes an unfair act or practice.

PAR. 14. The acts and practices of CEB as alleged in this complaint constituted and now constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act.

#### DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge the respondent with violation of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed

consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Proposed respondent James F. Herndon, Jr., is a former partner of Credit Establishing Bureau, formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. James F. Herndon, Jr., together with others, formulated, directed and controlled the acts and practices of said business. His address is 20576 Vaughan, Detroit, Michigan.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

#### ORDER

For purposes of this order, the following definitions shall apply:

A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a person's credit profile by removing negative information appearing in a credit profile, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of any person in return for the payment of money.

#### I.

*It is ordered*, That respondent James F. Herndon, Jr., individually and as a former partner of Credit Establishing Bureau, formerly a partnership, his successors and assigns, and his officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit improvement service in or

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affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, directly or by implication:

1. That they will seek or obtain any credit profile or will perform any credit improvement service for any person;
2. Any right or remedy available under the Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, including the ability to remove adverse information in any credit profile or to change any rating of such information from negative to positive;
3. That they can or will improve the credit profile of any person regardless of the accuracy or date of the information appearing in the credit profile; or
4. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

C. Participating in any dispute or encouraging any person to engage in any dispute with any consumer reporting agency, pursuant to procedures authorized by Section 611 of the Fair Credit Reporting Act, 15 U.S.C. 1681i, over the accuracy or completeness of any item of information in any credit profile when they know or have reason to know, from information provided by the client or otherwise, that the item of information in the credit profile is accurate and complete.

II.

*It is further ordered,* That respondent, James F. Herndon, Jr., his successors and assigns, and his officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit card procurement service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, directly or by implication:

1. That they can or will obtain a credit card or other extension of credit on an unsecured or any other basis;
2. That they have any connection with any bank, credit card issuer or any other entity through which they can or will arrange for the issuance of credit cards or for the extension of credit;

3. That they can or will perform services for any person that will contribute in any way to that person's ability to obtain a credit card;

4. The likelihood of any person obtaining a credit card through their services; or

5. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

### III.

*It is further ordered,* That respondent James F. Herndon, Jr., shall maintain and, upon request, make available to the Federal Trade Commission for inspection and copying all records and documents relating to any credit improvement service or credit card procurement service that he offers to any person for at least three (3) years from the date of such offer, including but not limited to:

1. Copies of any advertising and promotional material disseminated to any person;

2. Copies of any contracts, disclosure statements or other documents furnished to any person;

3. Copies of any material offering, directly or by implication, any money-back or satisfaction guarantee in connection with the purchase of such services;

4. Copies of any request for a refund from any person, any correspondence or other records relating to such request, and documentation sufficient to show the date, manner, amount, and recipient of any refund made; and

5. Copies of documents and records sufficient to show that, in the ordinary course of business, respondent performs the services that he represents, directly or by implication, that he can or will perform.

### IV.

*It is further ordered,* That respondent James F. Herndon, Jr., and his successors and assigns distribute a copy of this order to any present or future officers, agents, representatives and employees having advertising, sales, or managerial responsibilities with respect to the subject matter of this order and that respondent and his succes-

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sors and assigns secure from each such person a signed statement acknowledging receipt of said order.

V.

*It is further ordered,* That respondent James F. Herndon, Jr., promptly notify the Federal Trade Commission of the discontinuance of his present business or employment and of his affiliation with any new business or employment whose activities include credit improvement services or credit card procurement services. Such notice shall include the respondent's new business address and a statement of the nature of the business or employment in which the respondent is newly engaged as well as a description of respondent's duties and responsibilities in connection with the business or employment.

VI.

*It is further ordered,* That respondent shall, within sixty (60) days after the date of service upon him of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which he has complied with this order, and that respondent shall file such supplemental reports as the Commission subsequently requests.

Commissioner Strenio did not participate.

IN THE MATTER OF  
STEVEN M. HULL

CONSENT ORDER IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket C-3189. Complaint, May 27, 1986—Decision, May 27, 1986*

This consent order prohibits, among other things, a former official of Credit Establishing Bureau, a Detroit-based credit repair clinic that went out of business in February, 1984, from falsely representing in the future that he can improve credit records and arrange for consumers to receive major credit cards. Additionally, respondent, as a company founder, is required to provide consumer redress in the form of a six-week consumer education program directed at people with credit problems similar to those of the company's clients.

*Appearances*

For the Commission: *Kathleen V. Buffon.*

For the respondent: *Bruce Genderson, Williams & Connally, Washington, D.C.*

COMPLAINT

The Federal Trade Commission, having reason to believe that Steven M. Hull, individually and as a former partner trading and doing business as Credit Establishing Bureau, formerly a partnership, ("respondent") has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Steven M. Hull is a former partner of Credit Establishing Bureau ("CEB"), formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. Steven M. Hull, together with others, formulated, directed and controlled the acts and practices of said business, including the acts and practices alleged in this complaint. His address is 2015 North Bush Street, Apt. 108, Santa Ana, California.

PAR. 2. For purposes of this complaint, the following definitions shall apply:

A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or

expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a person's credit profile by removing negative information appearing therein, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of a person in return for the payment of money.

PAR. 3. CEB has engaged in the advertising, solicitation, offering for sale and sale of credit improvement services and credit card procurement services to the public by means of newspaper, radio and television advertisements, by direct personal contact with prospective clients, and through letters, contracts and other documents.

