



OFFICE OF THE ATTORNEY GENERAL

State of Minnesota

ST. PAUL, MN 55155

LORI SWANSON
ATTORNEY GENERAL

September 22, 2009

Federal Trade Commission
Office of the Secretary
Room H-135 (Annex T)
600 Pennsylvania Avenue Northwest
Washington, DC 20580

**Re: Telemarketing Sales Rule - Debt Relief Amendments
Matter No. R411001**

Dear Commissioners:

The Office of the Minnesota Attorney General submits the following written comments on the Proposed Rulemaking to amend the Federal Trade Commission's ("Commission") Telemarketing Sales Rule ("TSR"), 16 C.F.R. Part 310, to address the sale of debt relief services.

Consumer debt, and the fees associated with that debt, are at an all-time high. According to the website *www.creditcards.com*, the average credit card debt per household was \$8,329 at the end of 2008, and penalty fees from credit cards (i.e. late fees, over-the-limit fees, etc.) are expected to reach \$20.5 billion in 2009. Credit card delinquencies have risen to record-high levels. As a result, numerous new companies have formed to capitalize on the economic struggles of many of our citizens.

The debt relief services industry -- defined in the proposed rule to include, among others, debt settlement and debt negotiation companies -- has rapidly expanded as the nation's economy has contracted and more consumers have struggled with their financial obligations. These companies often charge consumers fees totaling thousands of dollars, but provide little or no help in return, leaving consumers in even worse financial shape.

National regulations targeting such companies would be beneficial due to the cross-state nature of the problem. Debt relief service companies are based in many different states and target consumers across state lines. Enclosed are complaints filed by this Office against three debt relief services companies recently sued by this Office for defrauding Minnesota consumers. All three companies are located outside of Minnesota. For that reason, national regulations would be helpful in combating this problem.¹ Any nationwide rule should, however, be clear

¹ The lawsuits attached to these comments were filed against Florida, Georgia, and Washington corporations.

that it only sets a *minimum* standard of conduct for debt relief service companies and does not preempt more protective state laws.

This Office supports the FTC's proposal to prohibit the collection of fees by these organizations until the promised services have been performed. Consumers drowning in debt are often susceptible to the promises made by debt relief service companies. Unfortunately, many debt relief services companies have no intention of delivering the services that they promise.

Debt relief service companies often aggressively tout generous refund policies when promoting their services to consumers. The reality, however, is that consumers rarely receive the promised refunds. In fact, all three companies that were recently sued by this Office aggressively promised refunds to consumers in their telemarketing calls, but refused to issue them after failing to perform the services that were promised to the consumer. A prohibition on up-front fees would be an effective tool in preventing consumer harm.

Minnesotans are being deluged with phone calls and advertising campaigns promising to lower credit card interest rates, reduce bills, or repair damaged credit. Debt services companies should not be allowed to misrepresent their services to consumers simply because the consumer called in response to an advertisement or other promotion. Numerous Minnesota consumers have reported receiving unsolicited calls from telemarketers offering credit card rate reductions or other debt-related assistance and, in some cases, the callers use names such as "card services" or "customer service department" to mislead consumers into believing that the call originated from their credit card company. The additional disclosure requirements in the proposed TSR amendments will help protect consumers from the deceptive marketing practices of debt service companies

I appreciate the Commission's consideration of these comments in connection with its Proposed Rulemaking to amend its Telemarketing Sales Rule and urge the Commission to stand firm to industry opposition to new regulations. Please feel free to contact me if there is any additional information that we might be able to provide that would be helpful to the Commission in achieving its regulatory objectives.

Sincerely,

LORI SWANSON
Attorney General

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF RAMSEY

SECOND JUDICIAL DISTRICT

Case Type: Other Civil
(Consumer Protection)

State of Minnesota by its Attorney General,
Lori Swanson,

Court File No. _____

Plaintiff,

vs.

COMPLAINT

Priority Direct Marketing, Inc., d/b/a,
Priority Direct Marketing
International, Inc., PDM
International, Consumer Services, and
AMS Financial,

Defendant.

The State of Minnesota, by its Attorney General, Lori Swanson, for its Complaint against Priority Direct Marketing, Inc., d/b/a Priority Direct Marketing International, Inc., PDM International, Consumer Services, and AMS Financial ("PDM") alleges as follows:

INTRODUCTION

1. In these tough economic times, many consumers are looking for help in dealing with their debt. PDM deceives Minnesota consumers by promising to save them money by lowering the interest rates on their credit cards. PDM offers these services in return for an advance fee of up to \$1,590. In many instances, however, PDM provides no services to those consumers or otherwise fails to achieve the promised savings. Contrary to its assurances, PDM also fails to refund fees paid by consumers. The State of Minnesota, by its Attorney General, Lori Swanson, brings this consumer protection lawsuit against PDM for violations of the State's consumer fraud, deceptive trade practices, and credit services organizations laws.

PARTIES

2. Lori Swanson, the Attorney General of the State of Minnesota, is authorized under Minn. Stat. §§ 8.01, 8.31, 8.32, 332.59, 325D.45, and 325F.70, and has common law authority, including *parens patriae* authority, to bring this action on behalf of the State of Minnesota and its citizens to enforce Minnesota law.

3. PDM is a foreign corporation doing business at 154 South Madison Street, Suite 200, Spokane, Washington and 2132 L Don Dodson, Suite 100, Bedford, Texas. In correspondence with consumers or on its website, PDM also uses the names Priority Direct Marketing International, Inc., PDM International, AMS Financial, and Consumer Services.

JURISDICTION

4. This Court has jurisdiction over the subject matter of this action pursuant to Minn. Stat. §§ 8.01, 8.31, 8.32, subd. 2(a), 332.59, 325D.45, and 325F.70 (2008).

5. This Court has personal jurisdiction over PDM because PDM does business in Minnesota and has committed acts in Minnesota causing injury to Minnesota consumers.

VENUE

6. Venue in Ramsey County is proper under Minn. Stat. § 542.09 (2008) because the cause of action arose, in part, in Ramsey County.

FACTUAL BACKGROUND

7. Since late 2008, PDM has made unsolicited telephone calls to Minnesota consumers to market and sell its credit assistance services. PDM also advertises its services via its website: www.prioritydirect.net.

8. In its unsolicited telephone calls and other marketing efforts, PDM falsely promises that it will negotiate substantially lower credit card interest rates and guarantees thousands of dollars in savings to Minnesota consumers.

9. In return for its purported services, PDM charges Minnesota consumers an advance fee of up to \$1,590. PDM falsely represents to consumers that the fee is fully refundable. PDM has further falsely represented to Minnesota consumers that it is part of the President's economic stimulus package and/or that it is affiliated with the consumers' credit card companies.

10. The Minnesota consumers who enroll in PDM's program are the victims of a bait-and-switch. PDM "baits" consumers with promises that it will use specialized, industry-insider knowledge to obtain reduced interest rates on credit cards. PDM represents that the consumer cannot achieve the same success working alone. PDM promises that through its interest rate negotiation services, the consumers will save thousands of dollars.

11. PDM's website (prioritydirect.net) represents to consumers that PDM offers a "FULL SERVICE PROGRAM" that purportedly provides the consumers with the following benefits (among others):

Working with banks can be very tedious and frustrating. This is where our highly trained "Financial Counselors" can benefit you the most. If you are the average American with 15% or higher rates, in most cases, we can **LOWER RATES BY 3-12%! AND THE SERVICE DOES NOT HURT YOUR CREDIT!** . . .

Our Written Pledge

WE OFFER YOU A WRITTEN PLEDGE TO SAVE YOU \$2,500 OR MORE, OR WE WILL NOT DO THE SERVICE. PLUS, WE SHOW YOU HOW THE BANK WILL PAY FOR THE RETAINER FEE RATHER THAN YOU !!

"FULL SERVICE" PROGRAM

EACH CLIENT IS SENT A "FINANCIAL PROFILE" AND A "LETTER OF PLEDGE" TO SAVE YOU \$2,500 OR MORE ! YOU SIMPLY FILL OUT & RETURN THE "PROFILE" AND LET OUR FINANCIAL COUNSELORS DO THE REST. . . .

(Emphasis in original.)

12. Another page on PDM's website asserts:

. . . we will lower the interest rates immediately on all of your cards and credit lines. When those rates have been lowered, it will offset the processing fee and your minimum payments will drastically reduce making it more affordable for you!

Our Pledge! What's even more appealing, we offer you a written pledge to save you \$2,500 or more.

Plus, we show how the bank will pay for our processing fee so that you are not out of pocket at all!!

(Emphasis in original.)

13. PDM's "switch" occurs after PDM collects its fee. For example, consumers receive a welcome letter -- not from PDM -- but from an unnamed entity that simply refers to itself as "Your partner in debt relief." Other consumers receive a welcome letter from "AMS Financial" or "Consumer Services." Having talked to a PDM representative on the telephone, consumers are confused and misled because they thought they were dealing with PDM, not some other company.

14. After obtaining the consumers' money, PDM not only switches its name but also switches the type of service it promises to consumers. PDM's telemarketers and website state that PDM will negotiate lower interest rates with credit card companies, but PDM's welcome letter states:

By using the money you already send to your lenders and focusing on the correct mathematical application of these funds, interest-reducing strategies, and some

tricks of the trade lenders don't want you to know, we are confident you will be amazed at the amount of savings achieved. This will be done simply by reorganizing your debt management and following our interest-reducing steps. Using our team of professionals to enhance your power and ensure every savings benefit available to you, we will devise a monthly plan specifically tailored to you.

With regard to interest rate negotiation, PDM simply states that it will "be working to negotiate *possible* lower interest rates" (emphasis added).

15. Although the PDM telemarketers guarantee that interest rate negotiations will save the consumers thousands of dollars, PDM's documents state that the promised savings will only result if the consumer follows PDM's debt reduction plan. PDM's "Client Acknowledgment and Agreement" states:

Our Guarantee: I understand that, I, the client, am guaranteed a minimum overall interest savings of \$2500 [this amount varies depending up the representations made to the consumer], these savings will be achieved over the life of the debt. The guaranteed savings are only achieved if I follow the Liability Reduction Schedule provided. . . .

16. PDM's welcome package also includes a flier entitled "Credit Card Negotiations," which purports to retract the oral representation that interest rate negotiations will result in savings to the consumer.

17. In fact, the welcome package is often the only "benefit" that some consumers receive from PDM. PDM provides some consumers with no further services whatsoever. Consumers also report that PDM is non-responsive, that PDM's telephones are not answered, that PDM does not return messages, and that PDM's automated telephone answering system subjects consumers to an endless loop of transfers and redundant messages.

