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13
14 **UNITED STATES DISTRICT COURT**
FOR THE CENTRAL DISTRICT OF CALIFORNIA
15 **WESTERN DIVISION**

16 FEDERAL TRADE COMMISSION,
17
18 Plaintiff,
19 v.
20 SUCCESSFUL CREDIT SERVICE
CORPORATION, a California corporation also
21 dba SUCCESS CREDIT SERVICES and
TRACY BALLARD aka TRACY BALLARD-
22 STRAUGHN, individually and as an officer
and/or director of Successful Credit Service,
23
24 Defendants.

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CENTRAL DISTRICT OF CALIF.
LOS ANGELES
FILED

Civil No. **CV08-06829** **ODW**
(SHx)
Complaint for Injunctive and
Other Equitable Relief

24 Plaintiff, the Federal Trade Commission, for its Complaint alleges:

25 1. The FTC brings this action under Sections 13(b) and 19 of the Federal
26 Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b, and under
27 Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b), to
28

1 obtain temporary, preliminary, and permanent injunctive relief, rescission of
2 contracts and restitution, disgorgement of ill-gotten gains, and other equitable
3 relief against Defendants Successful Credit Service Corporation also d.b.a. Success
4 Credit Services and Tracy Ballard aka Tracy Ballard-Straughn for engaging in
5 deceptive acts or practices in connection with the advertising, marketing,
6 promotion, offering for sale, or sale of credit repair services in violation of Section
7 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the Credit Repair Organizations Act,
8 15 U.S.C. § 1679-1679j.

9 10 JURISDICTION AND VENUE

11 2. This Court has jurisdiction over this matter pursuant to 15 U.S.C.
12 §§ 45(a) and 53(b), and 28 U.S.C. §§ 1331, 1337(a), and 1345.

13 3. Venue in the United States District Court for the Central District of
14 California is proper under 15 U.S.C. § 53(b) and 28 U.S.C. § 1391(b).

15 16 PLAINTIFF

17 4. Plaintiff Federal Trade Commission ("FTC") is an independent
18 agency of the United States Government created by statute. 15 U.S.C. §§ 41-58.
19 The FTC is charged, *inter alia*, with enforcing Section 5(a) of the FTC Act, 15
20 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting
21 commerce. The FTC also is charged with enforcing the Credit Repair
22 Organizations Act. 15 U.S.C. § 1679h(a).

23 5. The FTC is authorized to initiate federal district court proceedings, by
24 its own attorneys, to enjoin violations of the FTC Act and the Credit Repair
25 Organizations Act in order to secure such equitable relief as is appropriate in each
26 case, including restitution for injured consumers. 15 U.S.C. §§ 53(b), 57b, and
27 1679h(b).

28 //

1 **DEFENDANTS**

2 6. Defendant Successful Credit Service Corporation (“Success”), also
3 doing business as Success Credit Services, is a California corporation with its
4 principal mailing address at 5959 Topanga Blvd., #300, Woodland Hills, CA
5 91364. Success participates with the other defendant in the offer and sale of credit
6 repair services to consumers. Defendant Success transacts or has transacted
7 business in this district and throughout the United States.

8 7. Defendant Tracy Ballard (“Ballard”), also known as Tracy Ballard-
9 Straughn, is the president of Defendant Success. At all times material to this
10 Complaint, acting alone or in concert with others, Defendant Ballard has
11 formulated, directed, controlled, or participated in the acts or practices of Success,
12 including the acts and practices set forth in this Complaint. Defendant Ballard
13 resides in Woodland Hills, California, and transacts or has transacted business in
14 this district and throughout the United States.

15
16 **COMMERCE**

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

20
21 **DEFENDANTS’ BUSINESS ACTIVITIES**

22 9. Since at least 2004, and continuing thereafter, Defendants have
23 advertised, marketed, promoted, offered for sale, and sold credit repair services to
24 consumers in California and throughout the United States. Defendants have
25 advertised and continue to advertise their services through their Internet Web sites,
26 located at www.successcreditservices.com and at successfulcreditservices.org,
27 through the Web sites of third parties, and through seminars offering real estate
28 investment and business opportunities and credit repair services to consumers.