PAR. 4. The acts and practices of CEB alleged in this complaint have been in or affecting commerce.

PAR. 5. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts and other written documents, examples of which are attached hereto as Exhibits 1 through 4,\* and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit improvement service.

PAR. 6. Typical of CEB's statements referred to in Paragraph Five, but not necessarily inclusive thereof, are the following:

A. Television and radio advertisements:

1. Credit problems? No problem! Stop being rejected time and again.
2. If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help. Their friendly, qualified counselors . . . . can challenge negative entries on your credit profile and improve your credit rating.

B. Contracts:

1. Credit Establishing Bureau shall assist in obtaining a credit profile. . . .
2. Credit Establishing Bureau will dispute all negative entries on client's credit profile. . . .
3. Work to be conducted by Credit Establishing Bureau is under the Federal Fair Credit Reporting Act.
4. Credit Establishing Bureau agrees to improve client's profile, or money back Guaranteed.

C. Oral statements to the effect that:

1. CEB can remove bankruptcies, judgments, and other negative

\* See pages 442-445. Identical exhibits were used in *John C. Anderson*, Dkt. C-3185.

information from clients' credit profiles and has done so frequently in the past.

2. Removal of bankruptcies from credit profiles is CEB's specialty.

3. Many people who have had bad credit profiles now have A-1 ratings and are able to obtain credit because of CEB's services.

4. After CEB disputes negative information in a client's credit profile, the credit bureau will remove the information or improve its rating in order to meet the requirements of the Fair Credit Reporting Act.

PAR. 7. Through the use of the statements referred to in Paragraph Six, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB sought and obtained credit profiles and performed credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act enabled CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB improved the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB provided refunds to all clients whose credit profiles were not improved by its credit improvement services.

PAR. 8. In truth and in fact:

A. CEB did not seek and obtain credit profiles and did not perform credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, which regulates the information that may be reported in a person's credit profile, did not enable CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB did not improve the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB did not provide refunds to all clients whose credit profiles were not improved by their credit improvement services.

Therefore, the representations set forth in Paragraph Seven were and are false and misleading.

PAR. 9. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts, and other written documents, examples of which are attached hereto as Exhibits 1

through 4, and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit card procurement service.

PAR. 10. Typical of CEB's statements referred to in Paragraph Nine, but not necessarily inclusive thereof, are the following:

A. Advertisements:

If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help! Their friendly, qualified counselors can get you Master & Visa credit cards.

B. Contracts:

Credit Establishing Bureau guarantees that the heresaid client will obtain a Mastercard or Visa credit card or 80% of your total fee will be refunded.

C. Oral statements to the effect that:

1. CEB works in conjunction with a local bank. An agent of CEB will go to the bank on the client's behalf and submit a credit card application. CEB will represent its client to the bank as a creditworthy individual. With CEB's backing, the client has a much better chance of obtaining a credit card.

2. Because of the prospective client's circumstances (e.g., employment, age, length of time in area), CEB will be able to obtain a credit card for him or her on an unsecured basis through a local bank.

3. CEB will refund the fee if it is unable to obtain a credit card on an unsecured basis through a local bank.

PAR. 11. Through the use of the statements referred to in Paragraph Ten, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB regularly obtained Master or Visa credit cards on an unsecured basis for its clients regardless of clients' prior credit histories.

B. CEB had an established connection with a local bank through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB performed services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB provided refunds to clients who did not obtain a credit card through its services.

PAR. 12. In truth and in fact:

A. CEB did not regularly obtain Master or Visa credit cards on an unsecured basis for their clients regardless of clients' prior credit histories.

B. CEB did not have an established connection with a local bank through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB did not perform services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was not good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB, in many instances, did not provide refunds to clients who did not obtain a credit card through its services.

Therefore, the representations set forth in Paragraph Eleven were and are false and misleading.

PAR. 13. CEB's aforesaid false and misleading representations have induced persons to pay over to it substantial sums of money for services that CEB could not or did not perform as represented. CEB has received said sums of money and, in a substantial number of instances, has failed or refused to refund such money to such persons. Therefore, the continued retention of said money constitutes an unfair act or practice.

PAR. 14. The acts and practices of CEB as alleged in this complaint constituted and now constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act.

#### DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge the respondent with violation of the Federal Trade Commission Act; and

The respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and hav-



ing determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Proposed respondent Steven M. Hull is a former partner of Credit Establishing Bureau, formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. Steven M. Hull, together with others, formulated, directed and controlled the acts and practices of said business. His address is 2015 North Bush Street, Apt. 108, Santa Ana, California.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

#### ORDER

For purposes of this order, the following definitions shall apply:

A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a person's credit profile by removing negative information appearing in a credit profile, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of any person in return for the payment of money.

#### I.

*It is ordered*, That respondent Steven M. Hull, individually and as a former partner of Credit Establishing Bureau, formerly a partnership, his successors and assigns, and his officers, agents, representa-

tives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit improvement service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, directly or by implication:

1. That they will seek or obtain any credit profile or will perform any credit improvement service for any person;
2. Any right or remedy available under the Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, including the ability to remove adverse information in any credit profile or to change any rating of such information from negative to positive;
3. That they can or will improve the credit profile of any person regardless of the accuracy or date of the information appearing in the credit profile; or
4. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

C. Participating in any dispute or encouraging any person to engage in any dispute with any consumer reporting agency, pursuant to procedures authorized by Section 611 of the Fair Credit Reporting Act, 15 U.S.C. 1681i, over the accuracy or completeness of any item of information in any credit profile when they know or have reason to know, from information provided by the client or otherwise, that the item of information in the credit profile is accurate and complete.