18. When PDM consumers contact the company for a refund, the consumers also discover that the “full refunds” promised by the initial telemarketer are illusory. PDM’s “Client Acknowledgment and Agreement” states:

If savings are not *shown* in my initial Liability Reduction Plan, I will receive a full refund of my total setup fee (Emphasis added.)

19. Upon information and belief, PDM’s Liability Reduction Plan purports to “show” that consumers can save money by accelerating payments and/or by obtaining assumed interest rate reductions. Of course, most consumers already know that they can save money by increasing their monthly payments to creditors. The problem is that most PDM consumers cannot afford to pay their minimum amounts due and are looking for assistance in reducing their monthly payments. Moreover, the assumed interest rate reductions are not, in fact, guaranteed by PDM. Because most consumers are unable to accelerate their payments, the consumers cannot achieve the savings “shown” in PDM’s plan.

20. Moreover, if PDM’s Liability Reduction Plan purports to “show” the promised savings, then consumers are not entitled to any refund -- even if PDM fails to achieve any actual savings through interest rate negotiations with credit card companies. PDM’s “Client Acknowledgment and Agreement” states:

. . . I understand that I may cancel this service with written or verbal notice. I acknowledge that I will not be reimbursed any of the fees that I have paid for this service, prior to the cancellation.

Because PDM charges its up front fee to consumers’ credit cards soon after the initial telemarketing call, it is impossible for most consumers to cancel before they have paid for PDM’s service.

21. Another flier included in PDM’s welcome package is entitled “Credit Review,” which states: “[o]ur financial services offer a way for you to review your overall credit.” PDM

offers two ways for the consumer to obtain this review. For an additional \$30 payment, PDM will obtain a "Tri-Merge Credit Report" on behalf of the consumer. According to PDM, the "Tri-Merge Credit Report" reflects the consumer's overall credit rating with Experian, Trans Union, and Equifax. If purchased by the consumer, PDM will review the "Tri-Merge Credit Report," or the consumer can provide a copy of his or her credit report for PDM's review. PDM further advises: "While using and then paying down your credit cards fully each month can be a wise element in an overall strategy to improve your credit scores, for now it is best to stay away completely from charging anything onto your cards."

22. Although PDM purports to provide its Minnesota consumers with credit assistance services, PDM is not registered as a credit services organization with the Minnesota Commissioner of Commerce, as required by Minn. Stat. § 332.54, subd. 1 (2008). PDM also has not filed a bond with the Department of Commerce, as required by Minn. Stat. § 332.55 (2008). In addition, PDM unlawfully charges up-front fees to Minnesota consumers, in violation of Minn. Stat. § 332.56, subd. 1 (2008). PDM fails to provide consumers with the disclosure statement mandated by Minn. Stat. § 332.57 (2008). PDM's purported contracts with Minnesota consumers are also unlawful in that the contracts fail to conform to the requirements of Minn. Stat. § 332.58, which mandates (among other things) that contracts set forth:

- a full and detailed description of the services to be performed by the credit services organization for the buyer, including all guarantees and all promises of full or partial refunds, and the estimated date by which the services are to be performed or the estimated length of time for performing the services;
- with respect to the previous calendar year or the time period the credit services organization has been in business, whichever is shorter, the percentage of the credit services organization's customers for whom the credit services organization has fully and completely performed the

services the credit services organization agreed to perform for the buyer;
and

- a statutorily-mandated notice of cancellation rights.

23. The following are illustrative, but non-exclusive, examples of PDM's unlawful practices:

B.A.

24. B.A. lives in Chanhassen, Minnesota. She owns her own business and works as an international trade consultant. In December of 2008, B.A. received a call from PDM. The representative said that PDM could save B.A. at least \$2,500 lowering her credit card interest rates. The representative said that if PDM could not save B.A. \$2,500, her upfront fee of \$1,490 would be refunded. B.A. agreed to sign up for the program.

25. After almost two weeks, B.A. received a package of documents from PDM. While reviewing the documents, B.A. noticed that the contract purported to be with a company called AMS Financial. B.A.'s welcome letter was also signed: "Your partner in debt relief, AMS Financial." The PDM representative never told B.A. that the services would be performed by AMS Financial. The documents did not even disclose AMS Financial's address. B.A. was not comfortable doing business with a company that she had never heard of, so she returned PDM's documents by mail on or about December 31, 2008. B.A. wrote on PDM's "Guarantee and Agreement": "Cancel" and "Do Not Call!!"

26. After she returned PDM's documents, B.A. received a call from a PDM representative who told her that PDM was a marketing service for AMS Financial. B.A. said she did not want to continue with the program and that she wanted a refund. The representative said that PDM had a recording of B.A. agreeing to the program. The representative also said that B.A. could not get a refund.

27. In early February of 2009, B.A. requested a refund by sending a certified letter to PDM. PDM did not respond. Between February and June of 2009, B.A. made several telephone calls to PDM. Each time she called, B.A. was placed on hold. She waited as long as 32 minutes, but no one ever answered her calls. Despite receiving \$1,490 from B.A., PDM has not performed any services for B.A. and has not refunded B.A.'s money.

S.R.

28. S.R. lives in Baxter, Minnesota, and is a daycare provider who works out of her home. On or about April 23, 2009, S.R. received a telemarketing call from PDM. The PDM representative said that PDM was federally regulated, and it would have no problem getting S.R.'s credit card interest rates reduced. PDM guaranteed that S.R. would save a minimum of \$5,000 to \$6,000 through the interest rate reductions. S.R. declined, and the call ended.

29. A few minutes later, S.R. was again telephoned by the PDM representative. The representative asked S.R., "why don't you try it?" The representative also promised S.R. that PDM's fee was fully refundable. S.R. agreed to try the program. PDM charged \$990 to S.R.'s credit card.

30. Within a few days, S.R. received PDM's packet. The documents looked very similar to documents that S.R. had earlier received from another interest rate negotiation company called Money Works. Money Works took S.R.'s money and did nothing to help her. S.R.'s welcome letter from PDM was signed: "Your partner in debt relief" and provided no further identification. S.R. decided to cancel the PDM program.

31. On or about April 24th, S.R. called PDM. She kept getting transferred from person to person, and no one would let her cancel. One representative said that S.R. could not

get a full refund because it took about \$200 to process her information, but S.R. never sent any information to PDM.

32. After contacting the Minnesota Attorney General's Office, S.R. finally received a refund of \$990.

N.M.

33. N.M. lives in Cohasset, Minnesota, and is a retired mechanical engineer. On April 8, 2009, N.M. had his knee replaced. In May of 2009, N.M. was still on pain-killers when he received a telemarketing call from PDM. N.M. spoke with two PDM representatives during the call. The representatives said that PDM would help reduce N.M.'s credit card debt by reducing his credit card interest rate. The representatives also told N.M. that he could cancel within 48 hours for any reason. N.M. agreed to PDM's service and to pay PDM's fee of \$1,190.

34. After talking to PDM, N.M. discussed the PDM transaction with his wife, and they decided to cancel. N.M. immediately called PDM to cancel. No one answered PDM's telephone. The day following the transaction, N.M. called again and was able to speak with a representative. The representative said that N.M. could cancel, but that PDM would keep \$190. On the day before, PDM told N.M. that he would get a full refund. By that time, N.M. just wanted to get out of the program without losing the entire \$1,190. The representative told N.M. that he would receive a refund form by mail and that N.M. would receive his refund after he filled out the form and sent it back to PDM.

35. After four or five days, N.M. received a refund form from PDM. On the very next day, N.M. completed the form and sent it back to PDM. N.M. waited three weeks, but his credit card account was never credited by PDM. About four weeks after he initially submitted the refund form, N.M. sent another copy of the refund form to PDM. N.M. has still not received

a refund of any kind. N.M. has called PDM several times but cannot get beyond PDM's automated answering system. None of N.M.'s messages to PDM have been returned.

36. After submitting the refund form, N.M. also received a package of documents from PDM. The "Client Acknowledgment and Agreement" provided to N.M. did not identify PDM, but simply said that N.M. was entering an agreement with "Consumer Services." N.M.'s welcome letter was signed: "Your partner in debt relief." N.M. did not fill out and return PDM's "credit liability summary" because he had decided to cancel by the time he received the package. Despite receiving \$1,190 from N.M., PDM has not performed any services for PDM and has failed to refund N.M.'s money.

K.C.

37. K.C. lives in St. Louis Park, Minnesota, and has been a licensed practical nurse for 30 years. On or about April 11, 2009, K.C. received a telemarketing call from a "senior consultant" at PDM. The consultant said that he could save K.C. a minimum of \$2,000 and that she would soon be debt free. The consultant said that he had saved people as much as \$13,800. The PDM consultant said that he could lower K.C.'s interest on both her credit cards and her mortgage. The consultant said that the program would cost \$1,590.

38. K.C. said that she needed to talk with her husband. The consultant never said that K.C. could not cancel. Soon after the call, PDM charged \$1,590 to K.C.'s Citibank credit card.

39. K.C. later told her husband about her conversation with PDM. K.C.'s husband said that PDM was a scam and told K.C. to cancel. K.C. telephoned PDM several times between April 12 and 14, 2009. She left messages that she wanted to cancel. No one at PDM called her back. On April 14, 2009, K.C. eventually reached a PDM representative who said that it would take one month to cancel and that she would mail a cancelation form to K.C.

40. As of May 18, 2009, K.C. had still not received a cancellation form from PDM. She again left several messages with PDM. On or about May 20, 2009, PDM faxed a cancellation form to her. The form disclosed that K.C. would incur a \$199 cancellation charge. K.C. filled out the form and faxed it back to PDM. K.C. wrote on the form that nobody ever told her about the cancellation fee and that she was not willing to pay the \$199.

41. As of June 21, 2009, K.C. had still not received a refund from PDM, so she called PDM again. The PDM representative promised that the refund would be credited to her account in the near future. K.C. made several additional telephone calls to PDM during July and August of 2009. Representatives promised that a refund would soon be credited to her account. PDM has never credited a refund to K.C.'s account.

T.T.

42. T.T. lives in St. Paul, Minnesota, and is a nursing assistant at a Twin Cities nursing home. On the evening of April 18, 2009, T.T. spoke at length with a telemarketer who represented a company called "AMS Financial." The representative said that the company was part of the President's stimulus package. The representative said that for a one time fee, AMS Financial could reduce the interest rates on T.T.'s credit cards. The representative promised that T.T.'s rates could be reduced by 10% or more without negatively impacting her credit rating and that T.T. would be debt free within a year. T.T. agreed to pay \$690 for the service.

43. The representative said a package would come in the mail, and she would set up a time for T.T. to speak with a counselor, and the counselor and T.T. would review T.T.'s accounts every three to four months. As of April 30, 2009, T.T. had not received the package. T.T. made telephone calls to AMS Financial and was told to wait a few days and call back if the package did not arrive. T.T. also sent an email asking for the package but did not get a response.

