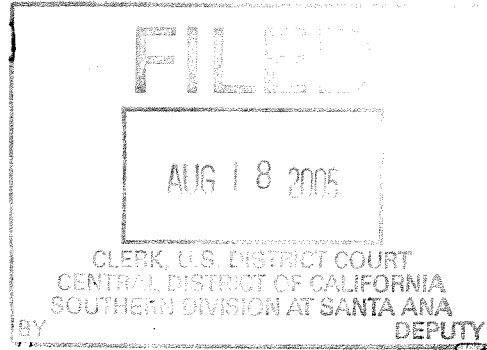


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9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA
11 SOUTHERN DIVISION
12

14 FEDERAL TRADE COMMISSION,

15 Plaintiff,

16 v.

17 UNIVERSAL PROCESSING, INC.,
18 a California corporation, and REY
PASINLI, individually and as an
19 officer or director of Universal
Processing.

20 Defendants.
21

Civil No. SA **CV05-6054FMC(VBKx)**

COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER
EQUITABLE RELIEF

22 Plaintiff, the Federal Trade Commission ("Commission"), for its complaint
23 alleges as follows:

24 1. The FTC brings this action under Sections 5(a) and 13(b) of the
25 Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 45(a) and 53(b), to
26 obtain permanent injunctive relief, rescission or reformation of contracts,
27 restitution, disgorgement, and other equitable relief in connection with defendants'
28

1 unauthorized debiting of consumers' checking accounts, which constitutes an
2 unfair act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

3 4 JURISDICTION AND VENUE

5 2. Subject matter jurisdiction is conferred upon this Court by 15 U.S.C.
6 §§ 45(a) and 53(b), and 28 U.S.C. §§ 1331, 1337(a), and 1345.

7 3. Venue in the Central District of California is proper under 15 U.S.C.
8 § 53(b) and 28 U.S.C. § 1391(b) and (c).

9 10 THE PARTIES

11 4. Plaintiff, the Federal Trade Commission, is an independent agency of
12 the United States Government created by statute. 15 U.S.C. § 41 *et seq.* The
13 Commission enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which
14 prohibits unfair or deceptive acts or practices in or affecting commerce. The
15 Commission may initiate federal district court proceedings to enjoin violations of
16 the FTC Act, and to secure such equitable relief as may be appropriate in each case,
17 including restitution to injured consumers. 15 U.S.C. § 53(b).

18 5. Defendant Universal Processing, Inc. ("Universal" or "Universal
19 Processing"), is a California corporation with its office and principal place of
20 business located at 427 East 17th Street, #220, Costa Mesa, CA 92627. It is
21 engaged in the business of providing payment processing services to high risk
22 merchants. Universal Processing engages in and transacts business in this district.

23 6. Defendant Rey Pasinli is an officer or director of Universal
24 Processing. At all times material to this complaint, acting alone or in concert with
25 others, he has formulated, directed, controlled, or participated in the acts and
26 practices of Universal Processing, including the acts and practices set forth in this
27 complaint. Pasinli engages in and transacts business in this district.

1 COMMERCE

2 7. At all times relevant to this complaint, the defendants have maintained
3 a substantial course of conduct in or affecting commerce, as “commerce” is defined
4 in Section 4 of the FTC Act, 15 U.S.C. § 44.
5

6 DEFENDANTS’ BUSINESS PRACTICES

7 8. Between at least January and February 2004, defendants provided
8 payment processing services to a fraudulent enterprise known as Pharmacards,
9 which attempted to steal at least \$1.2 million from thousands of consumer checking
10 accounts. Defendants caused consumers’ accounts to be debited, each for \$139,
11 without consumers’ knowledge or consent. Prior to the unauthorized debits to their
12 checking accounts, consumers had no contact with defendants or the fraudulent
13 Pharmacards operators.

14 9. The fraudulent Pharmacards scheme purported to offer consumers a
15 discount prescription benefits card. A website, www.pharmacards.com, touted
16 the benefits of the supposed program. The website promised that the benefits card
17 would be accepted by most major pharmacies, and included logos from legitimate
18 retailers like WalMart and Target. These retail pharmacies were not actually
19 participating in any kind of discount prescription benefits program with
20 Pharmacards and the use of their logos was unauthorized. The Pharmacards
21 operators provided a toll-free customer service number that was answered at a call
22 center in Montreal, Quebec, Canada. The Pharmacards website included a
23 mailing address in Vancouver, British Columbia, that was false, and mail sent to
24 that location was returned to senders. Some consumers received a direct mail
25 solicitation from Pharmacards.com, after their accounts were debited. The letter
26 stated that because the consumer had previously purchased a product or service
27 from one of Pharmacards’ “marketing partners” using their checking account, the
28 consumer had no need to provide the account number again. The letter described

1 the purported pharmacy discount card program and stated that consumers not
2 interested need only call customer service and cancel within five days of receipt of
3 the letter. (Of course, by that time, the consumer's account had already been
4 debited.)