II.

*It is further ordered,* That respondent Steven M. Hull, his successors and assigns, and his officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit card procurement service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

A. Misrepresenting, directly or by implication:

1. That they can or will obtain a credit card or other extension of credit on an unsecured or any other basis;

2. That they have any connection with any bank, credit card issuer or any other entity through which they can or will arrange for the issuance of credit cards or for the extension of credit;

3. That they can or will perform services for any person that will contribute in any way to that person's ability to obtain a credit card;

4. The likelihood of any person's obtaining a credit card through their services; or

5. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

### III.

*It is further ordered,* That respondent Steven M. Hull shall conduct the following public information program over radio station WJZZ-106 FM, Detroit, Michigan, and in the *Detroit Free Press*, Detroit, Michigan, to inform consumers of misrepresentations that may have been made in connection with the sale of credit improvement services and credit card procurement services: respondent shall purchase from said radio station advertising time for a sixty (60) second radio announcement to be broadcast every Friday after 8:00 P.M., every Saturday between 8:00 A.M. and 8:00 P.M., every Saturday after 8:00 P.M., and every Sunday between 10:00 A.M. and 8:00 P.M., for a continuous six (6) week period to be designated by the Federal Trade Commission. The text of the announcements to be broadcast is attached hereto as Appendix A and Appendix B. Appendix A shall be broadcast on Friday and on Saturday and Appendix B shall be broadcast on Saturday and on Sunday throughout the six (6) week broadcast period. All tapes prepared for use in connection with such announcements must be approved by the Federal Trade Commission prior to their initial broadcast. No modification of the text of the announcements may be made without the prior written consent of the Federal Trade Commission. Respondent shall pay all fees involved in the production and broadcast of the announcements.

Respondent shall also purchase from said newspaper advertising space for one (1) seven (7) line announcement to be published Friday, Saturday, and Sunday in the classified section of said newspaper, under the heading "Financial Offers and Money to Loan" for a continuous six (6) week period to be designated by the Federal Trade Commission. The text of the announcement to be published is at-

tached hereto as Appendix C. No modification of the text of the announcement may be made without the prior written consent of the Federal Trade Commission. Respondent shall pay all fees involved in the production and publication of the announcement.

#### IV.

*It is further ordered,* That respondent Steven M. Hull shall maintain for at least three (3) years and, upon request, make available to the Federal Trade Commission for inspection and copying:

A. All records and documents necessary to demonstrate fully his compliance with Part III of this order, including but not limited to:

1. Copies of all contracts entered into for the production and broadcast of the announcements;
2. Copies and records of all communications concerning the text of the announcements and the dates and times that the announcements are to be broadcast; and
3. Evidence of payment for the production and broadcast of the announcements.

B. All records and documents relating to any credit improvement service or credit card procurement service that he offers to any person, including but not limited to:

1. Copies of any advertising and promotional material disseminated to any person;
2. Copies of any contracts, disclosure statements or other documents furnished to any person;
3. Copies of any material offering, directly or by implication, any money-back or satisfaction guarantee in connection with the purchase of such services;
4. Copies of any request for a refund from any person, any correspondence or other records relating to such request, and documentation sufficient to show the date, manner, amount, and recipient of any refund made; and
5. Copies of documents and records sufficient to show that, in the ordinary course of business, respondent performs the services that he represents, directly or by implication, that he can or will perform.

#### V.

*It is further ordered,* That respondent Steven M. Hull and his successors and assigns distribute a copy of this order to any present or future officers, agents, representatives and employees having ad-

vertising, sales, or managerial responsibilities with respect to the subject matter of this order and that respondent and his successors and assigns secure from each such person a signed statement acknowledging receipt of said order.

#### VI.

*It is further ordered,* That respondent Steven M. Hull promptly notify the Federal Trade Commission of the discontinuance of his present business or employment and of his affiliation with any new business or employment whose activities include credit improvement services or credit card procurement services. Such notice shall include the respondent's new business address and a statement of the nature of the business or employment in which the respondent is newly engaged as well as a description of respondent's duties and responsibilities in connection with the business or employment.

#### VII.

*It is further ordered,* That respondent shall, within sixty (60) days after the date of service upon him of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which he has complied with this order, and that respondent shall file such supplemental reports as the Commission subsequently requests.

Commissioner Strenio did not participate.

#### APPENDIX A

The following is a public service message for consumers.

Have you been turned down for credit because of late payments, court judgments, or bankruptcy on your credit bureau report? If so, you should learn what your rights are under federal law.

Under the Fair Credit Reporting Act, you have the right to learn what is in your credit bureau report. And you have the right to challenge any information that is not complete and accurate. But, if the information is accurate, *no one* can require the credit bureau to remove it—unless it is out-dated. The law permits a history of late payments to be reported for 7 years. And bankruptcy may be reported for 10 years.

So don't be misled by ads promising to "clean up" your credit history. Learn what the law allows. For free information about your credit rights, write to: Credit Tips, Federal Trade Commission, Washington, D.C., 20580. The address again is Credit Tips, Federal Trade Commission, Washington, D.C., 20580.

## APPENDIX B

The following is a public service message for consumers.