44. The package never arrived. T.T. eventually called her credit card company. The credit card company said that PDM had a pending charge against T.T.'s account for \$690. T.T. blocked the payment.

A.K.

45. A.K. lives in Minneapolis, Minnesota, and is a property manager for a family business. On or about February 11, 2009, A.K. received a telephone call from PDM. The representative said he was with her credit card company and asked for her credit card number. Without thinking, A.K. provided the representative with her credit card number. The representative created the impression that PDM was part of the federal bank bailout. The PDM representative said that for \$1,590, he could cut A.K.'s credit card interest rate in half.

46. A.K. tried to get more information from the representative about PDM, but the representative got rude and kept pressuring her to agree to the program. He said, "we're offering to cut your interest rate from 30% to 15% -- you think your bank will do that for you?" A.K. refused to agree. A.K. asked to speak to a supervisor. The supervisor was just as pushy as the representative, telling A.K. that she had to sign up now or the offer would expire at 4:00 p.m.

47. A.K. did not trust PDM, so she asked her credit card company to flag her account and to stop any charges. Because of her quick action, A.K. did not lose any money to PDM.

48. PDM also subsequently asked her bank lower her credit card interest rate. In response to her request, the bank lowered A.K.'s interest rate from nearly 30% to 8%.

**COUNT I
PREVENTION OF CONSUMER FRAUD ACT**

49. Plaintiff re-alleges all prior paragraphs of this Complaint.

50. Minn. Stat. § 325F.69, subdivision 1 (2008) provides:

The act, use, or employment by any person of any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise, whether or not any person has in fact been misled, deceived, or damaged thereby, is enjoined as provided in section 325F.70.

51. The term "merchandise" within the meaning of Minn. Stat. § 325F.69 includes services. *See* Minn. Stat. § 325F.68, subd. 2 (2008).

52. PDM's deceptive and fraudulent practices and false and misleading statements include, but are not limited to:

- a. misrepresenting to Minnesota consumers that they will save thousands of dollars, when PDM knows that it has no reasonable basis for making such representations;
- b. misleading Minnesota consumers with representations that they will save thousands of dollars by reason of interest rate reductions, knowing that it will only "show" thousands of dollars in savings on a Liability Reduction Schedule that requires accelerated payments, which PDM's targeted consumers cannot afford;
- c. falsely stating to Minnesota consumers that PDM is part of the federal bank bailout, the President's stimulus package, or is in some other manner affiliated with or sanctioned by the federal government;
- d. misrepresenting to Minnesota consumers that PDM is affiliated with the consumers' credit card companies;
- e. using alternative or fictitious names such as AMS Financial or Consumer Services in an effort to confuse and deceive Minnesota

consumers or to fraudulently conceal PDM's identity from Minnesota consumers;

- f. misrepresenting to Minnesota consumers that by following PDM's program, the consumers will be debt free "soon," within a year, or within some other abbreviated period of time;
- g. deceptively stating that banks will ultimately pay for the up front fees received by PDM from Minnesota consumers;
- h. misrepresenting to Minnesota consumers that they can cancel services and receive a full refund; and
- i. deceptively promising to issue refunds to Minnesota consumers or deceptively stating that refunds have been issued while knowing that PDM does not intend to issue a refund to the Minnesota consumer.

53. PDM's conduct described above constitutes multiple, separate violations of Minn. Stat. § 325F.69. PDM has engaged in deceptive and fraudulent practices, and has made false and misleading statements, with the intent that other rely thereon in connection with the sale of PDM's services. By failing to disclose and omitting material facts, PDM has further engaged in deceptive and fraudulent practices in violation of the Consumer Fraud Act.

54. Pursuant to Minn. Stat. §§ 8.31, 325F.70, and other authority, the Attorney General is entitled to injunctive relief, restitution, civil penalties, costs, attorneys' fees, and other equitable relief by reason of PDM's violations of Minn. Stat. § 325F.69.

**COUNT II
UNIFORM DECEPTIVE TRADE PRACTICES ACT**

55. Plaintiff re-alleges all prior paragraphs of this Complaint.

56. Minn. Stat. § 325D.44, subdivision 1 (2008) provides, in part:

A person engages in a deceptive trade practice when, in the course of business, vocation, or occupation, the person:

(5) represents that goods or services have... characteristics... benefits...that they do not have...

(7) represents that goods or services are of a particular standard, quality, or grade...if they are of another;...

(9) advertises goods or services with intent not to sell them as advertised...

(13) engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

57. PDM's conduct described above constitutes multiple, separate violations of Minn. Stat. § 325D.44, subd. 1. PDM has engaged in deceptive practices by representing that its services have characteristics and benefits that they do not have; representing that its services are of a particular standard, quality, or grade when they are of another; advertising its services with intent not to sell them as advertised; and engaging in other conduct which similarly creates a likelihood of confusion or of misunderstanding. By failing to disclose and omitting material facts, PDM has further engaged in deceptive and fraudulent practices in violation of the Uniform Deceptive Trade Practices Act.

58. Pursuant to Minn. Stat. §§ 8.31, 325D.45, and other authority, the Attorney General is entitled to injunctive relief, restitution, civil penalties, costs, attorneys' fees, and other equitable relief by reason of PDM's violations of Minn. Stat. § 325D.44.

COUNT III CREDIT SERVICES ORGANIZATION ACT

59. Plaintiff re-alleges all prior paragraphs of this Complaint.

60. Minn. Stat. § 332.52, subd. 3 (2008), provides:

“Credit services organization” means any person that, with respect to the extension of credit by others, sells, provides, performs, or represents that the person will sell, provide, or perform, in return for the payment of money or other valuable consideration, any of the following services:

- (1) improve a buyer’s credit record, history, or rating;
- (2) obtain an extension of credit for a buyer; or
- (3) provide advice or assistance to a buyer with regard to either clause (1) or (2).

61. PDM is a “credit services organization” within the meaning of Minn. Stat. § 332.52, subds. 2 and 3 (2008). In return for the payment of money, PDM sells a service that purports to provide advice or assistance to Minnesota consumers with regard to their credit record, history, or rating.

62. As a credit services organization, PDM has engaged in multiple, separate violations of Minn. Stat. § 332.54, subd. 1 (2008), in that PDM has offered, advertised, executed, or caused to be executed contracts without registering as a credit service organization with the Minnesota Commissioner of Commerce.

63. As a credit services organization, PDM has violated Minn. Stat. § 332.55 (2008), in that PDM has never submitted a surety bond to the Minnesota Commissioner of Commerce.

64. As a credit services organization, PDM has engaged in multiple, separate violations of Minn. Stat. § 332.56, subd. 1 (2008) in that, among other things:

- a. PDM charges or receives money prior to full and complete performance of the services it has agreed to perform; and
- b. PDM makes and uses untrue or misleading representations in the offer or sale of its services, and engages in acts, practices, or a course of business that operates as fraud or deception upon the Minnesota buyers to whom it offers or sells its services.

65. As a credit services organization, PDM has committed multiple and separate violations of Minn. Stat. § 332.57, subd. 1 (2008) in that, among other things: (i) PDM fails to provide Minnesota buyers with a statement conforming to Minn. Stat. § 332.57, subd. 2, before the execution of a contract or agreement between a buyer and PDM or before the receipt by PDM of any money from a buyer; and (ii) PDM fails to maintain on file for a period of two years an exact copy of the above-mentioned statement, personally signed by the buyer, acknowledging receipt of a copy of the statement.

66. As a credit services organization, PDM has committed multiple and separate violations of Minn. Stat. § 332.58 (2008) in that, among other things: (i) the contracts between PDM and Minnesota buyers fail to conform to the requirements of Minn. Stat. § 332.58, subd. 1; (ii) PDM fails to provide buyers with the notice of cancellation set forth in Minn. Stat. § 332.58, subd. 2; and (iii) PDM fails to give to the buyer a copy of a completed contract signed by PDM and the buyer at the time the contract is signed.

67. Pursuant to Minn. Stat. §§ 8.31, 332.59 and other authority, the Attorney General is entitled to injunctive relief, restitution, civil penalties, costs, attorneys' fees, and other equitable relief by reason of PDM's violations of Minn. Stat. §§ 332.54 - 332.58.

RELIEF

WHEREFORE, the State of Minnesota, by its Attorney General, Lori Swanson, respectfully asks this Court to award judgment against PDM as follows:

1. Declaring that PDM's acts described in this Complaint constitute multiple, separate violations of Minn. Stat. §§ 332.54, 332.55, 332.56, 332.57, 332.58, 325D.44, and 325F.69;

2. Enjoining PDM and its employees, officers, directors, agents, successors, assignees, affiliates, merged or acquired predecessors, parent or controlling entities, subsidiaries, and all other persons acting in concert or participation with it, from engaging in conduct in violation of Minn. Stat. §§ 332.54, 332.55, 332.56, 332.57, 332.58, 325D.44, and 325F.69;

3. Awarding judgment against PDM for civil penalties pursuant to Minn. Stat. §§ 8.31, subd. 3, for each separate violation of Minn. Stat. §§ 332.54, 332.55, 332.56, 332.57, 332.58, 325D.44, and 325F.69;

4. Awarding judgment against PDM for restitution under the *parens patriae* doctrine, the general equitable powers of this Court, Minn. Stat. § 8.31, and other authority, for all persons injured by PDM's acts described in this Complaint;

5. Awarding Plaintiff its costs, including costs of investigation and attorneys fees, as authorized by Minn. Stat. § 8.31, subd. 3a; and

6. Granting such further relief as provided by law and/or as the Court deems appropriate and just.

Dated: September 21, 2009

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota

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STATE OF MINNESOTA

RECEIVED
Ramsey County
District Court

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF RAMSEY

SEP 9 2 2009

SECOND JUDICIAL DISTRICT

By _____ Deputy

Case Type: Other Civil
(Consumer Protection)

State of Minnesota by its Attorney General,
Lori Swanson,

Court File No. _____

Plaintiff,

COMPLAINT

vs.

Moneyworks LLC,
d/b/a, Money Works,

Defendant.

The State of Minnesota, by its Attorney General, Lori Swanson, for its Complaint against Moneyworks LLC, d/b/a, Money Works ("Money Works"), alleges as follows:

INTRODUCTION

1. In these tough economic times, many consumers are looking for help in dealing with their debt. Money Works deceives Minnesota consumers by promising to save them money by lowering the interest rates on their credit cards in return for an advance fee of up to \$1,995. In many instances, however, Money Works provides no services to those consumers or otherwise fails to achieve the promised savings. Contrary to its assurances, Money Works also fails to refund fees paid by consumers. The State of Minnesota, by its Attorney General, Lori Swanson, brings this consumer protection lawsuit against Money Works for violations of the State's consumer fraud, deceptive trade practices, and credit services organizations laws.