1 Defendants promote themselves as “Success Credit Services.”

2 10. Through verbal representations made by Defendant Ballard and her
3 staff, as well as written statements on Defendants’ Web sites and in their
4 promotional materials, Defendants have offered and continue to offer credit repair
5 services purporting to remove all derogatory information from and to improve
6 consumers’ credit records, credit histories, and credit ratings. Defendants claim
7 they possess special knowledge and special relationships that enable them to
8 permanently remove accurate negative information from consumers’ credit reports,
9 including late payments, charge-offs, collections, tax liens, repossessions,
10 bankruptcies, and judgments, even where such information is accurate and not
11 obsolete.

12 11. Defendants have not registered as a “credit services organization”
13 with the California Secretary of State before conducting their credit repair
14 business, as required by California law. (California Civil Code section 1789.10 *et*
15 *seq.*)

16 12. Many consumers first learn of Defendants from attending wealth
17 building real estate seminars held throughout the country. In the seminars,
18 Defendant Ballard promotes herself as an expert in credit repair. She tells the
19 audience of prospective clients that Defendants can permanently remove accurate
20 negative information from consumers’ credit reports. Consumers are often told
21 that if they enroll at the seminar, they will receive a special discounted rate for
22 Defendants’ services.

23 13. To attract consumers and induce them to purchase Defendants’ credit
24 repair services, Defendant Ballard has placed Web audiocasts of herself on various
25 Web sites belonging to third-parties. In each broadcast, she markets Defendants’
26 credit repair services and promotes herself as an expert in credit repair. The Web
27 audiocasts contain statements by Defendant Ballard such as the following:
28

- 1 a. "If we get a client that's got a Chapter 7 that just was
2 discharged yesterday and included about 20 accounts in there,
3 along with some extra late payments, maybe some extra tax
4 liens, you know, your kind of big type of file, we're looking at
5 about 9 to 11 months to clear that up. . . ."
- 6 b. "Everything we do is called a hard delete. Once we remove it,
7 its gone for good. It does not come back on the client's credit
8 report ever again."
- 9 c. "Our callers on the call tonight that have derogatory credit, it
10 can be fixed. We fix the credit 100 percent guaranteed whether
11 it is a bankruptcy or a 30-day late. It does not matter how low
12 or how big it is, anything that's on there, we can remove, . . ."
- 13 d. "We guarantee everything we do."
- 14 e. "Our clients that do have derogatories, we go in and we remove
15 the derogatories first, start removing the inquiries and we boost
16 the score. It's guaranteed every 30 days and everything that's
17 on your report that's derogatory is guaranteed removal. We
18 guarantee everything that we do."

19 14. To attract consumers and induce them to purchase Defendants' credit
20 repair services, Defendants' Web site contains statements such as the following:

- 21 a. "Success Credit Services offers a credit restoration program
22 guaranteed to increase FICO scores and ease the stress that
23 comes with acquiring any sort of loan."
- 24 b. "You will see results on your credit report and in your credit
25 score within 30 to 40 days. You will continue to see results
26 every three weeks until all negative items are removed from
27 your credit report."
- 28 c. "SCS has helped thousands of Americans by removing

1 derogatory items and inquiries from their credit reports. From
2 bankruptcies to charge-offs to tax liens, we have challenged
3 virtually every credit problem under the sun and our deletions
4 from your credit reports are permanent.”

5 d. “We stand behind our work with 100% guarantee. (*sic*)”

6 e. “Another factor that sets us apart is the priceless relationships
7 we have with every creditor, collection company, public records
8 provider and credit bureaus. We deal directly with these
9 institutions in order to eradicate the problem at the source
10 PERMANENTLY. (Emphasis in the original)”

11 15. Consumers who see Defendants’ Web site, hear one of the audiocasts,
12 attend seminars where Defendant Ballard speaks, or are referred to Success by
13 business or personal acquaintances, can contact Success via telephone or email for
14 further information.