Have you been turned down for credit because you've never had credit before? If so, you know that a good credit history is important. Ads offering "instant credit" or major credit cards regardless of your past credit history may be misleading. Most creditors want to know your credit history *before* giving you credit.

That's why most creditors contact a credit bureau when you apply for credit—they want to learn what your past payment history has been. If the credit bureau has little or no information about you, the creditor may reject your application.

To learn what's in your credit file, check with the credit bureaus in your area. You have the right to do this under the Fair Credit Reporting Act, a federal law. For free information about your credit rights and tips on how to build a better credit history, write to: Credit Tips, Federal Trade Commission, Washington, D.C., 20580. The address again is Credit Tips, Federal Trade Commission, Washington, D.C., 20580.

## APPENDIX C

**BAD CREDIT? NO CREDIT?**

For free information on credit  
laws and consumer problems  
write Credit Tips, Federal  
Trade Commission, Washing-  
ton, D.C. 20580

Complaint

107 F.T.C.

IN THE MATTER OF  
GEORGE TANNOUS

CONSENT ORDER IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF THE  
FEDERAL TRADE COMMISSION ACT

*Docket C-3190. Complaint, May 27, 1986—Decision, May 27, 1986*

This consent order prohibits, among other things, a former official of Credit Establishing Bureau, a Detroit-based credit repair clinic that went out of business in February, 1984, from falsely representing in the future that he can improve credit records and arrange for consumers to receive major credit cards. Additionally, respondent, as a company founder, is required to provide consumer redress in the form of a six-week consumer education program directed at people with credit problems similar to those of the company's clients.

*Appearances*

For the Commission: *Kathleen V. Buffon.*

For the respondent: *Bruce Genderson, Williams & Connally, Washington, D.C.*

COMPLAINT

The Federal Trade Commission, having reason to believe that George Tannous, individually and as a former partner trading and doing business as Credit Establishing Bureau, formerly a partnership, ("respondent") has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. George Tannous is a former partner of Credit Establishing Bureau ("CEB"), formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. George Tannous, together with others, formulated, directed and controlled the acts and practices of said business, including the acts and practices alleged in this complaint. His address is 1777 ½ West Lincoln, Anaheim, California. Prior to trading and doing business as a partner of CEB in Michigan, George Tannous, as an individual, traded and did business during July and August 1983 as Credit Establishing Bureau, which had its office and principal place of business at 11026 Lower Azusa Road, El Monte, California, and from November 1982 to July 1983, as Credit Establishers, which had its office and principal place of business at 243 Sierra Madre

Villa, Suite 200, Pasadena, California. George Tannous formulated, directed and controlled the acts and practices of these businesses and engaged in the advertising, solicitation, offering for sale and sale of credit improvement services and credit card procurement services to the public.

PAR. 2. For purposes of this complaint, the following definitions shall apply:

A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a person's credit profile by removing negative information appearing therein, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of a person in return for the payment of money.

Par. 3. CEB has engaged in the advertising, solicitation, offering for sale and sale of credit improvement services and credit card procurement services to the public by means of newspaper, radio and television advertisements, by direct personal contact with prospective clients, and through letters, contracts and other documents.

PAR. 4. The acts and practices of CEB alleged in this complaint have been in or affecting commerce.

Par. 5. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts and other written documents, examples of which are attached hereto as Exhibits 1 through 4,\* and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit improvement service.

Par. 6. Typical of CEB's statements referred to in Paragraph Five, but not necessarily inclusive thereof, are the following:

A. Television and radio advertisements:

1. Credit problems? No problem! Stop being rejected time and again.
2. If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help. Their friendly, qualified counselors . . . . can challenge negative entries on your credit profile and improve your credit rating.

\* See pages 442-445. Identical exhibits were used in *John C. Anderson*, Dkt. C-3185.



**B. Contracts:**

1. Credit Establishing Bureau shall assist in obtaining a credit profile. . . .
2. Credit Establishing Bureau will dispute all negative entries on client's credit profile. . . .
3. Work to be conducted by Credit Establishing Bureau is under the Federal Fair Credit Reporting Act.
4. Credit Establishing Bureau agrees to improve client's profile, or money back Guaranteed.

**C. Oral statements to the effect that:**

1. CEB can remove bankruptcies, judgments, and other negative information from clients' credit profiles and has done so frequently in the past.
2. Removal of bankruptcies from credit profiles is CEB's specialty.
3. Many people who have had bad credit profiles now have A-1 ratings and are able to obtain credit because of CEB's services.
4. After CEB disputes negative information in a client's credit profile, the credit bureau will remove the information or improve its rating in order to meet the requirements of the Fair Credit Reporting Act.

Par. 7. Through the use of the statements referred to in Paragraph Six, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB sought and obtained credit profiles and performed credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act enabled CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB improved the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB provided refunds to all clients whose credit profiles were not improved by its credit improvement services.

**Par. 8. In truth and in fact:**

A. CEB did not seek and obtain credit profiles and did not perform credit improvement services on behalf of all clients.

B. The Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, which regulates the information that may be reported in a person's credit profile, did not enable CEB to remove adverse information appearing in clients' credit profiles or to improve the rating of such information regardless of its accuracy or date.

C. Through its credit improvement services, CEB did not improve the credit profiles of many clients with bad credit histories regardless of the accuracy or date of the information appearing in the credit profiles.

D. CEB did not provide refunds to all clients whose credit profiles were not improved by their credit improvement services.

Therefore, the representations set forth in Paragraph Seven were and are false and misleading.