PARTIES

2. Lori Swanson, the Attorney General of the State of Minnesota, is authorized under Minn. Stat. §§ 8.01, 8.31, 8.32, 332.59, 325D.45, and 325F.70, and has common law authority, including *parens patriae* authority, to bring this action on behalf of the State of Minnesota and its citizens to enforce Minnesota law.

3. Money Works is a Georgia limited liability company. Its principal office address is 2778 Cumberland Boulevard, Suite 332, Smyrna, Georgia.

JURISDICTION

4. This Court has jurisdiction over the subject matter of this action pursuant to Minn. Stat. §§ 8.01, 8.31, 8.32, subd. 2(a), 332.59, 325D.45, and 325F.70 (2008).

5. This Court has personal jurisdiction over Money Works because Money Works does business in Minnesota and has committed acts in Minnesota causing injury to Minnesota consumers.

VENUE

6. Venue in Ramsey County is proper under Minn. Stat. § 542.09 (2008) because the cause of action arose, in part, in Ramsey County.

FACTUAL BACKGROUND

7. Since at least 2008, Money Works has made unsolicited telephone calls to Minnesota consumers to market and sell its credit assistance services.

8. In its unsolicited telephone calls and other marketing efforts, Money Works falsely promises that Money Works can negotiate substantially lower credit card interest rates on behalf of Minnesota consumers, resulting in thousands of dollars in savings.

9. In return for its purported services, Money Works charges Minnesota consumers an advance fee of up to \$1,995. Money Works falsely represents to customers that the fee is refundable.

10. The Minnesota consumers who enroll in Money Works' program are the victims of a bait-and-switch. Money Works "baits" Minnesota consumers with promises that it will negotiate with creditors to reduce the consumers' interest rates, but in its invoice, Money Works "switches" the service, promising to provide "a customized analysis of your current financial situation and an optimized financial plan." Money Works charges the consumer for the financial plan and states that "[n]egotiations of interest rates on all of your interest-bearing credit card accounts" are merely a free "BONUS." Money Works' welcome letter also reveals for the first time that an unnamed "partner" of Money Works will perform the negotiations, not Money Works itself.

11. The welcome letter and invoice are accompanied by a lengthy profile that Money Works asks Minnesota consumers to complete. The profile calls for highly confidential personal information, such as social security numbers, employment information, credit card numbers, mortgage information, and other personal loan information.

12. Money Works' Minnesota customers also receive a booklet entitled "Your Membership Guide to Financial Benefits and Services." A service called *Credit Ready -- Credit Zoom* is among the benefits promised by Money Works to its members. Money Works explains the benefits of this service as follows:

Credit Ready works to positively impact and achieve a higher credit score with the Credit Bureaus.

Credit Zoom works to build you a positive credit history by showing you the "insider secrets" the credit bureaus would prefer you not knowing. . . .

Credit Zoom

The name says it all!! Credit Zoom is the fastest, easiest and least-expensive way to establish your available credit whether you have no credit, poor credit or just want better credit.

- Good or Bad Credit . . . **Credit Zoom will enhance your credit profile!**
- Credit Zoom shows you the insider secrets that credit bureaus don't want you to know.
- Prove to Banks and Credits that you are deserving of their loans and credit!
- We show you the available tools and techniques that can impact your credit availability.
- **No Credit? Can't get Credit?** We have the resources where anyone can be approved regardless of liens, bankruptcy, or judgements [sic]. . . .

Credit Ready

In the court system, you are presumed innocent until proven guilty. However, in the credit system, it seems like the opposite is true . . . you are guilty until proven innocent.

Fortunately, you have rights! The law gives you the right to dispute any credit listing on your credit reports that you feel may be inaccurate, untimely, misleading or unverifiable (questionable items). If a credit bureau can't verify, through the creditors that reported the negative, then it must be removed from your credit report.

The Fair Credit Reporting Act (FCRA) gives you the right to accurate credit reporting. Exercise that right by having your questionable credit listings either verified as accurate or removed from your credit reports according to the law.

Why act now? When you need good credit the most, it can already be too late. Correcting your credit is not an overnight process. You have rights, but you must take action on those rights to make them work for you.

How We Help!

First, the Credit Ready team reviews with you your credit report and provides you with an understanding of what has been reported and what your history states about you. We go over how lenders, based upon what your report contains, determine your credit worthiness.

Next, together we will determine what inaccuracies may exist and be in action to have them removed.

Finally, the Credit Ready team will provide the necessary guidance and support with telephone calls and letters to insure that these corrections take place.

13. Minnesota consumer experience reveals a substantial gap between Money Works' promises and its actual performance. Among other things, Money Works promises to negotiate lower interest rates on behalf of Minnesota consumers when, in fact, Money Works' primary service is to provide only an "optimized financial plan." Moreover, an unnamed partner organization -- not Money Works itself -- conducts the interest rate negotiations. Money Works misrepresents that Minnesota consumers will save thousands of dollars, when Money Works has no basis in fact for making such an assertion.

14. Money Works' "optimized financial plan" purports to show that consumers can save money by accelerating payments and/or by obtaining assumed interest rate reductions. Of course, most consumers already know that they can save money by increasing their monthly payments to creditors. The problem is that most Money Works consumers cannot afford to pay their minimum amounts due and are looking for assistance in reducing their monthly payments. Moreover, the assumed interest rate reductions are not, in fact, guaranteed by Money Works. Because most consumers are unable to accelerate their payments, the consumers cannot achieve the savings shown in Money Works' plan.

15. Rather than refunding fees upon a Minnesota consumer's request, Money Works also places arbitrary and undisclosed additional restrictions on the Minnesota consumer's right to a refund.

16. Although Money Works purports to provide its Minnesota customers with credit assistance, Money Works is not registered as a credit services organization with the Minnesota Commissioner of Commerce, as required by Minn. Stat. § 332.54, subd. 1 (2008). Money Works

also has not filed a bond with the Department of Commerce, as required by Minn. Stat. § 332.55 (2008). In addition, Money Works unlawfully charges up-front fees to Minnesota consumers, in violation of Minn. Stat. § 332.56, subd. 1 (2008). Money Works fails to provide Minnesota consumers with the disclosure statement mandated by Minn. Stat. § 332.57 (2008). Money Works' purported contracts with Minnesota consumers are also unlawful in that the contracts fail to conform to the requirements of Minn. Stat. § 332.58, which mandates (among other things) that contracts set forth:

- a full and detailed description of the services to be performed by the credit services organization for the buyer, including all guarantees and all promises of full or partial refunds, and the estimated date by which the services are to be performed or the estimated length of time for performing the services;
- with respect to the previous calendar year or the time period the credit services organization has been in business, whichever is shorter, the percentage of the credit services organization's customers for whom the credit services organization has fully and completely performed the services the credit services organization agreed to perform for the buyer; and
- a statutorily-mandated notice of cancellation rights.

17. The following are illustrative, but non-exclusive, examples of Money Works' unlawful practices:

B.D.

18. B.D. is 72 years old and lives in Osakis, Minnesota. She works full-time to repay \$20,000 in credit card debt and \$5,000 on a car loan. She accumulated many of these debts in an effort to help her children. These expenses eat up most of her social security and leave her with virtually nothing to pay for groceries and other daily living expenses.

19. On or about February 4, 2009, B.D. received a call from a Money Works telemarketer. The telemarketer seemed to know that B.D. was paying 29.9% on her Bank of

America credit card and told her that Money Works could help her get rid of the high interest rate by negotiating with her credit card companies. Money Works also said that it could save her \$2,500. Because her high interest rate was swallowing up B.D.'s monthly payments, she was interested in Money Works' offer. B.D.'s curiosity was piqued because she had personally made a number of unsuccessful attempts to reduce her interest rates, and the high interest charges were swallowing up her monthly payments.

20. The telemarketer said Money Works would charge \$1,090 to B.D.'s Bank of America credit card, but she should not worry because Money Works would recoup the fee by negotiating a lower interest rate with Bank of America.

21. Money Works did not lower B.D.'s interest rate. Instead, Money Works' \$1,090 fee simply added to the already high balance of her Bank of America credit card debt.

22. B.D. later received an invoice from Money Works. The invoice said that she paid \$1,090 for a customized analysis of her current financial situation and that negotiation of interest rates was a free "bonus." This came as a complete surprise to B.D. because she was led to believe that she was paying Money Works to reduce her high interest rate.

23. B.D. requested a refund from Money Works, but Money Works denied her request. B.D. received a refund from Money Works only after she complained to the Minnesota Attorney General's Office.

M.S.

24. M.S. is a U.S. Postal Carrier who lives in Rogers, Minnesota. On January 7, 2009, she received a telephone call from a telemarketer on behalf of the "Financial Protection Center" ("FPC"). The telemarketer promised M.S. that, if she paid a fee of \$1,895, FPC could lower her interest rates on her credit cards, home mortgage, and car loan.

25. M.S. had six or seven credit cards with interest rates ranging from 12% to 26%. She felt financially strapped and decided to give FPC a try. She was promised by the representative that more information would arrive within a couple of days. Nearly two weeks later, M.S. received a packet of information from Money Works. M.S. believed that she was doing business with FPC, not Money Works.

26. The Money Works documents promised "credit card negotiation" services, free "credit restoration," and promised to "positively impact and achieve a higher credit score with the Credit Bureaus." A welcome letter from Money Works also stated that it would "show" her "minimum savings of \$4,000.00 with [an] accelerated payment schedule" -- not from interest rate reductions. Money Works said that she was entitled to a refund only if it could not "show" these savings.

27. She decided that she did not want to do business with Money Works and requested a refund. Money Works denied M.S.'s request. In denying her request for a refund, Money Works claimed that M.S. had to cancel within a 7-day rescission period. To date, she has not received any refund.

G.W.

28. G.W. lives in St. Paul, Minnesota. On March 10, 2009, G.W. received a call from a telemarketer calling on behalf of "Client Services," who offered to help him with his credit card debt. The telemarketer said that the service being offered would result in a low balance on his credit card and lower interest rates, and would not hurt his credit.

29. G.W. was interested in the program, but the representative kept referring to the company by different names. Feeling a bit uncertain, G.W. questioned if there was a cancellation process. The representative said that G.W. could cancel at any time, and also told

him that he would receive additional materials that would explain the program. After receiving these assurances, G.W. gave the telemarketer his credit card number, and his credit card was charged \$1,295.