15 16. In one-on-one discussions with consumers, Defendants typically
16 represent that they can permanently and legally remove all negative items
17 contained on consumers’ credit reports, even where the items are accurate and
18 recent. Examples of verbal representations made by Defendants to induce
19 consumers to purchase Defendants’ services include the following:

20 a. “Whether they’re ten years old or two years old or a year old.
21 We are here to remove those. We remove late fees, collections,
22 tax liens, judgments, foreclosures, bankruptcies.”

23 b. “I can tell you, we have a tremendous success rate.”

24 17. Consumers who are persuaded to purchase Defendants’ services are
25 always required to pay an advance fee. Defendants typically charge thousands of
26 dollars in fees for their credit repair services. The typical fee paid by an individual
27 consumer starts at three thousand dollars (\$3,000.00) and goes as high as four
28 thousand dollars (\$4,000.00). This fee typically is paid by automatic debiting of

1 the consumer's bank account or by check or credit card. The fee is required to be
2 paid before the promised credit repair services are commenced.

3 18. Following payment of the advance fees, Defendants do little, if
4 anything, to fulfill the promises made to consumers. Consumers who attempt to
5 contact their account executive about the lack of results are typically reassigned to
6 a different account executive who reiterates earlier promises that all derogatories
7 will be removed from the consumer's credit reports if the consumer will be patient.

8 19. Consumers who are successful in reaching Defendants to complain
9 about the lack of activity, or results, are given a variety of excuses as to why the
10 promised results have not been achieved. Consumers who persist in contacting
11 Defendants are instructed to stop. Eventually, consumers' emails and voice-mails
12 go unanswered by Defendants.

13 20. Consumers' refund requests are almost always denied by Defendants.
14 Defendants frequently ignore inquiries from the Better Business Bureau and the
15 California Attorney General's office about complaints from consumers.

16
17 **THE CREDIT REPAIR ORGANIZATIONS ACT**

18 21. The Credit Repair Organizations Act took effect on April 1, 1997, and
19 has since that date remained in full force and effect.

20 22. The Credit Repair Organizations Act defines a "credit repair
21 organization" as:

22 [A]ny person who uses any instrumentality of
23 interstate commerce or the mails to sell, provide,
24 or perform (or represent that such person can or
25 will sell, provide, or perform) any service, in
26 return for the payment of money or other valuable
27 consideration, for the express or implied purpose
28 of . . . improving any consumer's credit record,
credit history, or credit rating[.]

15 U.S.C. § 1679a(3).

23. The purposes of the Credit Repair Organizations Act, according

1 to Congress, are:

2 (1) to ensure that prospective buyers of the
3 services of credit repair organizations are provided
4 with the information necessary to make an
5 informed decision regarding the purchase of such
6 services; and (2) to protect the public from unfair
7 or deceptive advertising and business practices by
8 credit repair organizations.

9 15 U.S.C. § 1679(b).

10 24. The Credit Repair Organizations Act prohibits all persons from
11 making or using any untrue or misleading representation of the services of
12 the credit repair organization. 15 U.S.C. § 1679b(a)(3).

13 25. The Credit Repair Organizations Act prohibits credit repair
14 organizations from charging or receiving any money or other valuable
15 consideration for the performance of any service which the credit repair
16 organization has agreed to perform before such service is fully performed.

17 15 U.S.C. § 1679b(b).

18 26. Pursuant to Section 410(b)(1) of the Credit Repair
19 Organizations Act, 15 U.S.C. § 1679h(b)(1), any violation of any
20 requirement or prohibition of the Credit Repair Organizations Act
21 constitutes an unfair or deceptive act or practice in commerce in violation of
22 Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

23 **VIOLATIONS OF THE CREDIT REPAIR ORGANIZATIONS ACT**

24 **COUNT ONE**

25 27. In numerous instances, in connection with the advertising,
26 marketing, promotion, offering for sale, or sale of services to consumers by a
27 credit repair organization, as that term is defined in Section 403(3) of the
28 Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have
made untrue or misleading representations to induce consumers to purchase
their credit repair services, including, but not limited to, the representation

1 that Defendants can improve substantially consumers' credit reports or
2 profiles by permanently removing negative information from consumers'
3 credit reports, even where such information is accurate and not obsolete.