Par. 9. In the course and conduct of its business, CEB has made numerous statements in advertisements, contracts, and other written documents, examples of which are attached hereto as Exhibits 1 through 4, and has made numerous oral statements to prospective clients through employees and sales agents for the purpose of inducing the purchase of its credit card procurement service.

Par. 10. Typical of CEB's statements referred to in Paragraph Nine, but not necessarily inclusive thereof, are the following:

A. Advertisements:

If you have no credit, bad credit or if you have declared bankruptcy, Credit Establishing Bureau in Southfield can help! Their friendly, qualified counselors can get you Master & Visa credit cards.

B. Contracts:

Credit Establishing Bureau guarantees that the heresaid client will obtain a Mastercard or Visa credit card or 80% of your total fee will be refunded.

C. Oral statements to the effect that:

1. CEB works in conjunction with a local bank. An agent of CEB will go to the bank on the client's behalf and submit a credit card application. CEB will represent its client to the bank as a creditworthy individual. With CEB's backing, the client has a much better chance of obtaining a credit card.

2. Because of the prospective client's circumstances (e.g., employment, age, length of time in area), CEB will be able to obtain a credit card for him or her on an unsecured basis through a local bank.

3. CEB will refund the fee if it is unable to obtain a credit card on an unsecured basis through a local bank.

Par. 11. Through the use of the statements referred to in Paragraph Ten, and other statements not specifically set forth herein, CEB has made the following material representations, directly or by implication:

A. CEB regularly obtained Master or Visa credit cards on an unsecured basis for its clients regardless of clients' prior credit histories.

B. CEB had an established connection with a local bank through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB performed services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB provided refunds to clients who did not obtain a credit card through its services.

Par. 12. In truth and in fact:

A. CEB did not regularly obtain Master or Visa credit cards on an unsecured basis for its clients regardless of clients' prior credit histories.

B. CEB did not have an established connection with a local bank through which it regularly arranged for the issuance of credit cards on an unsecured basis.

C. CEB did not perform services for all clients that contributed substantially to its clients' ability to obtain a credit card.

D. There was not good reason to believe that CEB's clients would obtain a credit card through its services.

E. CEB, in many instances, did not provide refunds to clients who did not obtain a credit card through its services.

Therefore, the representations set forth in Paragraph Eleven were and are false and misleading.

Par. 13. CEB's aforesaid false and misleading representations have induced persons to pay over to it substantial sums of money for services that CEB could not or did not perform as represented. CEB has received said sums of money and, in a substantial number of instances, has failed or refused to refund such money to such persons. Therefore, the continued retention of said money constitutes an unfair act or practice.

Par. 14. The acts and practices of CEB as alleged in this complaint constituted and now constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act.

#### DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a

copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge the respondent with violation of the Federal Trade Commission Act; and

The respondent, his attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Proposed respondent George Tannous is a former partner of Credit Establishing Bureau, formerly a partnership, with its office and principal place of business located at 17344 W. 12 Mile Road, Suite 103, Southfield, Michigan. George Tannous, together with others, formulated, directed and controlled the acts and practices of said business. His address is 1777 ½ West Lincoln, Anaheim, California.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

#### ORDER

For purposes of this order, the following definitions shall apply:

A. *Credit Profile* means any written, oral or other communication of information by a consumer reporting agency bearing on a person's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living that is used or expected to be used or collected in whole or in part for the purpose of establishing the person's eligibility for credit;

B. *Credit Improvement Service(s)* means any service to improve a person's credit profile by removing negative information appearing in a credit profile, changing the rating of such information from negative to positive, or otherwise enhancing said credit profile in return for the payment of money; and

C. *Credit Card Procurement Service(s)* means any service to obtain a credit card on behalf of any person in return for the payment of money.

### I.

*It is ordered,* That respondent George Tannous, individually and as a former partner of Credit Establishing Bureau, formerly a partnership, his successors and assigns, and his officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit improvement service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

#### A. Misrepresenting, directly or by implication:

1. That they will seek or obtain any credit profile or will perform any credit improvement service for any person;

2. Any right or remedy available under the Fair Credit Reporting Act, 15 U.S.C. 1681 *et seq.*, including the ability to remove adverse information in any credit profile or to change any rating of such information from negative to positive;

3. That they can or will improve the credit profile of any person regardless of the accuracy or date of the information appearing in the credit profile; or

4. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

C. Participating in any dispute or encouraging any person to engage in any dispute with any consumer reporting agency, pursuant to procedures authorized by Section 611 of the Fair Credit Reporting Act, 15 U.S.C. 1681i, over the accuracy or completeness of any item of information in any credit profile when they know or have reason to know, from information provided by the client or otherwise, that the item of information in the credit profile is accurate and complete.

## II.

*It is further ordered,* That respondent George Tannous, his successors and assigns, and his officers, agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, solicitation, offering for sale, sale or performance of any credit card procurement service in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

## A. Misrepresenting, directly or by implication:

1. That they can or will obtain a credit card or other extension of credit on an unsecured or any other basis;
2. That they have any connection with any bank, credit card issuer or any other entity through which they can or will arrange for the issuance of credit cards or for the extension of credit;
3. That they can or will perform services for any person that will contribute in any way to that person's ability to obtain a credit card;
4. The likelihood of any person's obtaining a credit card through their services; or
5. That they will refund in whole or in part any fee paid by any person and the conditions upon which they will do so.