30. On or about March 16, 2009, G.W. received a package of documents. The packet was from Money Works. He had never heard of Money Works. The package included a booklet entitled "Your Membership Guide to Financial Benefits and Services." A Money Works invoice within the packet stated that G.W. had a "7-day rescission period." A letter also stated that an unnamed organization -- rather than Money Works itself -- negotiates with creditors to lower the interest rates. G.W. called Money Works and asked for a refund. A representative told G.W. that, regardless of the 7-day rescission period, the agreement did not allow him to cancel and receive a refund. The representative said that G.W. would be allowed to cancel only if Money Works failed to save him \$3,000 within four months.

31. G.W. contacted his credit card company and disputed the Money Works fee. G.W. also complained to the Better Business Bureau. He has not received a refund from Money Works.

R.A.

32. R.A. is a St. Paul resident. On December 29, 2008, R.A. received a phone call from a telemarketer who stated that she worked with a company that negotiates with credit card companies to help people reduce their interest rates. The telemarketer assured R.A. that the company could lower her interest rates and save her \$4,000 within 45 days, in return for an up-front fee of \$1,090.

33. R.A. agreed to try the program and paid \$1,090 by credit card. R.A. was then transferred to a different representative to verify her agreement to participate in the program.

During the verification process, the verifier provided R.A. with information that was inconsistent with what she had been told by the telemarketer. As a result, R.A. became uneasy and asked to cancel. However, the telemarketer was pushy and told R.A. that she should continue with the verification despite R.A.'s concerns.

34. On January 3, 2009, R.A. received a package of documents from Money Works. As she went through the materials, she discovered that the program described in the materials was far different than what was represented to her on the phone. For example, there was no guarantee that her interest rates would be lowered in 45 days. R.A. then called Money Works and asked to cancel, but Money Works told her that she could not cancel because she was past a 7-day rescission period. R.A. had called within 7 business days of receiving the packet.

35. After unsuccessfully disputing the charge with her credit card company, R.A. continued with the Money Works' program and provided Money Works with her personal and financial information. Money Works did not lower her interest rates. R.A. became suspicious and contacted the Better Business Bureau for help in obtaining a refund. To date, R.A. has not received a refund, and Money Works has not reduced any of her interest rates.

M.S.

36. M.S. lives in Lino Lakes, Minnesota, and is currently unemployed. On November 19, 2008, M.S. received a telephone call from Money Works. Money Works claimed that it could reduce her credit card interest rate and save her \$4,000, in return for an up-front fee of \$1,400. Based on Money Works' promises, M.S. agreed to pay Money Works \$1,400 by credit card.

37. After thinking about Money Works' offer overnight, M.S. contacted her credit card company and told it not to process the charge from Money Works. M.S. was too late. Her credit card already had been charged \$1,495.

38. M.S. then called Money Works to complain. Money Works said that it would look into her situation, but M.S. did not hear back from Money Works and did not receive a refund. M.S. then filed a complaint with the Minnesota Attorney General's Office and thereafter received a refund of the charge through her credit card company.

K.B.

39. K.B. lives in Oakdale, Minnesota, and is a student. In late November of 2008, she received a call from a person stating that he could lower her credit card interest rate. She assumed that the person worked for her bank because he seemed to have so much information about her credit card account, and she had only one credit card at the time.

40. K.B. eventually agreed to try the service. Before the representative transferred K.B. to the "legal department," he said she should ignore any representations about a \$1,000 fee because she would not be charged the fee due to her excellent credit rating. The representative told her to simply agree to the fee so that everything could be processed. During her interaction with the "legal department," K.B. followed the instructions of the representative and accepted the fee, believing that the fee did not apply to her.

41. A few days later, K.B. noticed that her credit card had been charged \$990 by a company called "Client Services." She immediately called a customer service number that she received from the "legal department." A person answered the telephone on behalf of Money Works. Although she had never heard of Money Works, K.B. asked if she could cancel the

interest rate reduction program. The representative said that no one was allowed to cancel and that she had to allow Money Works to go forward with its services.

42. K.B. disputed the Money Works charge with her credit card company and filed a complaint with the Better Business Bureau. In response to her Better Business Bureau complaint, Money Works claimed that the “the credit card company has determined that the charge was valid.” At the time, however, K.B.’s credit card company was still investigating the transaction. For nearly a month, K.B. received harassing phone calls from Money Works, claiming that it had won the dispute and demanding that she fill out and return several forms concerning her confidential financial information. K.B. refused to do so and continued to dispute the fee with Money Works and her credit card company.

43. After several months of fighting with Money Works, K.B. hired an attorney. She got her refund only after her attorney wrote a letter to Money Works and threatened to sue the company unless it returned her money and stopped harassing her.

C.G.

44. C.G. lives in Stacy, Minnesota. She is currently unemployed and having difficulty finding a new job in the tough economy. Because of this, she and her husband have had difficulty making ends meet. In early 2009, C.G. was contacted by a company that identified itself as Financial Protection Center. The representative promised C.G. that he could save C.G. \$3,000 in 30 to 45 business days or she would receive a refund. He said he would save money by lowering C.G.’s interest rate on her credit cards and mortgage. The representative said it would cost only \$990 because C.G. and her husband had such good credit. The representative told C.G. that she could cancel the service within 7 days. C.G. agreed to the service and \$990

was charged to her credit card. During the phone call, the representative contacted C.G.'s credit cards and mortgage company. All refused to lower C.G.'s interest rates.

45. After thinking about the service overnight, C.G. decided that she wanted to cancel the service. She decided that she could do herself what the company was offering to do for \$990. When C.G. called to cancel the next day, she was told that she could not cancel. Feeling she had no choice, she decided to let the company try to help her. Shortly thereafter, C.G. paid off two of her three credit cards.

46. About a week after the initial phone call, C.G. called Money Works and spoke with a new representative. The representative told C.G. that in order to lower her interest rates, she would need to open a new credit card and then transfer the balance on all of her three credit cards to the new credit card so that she would get a lower interest rate. C.G. felt that this was unnecessary, and told the representative "no."

47. About a week after the initial phone call, C.G. received a packet from a company called Money Works. This was the first time she had heard of Money Works. Money Works requested that she fill out several forms with her confidential financial information.

48. C.G. called Money Works monthly and tried to get something out of the company for the \$990 she had paid. The representatives that C.G. spoke with continually brushed C.G. aside, and told her a representative would call her back. When the representatives called C.G. back, they would just go through C.G.'s credit rating and would always promise to send a "road map" for financial success.

49. After receiving nothing and hearing nothing from Money Works for weeks, C.G. contacted Money Works and asked for a refund. The representative refused, but promised to send C.G. the financial road map. Several weeks later C.G. finally received the road map, but

found it of no use because it had only general debt information and provided an inaccurate portrait of her existing debt situation.

50. In August of 2009, C.G. called Money Works to indicate that she had successfully lowered her mortgage rate on her own in addition to paying off two credit cards, but the line was disconnected. Money Works did nothing for C.G. except increase her credit card debt by \$990.

**COUNT I
PREVENTION OF CONSUMER FRAUD ACT**

51. Plaintiff re-alleges all prior paragraphs of this Complaint.

52. Minn. Stat. § 325F.69, subdivision 1 (2008) provides:

The act, use, or employment by any person of any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise, whether or not any person has in fact been misled, deceived, or damaged thereby, is enjoined as provided in section 325F.70.

53. The term “merchandise” within the meaning of Minn. Stat. § 325F.69 includes services. *See* Minn. Stat. § 325F.68, subd. 2 (2008).

54. Money Works’ deceptive and fraudulent practices and false and misleading statements include, but are not limited to:

- a. selling a service to negotiate lower interest rates when, in fact, Money Works’ primary service is to provide only “a customized analysis of your current financial situation and an optimized financial plan;”
- b. misrepresenting to Minnesota consumers that they will save thousands of dollars, when Money Works has no basis in fact for making such an assertion;

- c. misleading Minnesota consumers with representations that they will save thousands of dollars by reason of interest rate reductions, knowing that it will only “show” thousands of dollars in a financial plan that requires accelerated payments;
- d. purporting to avoid its obligation to refund fees to Minnesota consumers by “showing” consumers illusory savings of several thousands of dollars if the consumers adopt an accelerated payment schedule that the consumers cannot afford;
- e. misrepresenting to consumers that Money Works itself will attempt to negotiate interest rate reductions when, in fact, Money Works later discloses that it “partner[s] with an organization that will negotiate with your creditors to attempt to lower the interest rates on your interest-bearing accounts;”
- f. misrepresenting to Minnesota consumers that they can cancel services at any time and receive a full refund;
- g. misleading Minnesota consumers with false promises of refunds knowing that it does not intend to pay the refunds and will not pay the refunds unless regulators or consumer / business organizations intervene; and
- h. using fictitious names, such as the Financial Protection Center or Client Services, to confuse Minnesota consumers and conceal its identity.

55. Money Works' conduct described above constitutes multiple, separate violations of Minn. Stat. § 325F.69, subd. 1. Money Works has engaged in deceptive and fraudulent practices, and has made false and misleading statements, with the intent that others rely thereon in connection with the sale of Money Works' services. By failing to disclose and omitting material facts, Money Works has further engaged in deceptive and fraudulent practices in violation of the Consumer Fraud Act.

56. Pursuant to Minn. Stat. §§ 8.31, 325F.70, and other authority, the Attorney General is entitled to injunctive relief, restitution, civil penalties, costs, attorneys' fees, and other equitable relief by reason of Money Works' violations of Minn. Stat. § 325F.69.

COUNT II
UNIFORM DECEPTIVE TRADE PRACTICES ACT

57. Plaintiff re-alleges all prior paragraphs of this Complaint.

58. Minn. Stat. § 325D.44, subdivision 1 (2008) provides, in part:

A person engages in a deceptive trade practice when, in the course of business, vocation, or occupation, the person:

(5) represents that goods or services have... characteristics... benefits...that they do not have...

(7) represents that goods or services are of a particular standard, quality, or grade...if they are of another;...

(9) advertises goods or services with intent not to sell them as advertised...

(13) engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

59. Money Works' conduct described above constitutes multiple, separate violations of Minn. Stat. § 325D.44, subd. 1. Money Works has engaged in deceptive practices by representing that its services have characteristics and benefits that they do not have; representing that its services are of a particular standard, quality, or grade when they are of another;

advertising its services with intent not to sell them as advertised; and engaging in other conduct which similarly creates a likelihood of confusion or of misunderstanding. By failing to disclose and omitting material facts, Money Works has further engaged in deceptive and fraudulent practices in violation of the Uniform Deceptive Trade Practices Act.

60. Pursuant to Minn. Stat. §§ 8.31, 325D.45, and other authority, the Attorney General is entitled to injunctive relief, restitution, civil penalties, costs, attorneys' fees, and other equitable relief by reason of Money Works' violations of Minn. Stat. § 325D.44.