5 10. Defendants arranged for consumers' accounts to be debited without
6 personally meeting any individual associated with the Pharmacards operation.
7 They did not require that the Pharmacards perpetrators fully complete their
8 standard payment processing application. Nor did they require proof that
9 consumers had authorized the debits to their checking accounts. Rather, they
10 agreed to use their entree to the banking system to debit consumer checking
11 accounts on behalf of two individuals they had never met, purportedly from
12 England, purportedly with a corporation chartered in Cyprus, who were using a
13 Montreal customer service center, free, untraceable email accounts, an unsecure
14 website hosted in India, a Vancouver, British Columbia, mailing address, and who
15 directed that the proceeds be sent to a bank in Cyprus.

16 11. Defendants did not investigate the fraudulent Pharmacards operators
17 or their proposed business scheme, and had no reason to believe that consumers
18 had in fact authorized the debits to their accounts. Indeed, shortly after beginning
19 to debit consumers' accounts, defendants received strong indicators that the
20 Pharmacards transactions were in fact not authorized. Return rates started high
21 and almost immediately sky-rocketed. Nonetheless, defendants continued to debit
22 consumers' checking accounts. As defendant Pasinli commented: "Don't get me
23 wrong. I'm quite comfortable and not concerned with incurring losses because this
24 is a very profitable campaign. . . ."

25 12. Despite early signs of problems with the Pharmacards transactions,
26 the defendants continued processing payments for the fraudulent Pharmacards
27 operators. Moreover, they attempted to convince their upstream payment
28 processors to continue processing the Pharmacard transactions. On several

1 occasions defendants falsely reassured ACH processors that they had voice
2 authorizations for the debits, or signed shipping receipts to correspond with the
3 debits, when in fact they did not.

4 13. Universal attempted to process approximately \$1.2 million in debits to
5 consumers' accounts on behalf of the fraudulent Pharmacycards scheme. Because
6 more than 70% of the debit transactions were "returned" (and thus not collected),
7 Universal processed approximately \$280,500 in debit transactions. Of this, they
8 paid the Pharmacycards operators \$95,000 and, but for the large numbers of returns
9 which they subsequently covered, would have received approximately \$127,089 in
10 processing fees and other charges.

11 VIOLATIONS OF SECTION FIVE

12
13 14. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits unfair or
14 deceptive acts or practices in or affecting commerce. An act or practice is unfair if
15 it "causes or is likely to cause substantial injury to consumers which is not
16 reasonably avoidable by consumers themselves and not outweighed by
17 countervailing benefits to consumers or to competition." 15 U.S.C. § 45(n).

18 15. In numerous instances, defendants have debited, or caused to be
19 debited, consumers' checking accounts, while knowing or consciously avoiding
20 knowing that they lacked authorization to do so.

21 16. Defendants' practice of debiting consumers' accounts without
22 authorization, while knowing or consciously avoiding knowing that they lacked
23 authorization to do so, causes or is likely to cause substantial injury to consumers
24 which is not reasonably avoidable by consumers themselves and not outweighed by
25 countervailing benefits to consumers or competition.

26 17. Defendants' unauthorized debiting of consumers' checking accounts,
27 as alleged in Paragraphs 15-16, constitutes an unfair act or practice in violation of
28 Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

1 **CONSUMER INJURY**

2 18. Consumers throughout the United States have suffered substantial
3 monetary loss as a result of the defendants' unlawful acts or practices. Absent
4 injunctive relief by this Court, defendants are likely to continue to injure consumers
5 and harm the public interest.
6

7 **THIS COURT'S POWER TO GRANT RELIEF**

8 19. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court
9 to grant injunctive and other ancillary relief to prevent and remedy any violations
10 of any provision of law enforced by the Commission.

11 20. This Court, in the exercise of its equitable jurisdiction, may award
12 other ancillary relief to remedy injury caused by Defendants' law violations.
13

14 **PRAYER FOR RELIEF**

15 WHEREFORE, plaintiff, Federal Trade Commission, requests that this
16 Court, as authorized by Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and
17 pursuant to its own equitable powers:

18 a. Permanently enjoin defendants from violating Section 5 of the FTC
19 Act;

20 b. Enter judgment against defendants and in favor of plaintiff for the
21 violation alleged in this Complaint;

22 c. Award such relief as the Court finds necessary to redress injury to
23 consumers resulting from the defendants' violations of Section 5, including but not
24 limited to, rescission of contracts, the refund of monies paid, and the disgorgement
25 of ill-gotten monies and interest thereon by defendants; and
26
27
28

1 d. Award plaintiff the costs of bringing this action, as well as such other
2 and additional relief as the Court may determine to be just and proper.
3

4 Respectfully submitted,

5 William Blumenthal
6 General Counsel

7 

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