B. Offering to any person, directly or by implication, any money-back or satisfaction guarantee unless with each such offer the identity of the guarantor and all the terms and conditions of the guarantee are clearly and prominently disclosed and unless they promptly and fully honor each such guarantee offered.

## III.

*It is further ordered,* That respondent George Tannous shall conduct the following public information program over radio station WJLB-98 FM, Detroit, Michigan, to inform consumers of misrepresentations that may have been made in connection with the sale of credit improvement services and credit card procurement services: respondent shall purchase from said radio station advertising time for a sixty (60) second radio announcement to be broadcast each day between 6:00 A.M. and 8:00 P.M., Monday through Friday, and between 10:00 A.M. and 8:00 P.M., Saturday and Sunday, for a continuous six (6) week period to be designated by the Federal Trade Commission. The text of the announcements to be broadcast is attached hereto as Appendix A and Appendix B.\* Appendix A shall be broadcast on the first day of the six (6) week broadcast period and on

\* See pages 486-487. Identical Appendices A and B were used in *Steven M. Hull*, Dkt. C-3189.

alternate days thereafter. Appendix B shall be broadcast on the second day of the six (6) week broadcast period and on alternate days thereafter. All tapes prepared for use in connection with such announcements must be approved by the Federal Trade Commission prior to their initial broadcast. No modification of the text of the announcements may be made without the prior written consent of the Federal Trade Commission. Respondent shall pay all fees involved in the production and broadcast of the announcements.

#### IV.

*It is further ordered,* That respondent George Tannous shall maintain for at least three (3) years and, upon request, make available to the Federal Trade Commission for inspection and copying:

A. All records and documents necessary to demonstrate fully his compliance with Part III of this order, including but not limited to:

1. Copies of all contracts entered into for the production and broadcast of the announcements;
2. Copies and records of all communications concerning the text of the announcements and the dates and times that the announcements are to be broadcast; and
3. Evidence of payment for the production and broadcast of the announcements.

B. All records and documents relating to any credit improvement service or credit card procurement service that he offers to any person, including but not limited to:

1. Copies of any advertising and promotional material disseminated to any person;
2. Copies of any contracts, disclosure statements or other documents furnished to any person;
3. Copies of any material offering, directly or by implication, any money-back or satisfaction guarantee in connection with the purchase of such services;
4. Copies of any request for a refund from any person, any correspondence or other records relating to such request, and documentation sufficient to show the date, manner, amount, and recipient of any refund made; and
5. Copies of documents and records sufficient to show that, in the ordinary course of business, respondent performs the services that he represents, directly or by implication, that he can or will perform.

## V.

*It is further ordered,* That respondent George Tannous and his successors and assigns distribute a copy of this order to any present or future officers, agents, representatives and employees having advertising, sales, or managerial responsibilities with respect to the subject matter of this order and that respondent and his successors and assigns secure from each such person a signed statement acknowledging receipt of said order.

## VI.

*It is further ordered,* That respondent George Tannous promptly notify the Federal Trade Commission of the discontinuance of his present business or employment and of his affiliation with any new business or employment whose activities include credit improvement services or credit card procurement services. Such notice shall include the respondent's new business address and a statement of the nature of the business or employment in which the respondent is newly engaged as well as a description of respondent's duties and responsibilities in connection with the business or employment.

## VII.

*It is further ordered,* That respondent shall, within sixty (60) days after the date of service upon him of this order, file with the Commission a report, in writing, setting forth in detail the manner and form in which he has complied with this order, and that respondent shall file such supplemental reports as the Commission subsequently requests.

Commissioner Strenio did not participate.



IN THE MATTER OF  
NATIONAL DECORATING PRODUCTS  
ASSOCIATION, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF  
THE FEDERAL TRADE COMMISSION ACT

*Docket 9192. Complaint, April 29, 1985—Decision, June 11, 1986*

This consent order requires, among other things, a St. Louis, Mo. wallcovering industry trade association and its New England regional affiliate based in Westport, Conn., to cease any conduct having the effect of fixing prices, terms or conditions of sale of wallcoverings. Further, respondents are prohibited from: (1) coercing any seller or supplier of wallcovering to use or not use any prices, terms or conditions of sale, distribution methods or policy of choosing customers, and (2) assisting any affiliate or member who use any of the prohibited practices.

*Appearances*

For the Commission: *Kevin T. Cronin.*

For the respondent: *George D. Webster, Webster, Chamberlain & Bean, Washington, D.C.*

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, *as amended*, 15 U.S.C. 41 *et seq.*, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that the respondents named in the above caption have violated the provisions of said Act and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this complaint stating its charges as follows:

PARAGRAPH 1. For purposes of this complaint, the following definitions shall apply:

A. *Wallcoverings* means flexible materials used to cover residential and commercial walls, such as simple wallpapers, vinyls, fabrics, and foils.

B. *Supplier* means a manufacturer or a distributor of wallcoverings or an entity engaged in the sale of wallcoverings for resale by others to consumers.

PAR. 2. Respondent National Decorating Products Association, Inc. ("NDPA") is a New Jersey corporation with its principal place of business at 1050 North Lindbergh Boulevard, St. Louis, Missouri.

NDPA is composed of full voting members, which are retail businesses engaged in the promotion and sale of wallcoverings, and non-voting associate members, which are suppliers of wallcoverings. NDPA's membership consists of approximately 4000 firms, over 99 percent of which are independent decorating products retailers operating some 7000 retail stores, or about one-third of all the stores that sell wallcoverings, and constituting about 75 percent of the independent decorating products retailers in the United States.