**COUNT III
CREDIT SERVICES ORGANIZATION ACT**

61. Plaintiff re-alleges all prior paragraphs of this Complaint.

62. Minn. Stat. § 332.52, subd. 3 (2008), provides:

“Credit services organization” means any person that, with respect to the extension of credit by others, sells, provides, performs, or represents that the person will sell, provide, or perform, in return for the payment of money or other valuable consideration, any of the following services:

(1) improve a buyer's credit record, history, or rating; . . .

(3) provide advice or assistance to a buyer with regard to . . . clause (1) . . .

63. Money Works is a “credit services organization” within the meaning of Minn. Stat. § 332.52, subd. 3 (2008). In return for the payment of money, Money Works purports that it will, among other things: enhance Minnesota consumers' credit profile; prove to Banks and Creditors that the Minnesota consumer is deserving of loans and credit; show the consumer the available tools and techniques that can impact the consumer's credit availability; determine what inaccuracies may exist on the consumer's credit report and have them removed; and ensure that these corrections take place.

64. As a credit services organization, Money Works has engaged in multiple, separate violations of Minn. Stat. § 332.54, subd. 1 (2008), in that Money Works has offered, advertised,

executed, or caused to be executed contracts without registering as a credit service organization with the Minnesota Commissioner of Commerce.

65. As a credit services organization, Money Works has violated Minn. Stat. § 332.55 (2008), in that Money Works has never submitted a surety bond to the Minnesota Commissioner of Commerce.

66. As a credit services organization, Money Works has engaged in multiple, separate violations of Minn. Stat. § 332.56, subd. 1 (2008) in that, among other things:

- a. Money Works charges or receives money prior to full and complete performance of the services it has agreed to perform; and
- b. Money Works makes and uses untrue or misleading representations in the offer or sale of its services, and engages in acts, practices, or a course of business that operates as fraud or deception upon the Minnesota buyers to whom it offers or sells its services.

67. As a credit services organization, Money Works has committed multiple and separate violations of Minn. Stat. § 332.57, subd. 1 (2008) in that, among other things: (i) Money Works fails to provide Minnesota buyers with a statement conforming to Minn. Stat. § 332.57, subd. 2, before the execution of a contract or agreement between a buyer and Money Works or before the receipt by Money Works of any money from a buyer; and (ii) Money Works fails to maintain on file for a period of two years an exact copy of the above-mentioned statement, personally signed by the buyer, acknowledging receipt of a copy of the statement.

68. As a credit services organization, Money Works has committed multiple and separate violations of Minn. Stat. § 332.58 (2008) in that, among other things: (i) the contracts between Money Works and Minnesota buyers fail to conform to the requirements of Minn. Stat.

§ 332.58, subd. 1; (ii) Money Works fails to provide buyers with the notice of cancellation set forth in Minn. Stat. § 332.58, subd. 2; and (iii) Money Works fails to give to the buyer a copy of a completed contract signed by Money Works and the buyer at the time the contract is signed.

69. Pursuant to Minn. Stat. §§ 8.31, 332.59 and other authority, the Attorney General is entitled to injunctive relief, restitution, civil penalties, costs, attorneys' fees, and other equitable relief by reason of Money Works' violations of Minn. Stat. §§ 332.54 - 332.58.

RELIEF

WHEREFORE, the State of Minnesota, by its Attorney General, Lori Swanson, respectfully asks this Court to award judgment against Money Works as follows:

1. Declaring that Money Works' acts described in this Complaint constitute multiple, separate violations of Minn. Stat. §§ 332.54, 332.55, 332.56, 332.57, 332.58, 325D.44, and 325F.69;
2. Enjoining Money Works and its employees, officers, directors, agents, successors, assignees, affiliates, merged or acquired predecessors, parent or controlling entities, subsidiaries, and all other persons acting in concert or participation with it, from engaging in conduct in violation of Minn. Stat. §§ 332.54, 332.55, 332.56, 332.57, 332.58, 325D.44, and 325F.69;
3. Awarding judgment against Money Works for civil penalties pursuant to Minn. Stat. §§ 8.31, subd. 3, for each separate violation of Minn. Stat. §§ 332.54, 332.55, 332.56, 332.57, 332.58, 325D.44, and 325F.69;
4. Awarding judgment against Money Works for restitution under the *parens patriae* doctrine, the general equitable powers of this Court, Minn. Stat. § 8.31, and other authority, for all persons injured by Money Works' acts described in this Complaint;

5. Awarding Plaintiff its costs, including costs of investigation and attorneys fees, as authorized by Minn. Stat. § 8.31, subd. 3a; and

6. Granting such further relief as provided by law and/or as the Court deems appropriate and just.

Dated: September 21, 2009

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota

JEFFREY E. GRELL
Assistant Attorney General
Atty. Reg. No. 021078X

CHRISTIAN J. CLAPP
Assistant Attorney General
Atty. Reg. No. 0350114

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ATTORNEYS FOR PLAINTIFF
STATE OF MINNESOTA

MINN. STAT. § 549.211 ACKNOWLEDGMENT

The party on whose behalf the attached document is served acknowledges through its undersigned counsel that sanctions, including reasonable attorney fees and other expenses, may be awarded to the opposite party or parties pursuant to Minn. Stat. § 549.211 (2008).

~~JEFFREY E. GRELL~~ _____

AG: #2500375-v1

STATE OF MINNESOTA

RECEIVED
Ramsey County
District Court

DISTRICT COURT

COUNTY OF RAMSEY

SEP 22 2009

SECOND JUDICIAL DISTRICT

By _____ Deputy

Case Type: Other Civil
(Consumer Protection)

State of Minnesota by its Attorney General,
Lori Swanson

Court File No. _____

Plaintiff,

COMPLAINT

vs.

CSTR Solutions, Inc.,
d/b/a Clear Financial Solutions,

Defendant.

The State of Minnesota, by its Attorney General, Lori Swanson, for its Complaint against CSTR Solutions, Inc., d/b/a Clear Financial Solutions ("CFS"), alleges as follows:

INTRODUCTION

1. In these tough economic times, many consumers are looking for help in dealing with their debt. CFS deceives Minnesota consumers by promising to save them money by lowering the interest rates on their credit cards and/or by transferring credit card balances. CFS offers these services in return for an advance fee of up to \$999. In many instances, however, CFS provides no services to those consumers or otherwise fails to achieve the promised savings. Contrary to its assurances, CFS also fails to refund fees paid by consumers. The State of Minnesota, by its Attorney General, Lori Swanson, brings this consumer protection lawsuit against CFS for violations of the State's consumer fraud, deceptive trade practices, and credit services organizations laws.

PARTIES

2. Lori Swanson, the Attorney General of the State of Minnesota, is authorized under Minn. Stat. §§ 8.01, 8.31, 8.32, 332.59, 325D.45, and 325F.70, and has common law authority, including *parens patriae* authority, to bring this action on behalf of the State of Minnesota and its citizens to enforce Minnesota law.

3. CFS is a Florida corporation with its principal place of business at 775 Warner Lane, Orlando, Florida.

JURISDICTION

4. This Court has jurisdiction over the subject matter of this action pursuant to Minn. Stat. §§ 8.01, 8.31, 8.32, subd. 2(a), 332.59, 325D.45, and 325F.70 (2008).

5. This Court has personal jurisdiction over CFS because CFS does business in Minnesota and has committed acts in Minnesota causing injury to Minnesota consumers.

VENUE

6. Venue in Ramsey County is proper under Minn. Stat. § 542.09 (2008) because the cause of action arose, in part, in Ramsey County.

FACTUAL BACKGROUND

7. Since late 2008, CFS has made unsolicited telephone calls to Minnesota consumers to market and sell its credit assistance services.

8. In its unsolicited telephone calls and other marketing efforts, CFS falsely promises that it can negotiate substantially lower credit card interest rates or can obtain balance transfers on behalf of Minnesota consumers, resulting in thousands of dollars in savings.

9. In return for its purported services, CFS charges Minnesota consumers an advance fee of up to \$999. CFS falsely represents to consumers that the fee is refundable.

10. The Minnesota consumers who enroll in CFS' program are the victims of a bait-and-switch. CFS "baits" consumers with promises that it can reduce consumer interest rates because its representatives have inside knowledge of how credit card companies work, and a consumer will not have the same success working alone. CFS' financial advisor training manual includes a section on how to answer consumer questions. The following consumer question is posed and answered:

Why can't I [the consumer] do this on my own?

You could try to negotiate for yourself and maybe have moderate success. However, our company has spent time and money to become experts in the field. We will use every tool we have available to help you keep more of your money! Just like you utilize a tax preparer to get the most tax advantages, we strive to provide you with the most benefits.

The same training manual offers a script for the initial telephone call with the consumer. Pursuant to the script, CFS representatives offer the following assurances (among others) to consumers:

We are a lifetime financial service provider. . . . This is a process that will take some time. Getting into debt did not happen over night and getting rid of your debt will not happen with one phone call. We are here to partner with you for the distance!

* * * *

We have many tools in our toolbox all I ask is that you are patient and allow me the opportunity to use them effectively to improve your financial path

11. The CFS training manual explains the "tools" that CFS can offer clients, including interest rate reduction, balance transfers, and a program called "Credit Sweep." With regard to the "Credit Sweep Program," the manual provides the following information that representatives are supposed to relay to consumers:

This service is designed to correct or delete derogatory information contained on your credit reports with the 3 major credit reporting agencies. . . . If you have information contained on your credit reports such as: Late Payments, Collections,

Judgments, Tax Leins, Repossessions, Charge Offs, Foreclosures, or Bankruptcy Items that you believe may be inaccurate, misleading, outdated, obsolete or no longer able to be verified. [sic] If the accounts are found to be inaccurate or unverifiable, they are required by law to be corrected or deleted from your credit history. Each item deleted or corrected can potentially raise your credit scores, saving you hundreds and even thousands of dollars in interest, down payments and insurance premiums. It takes a few minutes to complete the process. Member [sic] will receive letters in the mail from the Credit Bureaus. If they have any questions they can give us a call.

12. CFS' "switch" occurs after CFS collects its fee. With money in hand, CFS has little interest in helping consumers. Many consumers do not receive any assistance whatsoever from CFS. Other consumers find out that most credit card companies will not talk to CFS and require the consumer to be on the telephone so that the credit card company can speak directly to the consumer while the CFS representative simply listens to the exchange. In other cases, CFS calls a few credit card companies on behalf of a consumer and, when those calls fail to obtain interest rate reductions, declares that CFS has fulfilled its contractual obligation, and CFS terminates its contact with the consumer.

13. Moreover, while most CFS consumers believe that CFS will provide negotiation services aimed at reducing their interest rates, the CFS welcome letter states that CFS' "trained specialists are dedicated to building you a simple and effective personalized debt elimination plan." The welcome letter further states:

Our guarantee to you: We guarantee you a minimum savings based on your interest and finance charges, as well as a plan that will have you debt free three-to-five times faster than your current rate, or our services are free.

14. CFS refers to this plan as the "Accelerated Payoff Plan." According to the CFS training manual, the plan will show consumers "the correct way to pay [their] bills in a specific order that will most effectively dissolve [their] debt" and further states that the plan enables consumers to pay off debt faster by rolling "an increasingly larger amount of money from one creditor to the next." If CFS cannot obtain the "guaranteed" savings for a consumer through

interest rate reductions, CFS provides the consumer with the accelerated payment plan showing the promised “savings” and purportedly fulfilling CFS’ obligation to the consumer.

15. CFS’ “Accelerated Payoff Plan” purports to “show” that consumers can save money by accelerating payments and/or by obtaining assumed interest rate reductions. Of course, most consumers already know that they can save money by increasing their monthly payments to creditors. The problem is that most CFS consumers cannot afford to pay their minimum amounts due and are looking for assistance in reducing their monthly payments. Moreover, the assumed interest rate reductions are not, in fact, guaranteed by CFS. Because most consumers are unable to accelerate their payments, the consumers cannot achieve the savings “shown” in CFS’ plan.

16. The welcome letter and invoice are accompanied by a lengthy profile that CFS asks consumers to complete. The profile calls for highly confidential personal information, such as social security numbers, employment information, credit card numbers, mortgage information, and other personal loan information.

17. Although CFS purports to provide its Minnesota consumers with credit assistance services, CFS is not registered as a credit services organization with the Minnesota Commissioner of Commerce, as required by Minn. Stat. § 332.54, subd. 1 (2008). CFS also has not filed a bond with the Department of Commerce, as required by Minn. Stat. § 332.55 (2008). In addition, CFS unlawfully charges up-front fees to Minnesota consumers, in violation of Minn. Stat. § 332.56, subd. 1 (2008). CFS fails to provide consumers with the disclosure statement mandated by Minn. Stat. § 332.57 (2008). CFS’ purported contracts with Minnesota consumers are also unlawful in that the contracts fail to conform to the requirements of Minn. Stat. § 332.58, which mandates (among other things) that contracts set forth:

- a full and detailed description of the services to be performed by the credit services organization for the buyer, including all guarantees and all promises of full or partial refunds, and the estimated date by which the services are to be performed or the estimated length of time for performing the services;
 - with respect to the previous calendar year or the time period the credit services organization has been in business, whichever is shorter, the percentage of the credit services organization's customers for whom the credit services organization has fully and completely performed the services the credit services organization agreed to perform for the buyer; and
 - a statutorily-mandated notice of cancellation rights.
18. The following are illustrative, but non-exclusive, examples of CFS' unlawful practices:

H.R.

19. H.R. lives in Rochester, Minnesota, is 78 years old, and lives on her social security benefits. She has very little money to spend, and no money to waste. On or about January 8, 2009, CFS telephoned H.R. and said that it could get her credit cards paid off. H.R. simply listened to the sales pitch but had no intention of signing up for the service.

20. At some point after the telephone call, H.R. got her checking account statement and noticed that CFS had charged \$695 to her account. She was surprised because she had not intended to authorize CFS to withdraw money from her account. H.R. called CFS and said that she did not want anything to do with them. When she asked for a refund, CFS hung up.

21. H.R. never got a refund from CFS, and she never received any documents or other materials from CFS explaining what services she supposedly bought. Nobody from CFS has ever contacted H.R. or offered to help her in any way.

G.P.

22. G.P. is 53 years old and lives in Grove City, Minnesota, with her husband. All but one of her seven children has left home. She has been employed for ten years at a lumber company. In February of 2009, a CFS representative telephoned G.P. and said that he was looking at her accounts and that CFS could help her save thousands of dollars in interest. The representative said that CFS could negotiate a lower interest rate with all of her credit card companies.

23. The representative said that, as an individual, G.P. would not get anywhere trying to negotiate interest rates with the big credit card companies. The CFS representative kept saying, "we know how to talk to them." The representative further stated that although CFS' fee was \$895, the service really did not cost anything. CFS guaranteed that G.P. would save more than double its \$895 fee. G.P. did not want to agree to anything without first discussing it with her husband. The representative said that she would be stupid or dumb not to sign up.

24. The representative also repeatedly asked her general questions, such as whether she wanted to save money or reduce her interest rates, every time she said "yes," she would be switched to a person who tried to verify her acceptance of the program. G.P. kept saying "no, I don't want to do this." G.P. was promised that she would have 24 hours to cancel. G.P. kept saying that she wanted to talk to her husband.

25. The day after the telephone call, G.P. checked the balance on her Target VISA, and there was a pending charge from CFS. G.P. disputed the charge. For two days, G.P. tried to call CFS and cancel whatever order or charge it had processed. She kept getting the CFS' automated answering system. On the third day, she was able to speak with a representative. The

representative said that the cancelation period had expired. Fortunately, G.P. got her money back through her credit card company.

E.L.

26. E.L. is 88 years old and lives in St. Cloud, Minnesota. E.L. lives on a fixed income and does not have much extra money at the end of each month. On about April 6, 2009, E.L. received a phone call from CFS. The representative gave E.L. a bunch of figures and offered a service that would lower E.L.'s interest rates on her credit cards. The representative never said anything about a fee.

27. The next day, E.L. spoke with CFS again. During this call, she learned that CFS had charged her Target VISA \$995. E.L. did not recall authorizing the charge, but CFS said that she had given authorization during the phone call. In E.L.'s opinion, the representative's questions were not clear enough to alert E.L. that she would be charged \$995.

28. E.L. asked to cancel, but CFS would not let her cancel. CFS told E.L. that she had to allow the company to do what it had promised to do. E.L. became concerned and contacted her Target VISA card to dispute CFS' charge. Target VISA refunded the \$995. E.L. believes that "[b]usinesses such as Clear Financial Solutions practically promise people the moon and twist around words to create confusion."

S.D.

29. S.D. resides in Hibbing, Minnesota and is an entrepreneur who owns a contracting business. In January of 2009, S.D. received a telemarketing call from CFS. The representative said that CFS could save S.D. thousands of dollars and would negotiate with S.D.'s credit card companies to reduce his credit cards down to 0% to 3%. S.D. asked the representative what the catch was. The representative said there was no catch. The representative said that S.D. would

be charged CFS' \$695 fee only after he saw results and saved money. S.D. provided his credit card number. Several days after the phone call, S.D. received a welcome package from CFS.

30. Contrary to the representative's assurance that payment would be made only after CFS obtained results, S.D.'s next credit card statement included a \$695 charge from CFS. S.D. immediately called CFS and told the representative that he wanted to cancel. S.D. was told that he could not cancel or obtain a refund unless CFS failed to achieve the promised savings. The representative asked S.D. for his credit card information so that CFS could begin negotiating with his credit card companies. S.D. refused to give CFS any further information. CFS has never refunded S.D.'s money.

D.W.

31. D.W. is a single mom with three children living in Oakdale, Minnesota. As a result of her divorce, she was left with a large amount of credit card debt. To make ends meet, she opened an in-home daycare and is employed at two other jobs. CFS contacted her on October 16, 2008, just as her divorce debts were piling up. CFS said it could reduce her interest rates and would save her a lot of money. D.W. was desperately in need of help and signed up for the program. CFS immediately took \$595 from one of her credit card accounts.

32. The next day, D.W. and a CFS representative called her credit card companies. After each credit card company said that it could not help her, the CFS representative hung up and dialed the next company. Although she had about 20 credit cards, CFS called only four. None of her interest rates were reduced.

33. After not hearing from CFS for a while, she called and complained that CFS was not doing anything. CFS said that it was only obligated to try to reduce her interest rates. CFS claimed that it tried, was unsuccessful, and had fulfilled its part of the deal.

P.B.

34. P.B. is permanently disabled, and although his wife works, his only source of income is his social security benefits. He lives in Rochester, Minnesota. On or about November 5, 2008, P.B. received a pre-recorded message from CFS and decided to press #1 to talk to a representative. The representative promised to lower his interest rates and guaranteed that he would save \$2,500. The representative further said that P.B. would have 72 hours to cancel and get a full refund. P.B. agreed to enroll in the program, and CFS charged his credit card \$895. When P.B. told his wife about the program, however, she thought it was a waste of money.

35. On November 6, 2008, P.B. called CFS. It took about 30 minutes for the phone to be answered, and then P.B. was put on hold. When he finally got through, a CFS representative said that P.B. was ignorant for wanting to cancel when CFS would be saving him so much money. P.B.'s wife then took the telephone. CFS eventually gave P.B. a partial refund of \$400 but said his remaining \$495 would be wasted if he did not use the program.

36. P.B. received a package of documents from CFS, filled them out with his financial information, and returned them to CFS. A CFS financial advisor then called P.B., and together they called three of P.B.'s credit card companies. P.B.'s credit card companies did not want to talk to the CFS financial advisor. The credit card companies directed their questions to P.B., and he answered them. Target was the only credit card that agreed to reduce his interest rate, and Target's reduction was only temporary (from 21% to 9% for six months).

37. That temporary interest rate reduction did not come close to saving P.B. \$2,500. P.B. also received a financial plan from CFS, explaining how he could save thousands of dollars -- but the plan would take 30 years to achieve the projected results.

D.B.

38. D.B. resides in Duluth, Minnesota, and is 84 years old. She is retired, but her bills recently forced her to take a part-time cleaning job. On March 25, 2009, D.B. received a phone call from CFS. The representative said he could save D.B. thousands of dollars by lowering her credit card interest rates. D.B. was passed among several CFS representatives. The whole program sounded very complicated to her. CFS eventually advised her to open a new American Express card and to transfer her higher balances to that card.

39. D.B. gave the representative her social security number to open up the new American Express account. A CFS representative opened the account while she was on the telephone. CFS also said that she would be charged \$95 for a copy of her credit report. D.B. was told that a \$900 charge would appear on her account but that she should ignore the charge.

40. Several days after the phone call, D.B. noticed that \$995 had been charged to her VISA card by CFS. She did not recall authorizing a \$995 charge to her VISA card. D.B. was upset and called CFS on April 3, 2009. D.B. complained that she had only authorized CFS to charge \$95 to her American Express card. The CFS representative played a recording of D.B.'s earlier telephone call and said that she had verified the charges. D.B. said that she was confused during the call and did not fully understand what she was agreeing to. She felt stuck with the charge.