PAR. 3. NDPA was organized, *inter alia*, to facilitate the exchange of information among its members concerning methods for conducting business in the sale and distribution of wallcoverings, and to encourage the formation of regional and local affiliates composed of retail sellers of wallcoverings. There are about 24 local affiliates and three regional affiliates of NDPA. Approximately one-third of NDPA members are members of a local affiliate. NDPA's policies are determined, and its affairs are directed, by an 18 member board of directors, which includes a minimum of one member from each of nine geographic zones.

PAR. 4. Respondent Eastern Decorating Products Association ("EDPA") is an unincorporated association with its principal place of business at 10 Bay Street, Suite 134, Westport, Connecticut. EDPA is a regional affiliate of NDPA and is composed of members from nine local affiliates of NDPA in the New England and Middle Atlantic states.

PAR. 5. Respondent Decorating Products Dealers Association of Greater New York, Inc. ("DPDA-NY") is a New York corporation with its principal place of business at Bell Plaza, 42-40 Bell Boulevard, Bayside, New York. DPDA-NY is a local affiliate of NDPA.

PAR. 6. Full voting members of respondents are engaged in the operation of retail decorating products stores where wallcoverings are sold. Annual retail sales of wallcoverings in the United States are approximately \$1.5 billion. Except to the extent that competition has been restrained as herein alleged, full voting members of respondents have been and are now in competition among themselves and with other sellers of wallcoverings.

PAR. 7. Respondents engage in substantial activities which further the pecuniary interests of their members. By virtue of their purposes and their activities, respondents are corporations within the meaning of Section 4 of the Federal Trade Commission Act, *as amended*, 15 U.S.C. 44.

PAR. 8. Respondents, and their members, engage in acts and practices, including the acts and practices described below, which are in or affect commerce within the meaning of the Federal Trade Commission Act, *as amended*.

## COUNT I

PAR. 9. Members of respondents NDPA, EDPA, and DPDA-NY are wallcovering retailers. To permit consumers to select from a wide variety of wallcoverings, retailers display in their showrooms sample books most of which contain manufacturers' suggested retail prices and product identification numbers. Some wallcovering retailers, including mail order houses, offer percentage discounts from manufacturers' suggested retail prices. Consumers use suggested resale prices both to comparison shop between retailers offering percentage discounts and as one indication of quality differences between various wallcovering samples.

PAR. 10. Respondents NDPA, EDPA, DPDA-NY, and others, have combined or conspired between and among themselves, and with at least some of their members, to restrain price competition in the sale of wallcoverings, to fix or stabilize prices, and to prevent discounting from manufacturers' suggested retail prices by suppressing, or attempting to suppress, information concerning manufacturers' suggested retail prices.

PAR. 11. Respondents NDPA, EDPA and DPDA-NY, and at least some of their members, have engaged in various acts or practices in furtherance of this combination or conspiracy, including, one or more of the following:

A. Removing or otherwise concealing, or urging members to remove or otherwise to conceal the suggested prices in wallcovering sample books;

B. Attempting to pressure, and urging members to pressure, suppliers into publishing wallcovering sample books without suggested prices by, among other things, agreeing to give favored treatment to products of suppliers that do not include suggested retail prices in wallcovering sample books;

C. Offering to provide assistance to members to determine what retail prices to charge in the absence of manufacturers' suggested retail prices.

PAR. 12. The combination or conspiracy and the acts and practices alleged in Paragraphs Ten and Eleven have had, or have the tendency or capacity to have, the following effects, among others:

A. Fixing, maintaining, or stabilizing prices of wallcoverings;

B. Restraining competition in connection with the sale and distribution of wallcoverings;

C. Depriving consumers of the benefits of additional price, quality, and service competition in connection with the purchase and sale of wallcoverings.

PAR. 13. The combination or conspiracy and the acts and practices alleged in Paragraphs Ten and Eleven constitute unfair methods of competition or unfair or deceptive acts and practices by respondent in violation of Section 5 of the Federal Trade Commission Act, *as amended*.

#### COUNT II

PAR. 14. Wallcoverings are packaged in double rolls, although some manufacturers price and sell wallcoverings in single rolls. Some suppliers impose a cutting charge when processing orders for single rolls.

PAR. 15. Respondents NDPA and DPDA-NY, and others have combined or conspired between and among themselves, and with at least some of their members, to restrain competition by attempting to fix or restrain the prices paid to wallcovering suppliers by retailers.

PAR. 16. Respondents NDPA, DPDA-NY, and at least some of their members and others have engaged in various acts or practices in furtherance of these combinations or conspiracies, including, one or more of the following:

A. Threatening, and urging members to threaten, to refuse to deal with suppliers that imposed cutting charges;

B. Refusing to pay, or urging members to refuse to pay, cutting charges imposed by suppliers;

C. Publishing and circulating to suppliers, and others, letters stating or implying that members would refuse to deal with suppliers imposing cutting charges, or urging members to refuse to pay cutting charges imposed by suppliers.

PAR. 17. The combination or conspiracy and the acts and practices alleged in Paragraphs Fifteen and Sixteen have had, or have the tendency or capacity to have, the following effects, among others:

A. Fixing, maintaining, or stabilizing prices of wallcoverings;

B. Restraining competition in connection with the sale and distribution of wallcoverings;

C. Depriving consumers of the benefits of additional price, quality, and service competition in connection with the purchase and sale of wallcoverings.