41. D.B. never activated her American Express account, and CFS never lowered the interest rate on any of her credit cards.

C.F.

42. C.F. lives in Albert Lea, Minnesota, and is currently unemployed because the manufacturing plant where she worked cut its staff. On June 18, 2009, C.F. was telephoned by

CFS and spoke with numerous representatives. They said CFS could save her \$2,500 and get her out of debt three to five times faster. C.F. agreed to sign up and to pay CFS' fee of \$999. She thought it was expensive, but CFS said it was a lifetime service, and it would review and update her accounts every six months.

43. Soon after agreeing to the program, C.F. received a call from a CFS advisor. The advisor recommended that C.F. transfer her balances to a new card with a lower interest rate. The advisor asked C.F. for her birth date, social security number, and mother's maiden name. The advisor said she would "see" if she could get another credit card account opened at a lower rate. The advisor later called back and said she had opened a new credit card account in C.F.'s name at Citibank. The advisor said that the new account had a 0% APR for one year, 7.74% APR thereafter, and a credit limit of \$7,300. C.F. was surprised. C.F. thought the advisor was just going to look into whether she could get another account.

44. After CFS opened the account at Citibank, C.F. got suspicious. She called her credit card companies and the credit bureaus to ensure that no one was misusing her credit. She also confirmed that Citibank had an account in her name. C.F. instructed Citibank to close the account.

45. On June 19, 2009, C.F. called CFS to cancel the program. The advisor said that she already had done the work and that C.F. could not cancel. C.F. said she was disputing CFS' charge with her credit card company. The advisor threatened that if C.F. filed an affidavit in support of the disputed charge, C.F. would be lying and the police would come to her door.

**COUNT I
PREVENTION OF CONSUMER FRAUD ACT**

46. Plaintiff re-alleges all prior paragraphs of this Complaint.

47. Minn. Stat. § 325F.69, subdivision 1 (2008) provides:

The act, use, or employment by any person of any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise, whether or not any person has in fact been misled, deceived, or damaged thereby, is enjoined as provided in section 325F.70.

48. The term “merchandise” within the meaning of Minn. Stat. § 325F.69 includes services. *See* Minn. Stat. § 325F.68, subd. 2 (2008).

49. CFS’ deceptive and fraudulent practices and false and misleading statements include, but are not limited to:

- a. misrepresenting to Minnesota consumers that they will save thousands of dollars, when CFS has no basis in fact for making such an assertion;
- b. misleading Minnesota consumers with representations that they will save thousands of dollars by reason of interest rate reductions, knowing that it will only “show” thousands of dollars in a financial plan that requires accelerated payments, which CFS’ targeted consumers cannot afford;
- c. misrepresenting to Minnesota consumers that they are paying CFS to perform a lifetime of monthly credit and debt services, knowing that CFS will abandon the consumer after CFS fails to obtain interest rate reductions with the consumer’s credit card companies;
- d. misrepresenting to Minnesota consumers that they can cancel services and receive a full refund;
- e. deceptively using Minnesota consumers’ affirmative assent to questions such as “don’t you want to save money” or “don’t you

want to reduce your interest rates” as authorization to bill CFS’ fee to the consumer’s account;

- f. misrepresenting to Minnesota consumers that their birth dates, social security numbers, and mother’s maiden name are needed for innocuous purposes, when in fact CFS uses the numbers to open unauthorized credit card accounts in the consumer’s name; and
- g. misrepresenting to Minnesota consumers that they will not be charged a fee until after CFS obtains the promised savings.

50. CFS’ conduct described above constitutes multiple, separate violations of Minn. Stat. § 325F.69. CFS has engaged in deceptive and fraudulent practices, and has made false and misleading statements, with the intent that other rely thereon in connection with the sale of CFS’ services. By failing to disclose and omitting material facts, CFS has further engaged in deceptive and fraudulent practices in violation of the Consumer Fraud Act.

51. Pursuant to Minn. Stat. §§ 8.31, 325F.70, and other authority, the Attorney General is entitled to injunctive relief, restitution, civil penalties, costs, attorneys’ fees, and other equitable relief by reason of CFS’ violations of Minn. Stat. § 325F.69.

COUNT II UNIFORM DECEPTIVE TRADE PRACTICES ACT

52. Plaintiff re-alleges all prior paragraphs of this Complaint.

53. Minn. Stat. § 325D.44, subdivision 1 (2008) provides, in part:

A person engages in a deceptive trade practice when, in the course of business, vocation, or occupation, the person:

(5) represents that goods or services have... characteristics... benefits...that they do not have...

(7) represents that goods or services are of a particular standard, quality, or grade...if they are of another;...

(9) advertises goods or services with intent not to sell them as advertised...

(13) engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding.

54. CFS' conduct described above constitutes multiple, separate violations of Minn. Stat. § 325D.44, subd. 1. CFS has engaged in deceptive practices by representing that its services have characteristics and benefits that they do not have; representing that its services are of a particular standard, quality, or grade when they are of another; advertising its services with intent not to sell them as advertised; and engaging in other conduct which similarly creates a likelihood of confusion or of misunderstanding. By failing to disclose and omitting material facts, CFS has further engaged in deceptive and fraudulent practices in violation of the Uniform Deceptive Trade Practices Act.

55. Pursuant to Minn. Stat. §§ 8.31, 325D.45, and other authority, the Attorney General is entitled to injunctive relief, restitution, civil penalties, costs, attorneys' fees, and other equitable relief by reason of CFS' violations of Minn. Stat. § 325D.44.

COUNT III CREDIT SERVICES ORGANIZATION ACT

56. Plaintiff re-alleges all prior paragraphs of this Complaint.

57. Minn. Stat. § 332.52, subd. 3 (2008), provides:

“Credit services organization” means any person that, with respect to the extension of credit by others, sells, provides, performs, or represents that the person will sell, provide, or perform, in return for the payment of money or other valuable consideration, any of the following services:

- (1) improve a buyer's credit record, history, or rating;
- (2) obtain an extension of credit for a buyer; or
- (3) provide advice or assistance to a buyer with regard to either clause (1) or (2).

58. CFS is a “credit services organization” within the meaning of Minn. Stat. § 332.52, subs. 2 and 3 (2008). In return for the payment of money, CFS obtains extensions of credit for Minnesota consumers by using confidential personal information (e.g., the consumer’s birth date, mother’s maiden name, and/or social security number) to open additional credit card accounts. In return for the payment of money, CFS also purports that it will, among other things, assist Minnesota consumers in correcting or deleting derogatory information contained on a consumer’s credit report and advises consumers that the removal of such inaccurate information will raise their credit scores and save them hundreds and even thousands of dollars in interest, down payments, and insurance premiums.

59. As a credit services organization, CFS has engaged in multiple, separate violations of Minn. Stat. § 332.54, subd. 1 (2008), in that CFS has offered, advertised, executed, or caused to be executed contracts without registering as a credit service organization with the Minnesota Commissioner of Commerce.

60. As a credit services organization, CFS has violated Minn. Stat. § 332.55 (2008), in that CFS has never submitted a surety bond to the Minnesota Commissioner of Commerce.

61. As a credit services organization, CFS has engaged in multiple, separate violations of Minn. Stat. § 332.56, subd. 1 (2008) in that, among other things:

- a. CFS charges or receives money prior to full and complete performance of the services it has agreed to perform; and
- b. CFS makes and uses untrue or misleading representations in the offer or sale of its services, and engages in acts, practices, or a course of business that operates as fraud or deception upon the Minnesota buyers to whom it offers or sells its services.

62. As a credit services organization, CFS has committed multiple and separate violations of Minn. Stat. § 332.57, subd. 1 (2008) in that, among other things: (i) CFS fails to provide Minnesota buyers with a statement conforming to Minn. Stat. § 332.57, subd. 2, before the execution of a contract or agreement between a buyer and CFS or before the receipt by CFS of any money from a buyer; and (ii) CFS fails to maintain on file for a period of two years an exact copy of the above-mentioned statement, personally signed by the buyer, acknowledging receipt of a copy of the statement.

63. As a credit services organization, CFS has committed multiple and separate violations of Minn. Stat. § 332.58 (2008) in that, among other things: (i) the contracts between CFS and Minnesota buyers fail to conform to the requirements of Minn. Stat. § 332.58, subd. 1; (ii) CFS fails to provide buyers with the notice of cancellation set forth in Minn. Stat. § 332.58, subd. 2; and (iii) CFS fails to give to the buyer a copy of a completed contract signed by CFS and the buyer at the time the contract is signed.

64. Pursuant to Minn. Stat. §§ 8.31, 332.59 and other authority, the Attorney General is entitled to injunctive relief, restitution, civil penalties, costs, attorneys' fees, and other equitable relief by reason of CFS' violations of Minn. Stat. §§ 332.54 - 332.58.

RELIEF

WHEREFORE, the State of Minnesota, by its Attorney General, Lori Swanson, respectfully asks this Court to award judgment against CFS as follows:

1. Declaring that CFS' acts described in this Complaint constitute multiple, separate violations of Minn. Stat. §§ 332.54, 332.55, 332.56, 332.57, 332.58, 325D.44, and 325F.69;
2. Enjoining CFS and its employees, officers, directors, agents, successors, assignees, affiliates, merged or acquired predecessors, parent or controlling entities, subsidiaries,

and all other persons acting in concert or participation with it, from engaging in conduct in violation of Minn. Stat. §§ 332.54, 332.55, 332.56, 332.57, 332.58, 325D.44, and 325F.69;

3. Awarding judgment against CFS for civil penalties pursuant to Minn. Stat. §§ 8.31, subd. 3, for each separate violation of Minn. Stat. §§ 332.54, 332.55, 332.56, 332.57, 332.58, 325D.44, and 325F.69;

4. Awarding judgment against CFS for restitution under the *parens patriae* doctrine, the general equitable powers of this Court, Minn. Stat. § 8.31, and other authority, for all persons injured by CFS' acts described in this Complaint;

5. Awarding Plaintiff its costs, including costs of investigation and attorneys fees, as authorized by Minn. Stat. § 8.31, subd. 3a; and

6. Granting such further relief as provided by law and/or as the Court deems appropriate and just.

Dated: September 21, 2009

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota

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Assistant Attorney General
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ATTORNEYS FOR PLAINTIFF
STATE OF MINNESOTA

MINN. STAT. § 549.211 ACKNOWLEDGMENT

The party on whose behalf the attached document is served acknowledges through its undersigned counsel that sanctions, including reasonable attorney fees and other expenses, may be awarded to the opposite party or parties pursuant to Minn. Stat. § 549.211 (2008).


JEFFREY E. GRELL

AG: #2500516-v1