PAR. 18. The combination or conspiracy and the acts and practices alleged in Paragraphs Fifteen and Sixteen constitute unfair methods of competition or unfair or deceptive acts and practices by respondents in violation of Section 5 of the Federal Trade Commission Act, *as amended*. These combinations or conspiracies, as well as those alleged in Count I, are continuing and will continue in the absence of appropriate relief.

## DECISION AND ORDER

## AS TO

NATIONAL DECORATING PRODUCTS ASSOCIATION, INC.  
AND EASTERN DECORATING PRODUCTS ASSOCIATION

The Commission having heretofore issued its complaint charging respondents National Decorating Products Association, Inc. ("NDPA"), a corporation, and Eastern Decorating Products Association ("EDPA"), an unincorporated association, named in the caption hereof with violation of Section 5 of the Federal Trade Commission Act, as amended, and the respondents having been served with a copy of that complaint, together with a notice of contemplated relief; and

The respondents, their attorney, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

The Secretary of the Commission having thereafter withdrawn this matter as to these respondents from adjudication in accordance with Section 3.25(c) of its Rules; and

The Commission having considered the matter and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 3.25(f) of its Rules, the Commission hereby makes the following jurisdictional findings and enters the following order:

1. Respondent NDPA is a corporation organized, existing and doing business under and by virtue of the laws of the state of New Jersey, with its office and principal place of business located at 1050 North Lindbergh Boulevard, St. Louis, Missouri.
2. Respondent EDPA is an unincorporated association with its office and principal place of business located at 10 Bay Street, Suite 134, Westport, Connecticut.
3. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

## ORDER

## I.

*It is ordered,* That for purposes of this order the following definitions shall apply:

A. *NDPA* means the National Decorating Products Association, Inc., its officers, directors, committees, representatives, agents, employees, successors and assigns.

B. *EDPA* means the Eastern Decorating Products Association, its officers, directors, committees, representatives, agents, employees, successors and assigns.

C. *Wallcoverings* means flexible materials used to cover residential and commercial walls, such as simple wallpapers, vinyls, fabrics and foils.

## II.

*It is further ordered,* That NDPA and EDPA, individually or in concert with any other person, directly or indirectly, or through any corporate or other device, shall cease and desist from:

A. Conduct having the purpose or effect of:

1. fixing, maintaining, or stabilizing prices, terms or conditions of sale of wallcoverings;

2. coercing any seller of wallcoverings to adopt, abandon, or refrain from adopting or abandoning any practice or policy concerning prices, terms or conditions of sale, or distribution methods or choice of customers.

B. Expressly or impliedly advocating, suggesting, advising, or recommending that any of NDPA's or EDPA's members refuse to deal with any seller of wallcoverings on account of, or that any of NDPA's or EDPA's members engage in any other act to affect, or to attempt to affect, the prices, terms or conditions of sale, or distribution methods or choice of customers of any seller of wallcoverings.

C. Publishing or circulating the results of any survey of, or otherwise identifying, prices, terms or conditions of sale, or distribution methods or choice of customers of any seller of wallcoverings in order to coerce, compel or induce any seller of wallcoverings to adopt or abandon or to refrain from adopting or abandoning any practice or policy concerning prices, terms or conditions of sale, or distribution methods or choice of customers.

D. Aiding or assisting any affiliates of NDPA or NDPA members in engaging in any of the acts prohibited by this Part II.

III.

*It is further ordered,* That this order shall not be construed to prevent NDPA or EDPA from publishing written materials or sponsoring seminars, or otherwise providing information or its members' views on topics including but not limited to cost accounting principles, and suggested prices and product identification numbers in wallcovering sample books to other sellers of wallcoverings, *provided, however,* that the information or views are not presented in a manner constituting a violation of any provision contained in Part II of this order.

IV.

*It is further ordered,* That NDPA shall:

A. Within 30 days following service of this order, mail a copy of this order to each of its members.

B. Within 60 days following service of this order, publish this order in an issue of *Decorating Retailer* in the same type size normally used for articles in *Decorating Retailer*.

C. For a period of three years provide each new NDPA member with a copy of this order at the time the new member is accepted into membership.

D. Terminate for a period of one year its affiliation with any affiliate organization within 60 days after learning or having reason to believe that said affiliate organization has engaged, after the date this order becomes final, in any act or practice that, if engaged in by NDPA, would be prohibited by Part II of this order.

V.

*It is further ordered,* That NDPA and EDPA shall:

A. Within 60 days following service of this order, file a written report with the Commission, setting forth in detail the manner and form in which they have complied with this order. Thereafter, additional reports shall be filed at such other times as the Commission may, by written notice to NDPA and EDPA, require.

B. For a period of 3 years following service of this order, maintain in their files copies of all correspondence received from, or sent to, sellers of wallcoverings, associations of sellers of wallcoverings, or

NDPA affiliates or members, and make such copies available for inspection by representatives of the Federal Trade Commission upon written request. However, NDPA and EDPA need not maintain copies of press releases received from sellers of wallcoverings.

C. Notify the Commission at least 30 days prior to any proposed change in NDPA's or EDPA's organization or operations, such as dissolution, assignment, or sale resulting in the emergence of a successor corporation or association, or any other change that may affect compliance obligations arising out of this order.

Chairman Oliver did not participate.