4 28. Defendants have thereby violated Section 404(a)(3) of the
5 Credit Repair Organizations Act. 15 U.S.C. § 1679b(a)(3).

6
7 **COUNT TWO**

8 29. In numerous instances, in connection with their operation as a
9 credit repair organization, as that term is defined in Section 403(3) of the
10 Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have
11 charged or received money or other valuable consideration for the
12 performance of credit repair services that Defendants have agreed to perform
13 before such services were fully performed.

14 30. Defendants have thereby violated Section 404(b) of the Credit
15 Repair Organizations Act. 15 U.S.C. § 1679b(b).

16
17 **VIOLATIONS OF SECTION 5 OF THE FTC ACT**

18 31. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits unfair
19 or deceptive acts or practices in or affecting commerce.

20 32. Misrepresentations or omissions of material fact constitute
21 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

22
23 **COUNT THREE**

24 33. In numerous instances, in connection with the advertising,
25 marketing, promotion, offering for sale, or sale of credit repair services,
26 Defendants have represented, expressly or by implication, that they can
27 improve substantially consumers' credit reports or profiles by permanently
28 removing negative information from consumers' credit reports, even where

1 such information is accurate and not obsolete.

2 34. In truth and in fact, in numerous of these instances, Defendants
3 cannot improve substantially consumers' credit reports or profiles by
4 permanently removing negative information from consumers' credit reports
5 where such information is accurate and not obsolete.

6 35. Therefore, Defendants' representations set forth in Paragraph
7 33 are false and misleading and constitute deceptive acts or practices in
8 violation of Section 5(a) of the FTC Act. 15 U.S.C. § 45(a).

9
10 **CONSUMER INJURY**

11 36. Consumers have suffered, and continue to suffer, substantial
12 monetary loss as a result of Defendants' violations of the FTC Act and the
13 Credit Repair Organizations Act. In addition, Defendants have been
14 unjustly enriched as a result of their unlawful acts and practices. Absent
15 injunctive relief, Defendants are likely to continue to injure consumers, reap
16 unjust enrichment, and harm the public.

17
18 **THIS COURT'S POWER TO GRANT RELIEF**

19 37. Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and
20 57b, and Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C.
21 § 1679h(b), empower this Court to grant injunctive and such other relief as
22 the Court may deem appropriate to halt and redress violations of the FTC
23 Act and the Credit Repair Organizations Act. The Court, in the exercise of
24 its equitable jurisdiction, may award other ancillary relief, including, but not
25 limited to, rescission of contracts and restitution, and the disgorgement of
26 ill-gotten gains, to prevent and remedy injury caused by Defendants' law
27 violations.

1 **PRAYER FOR RELIEF**

2 WHEREFORE, Plaintiff FTC, pursuant to Sections 13(b) and 19 of
3 the FTC Act, 15 U.S.C. §§ 53(b) and 57b, and Section 410(b) of the Credit
4 Repair Organizations Act, 15 U.S.C. § 1679h(b), and the Court's own
5 equitable powers, requests that this Court:

6 1. Award Plaintiff such preliminary injunctive and ancillary relief
7 as may be necessary to avert the likelihood of consumer injury during the
8 pendency of this action and to preserve the possibility of effective final
9 relief, including, but not limited to, temporary and preliminary injunctions
10 and an order freezing assets;

11 2. Enter a permanent injunction to prevent future violations of the
12 FTC Act and the Credit Repair Organizations Act by Defendants;

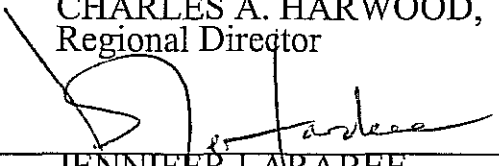
13 3. Award such equitable relief as the Court finds necessary to
14 redress injury to consumers resulting from Defendants' violations of the
15 FTC Act and the Credit Repair Organizations Act, including, but not limited
16 to, rescission of contracts and restitution, and the disgorgement of ill-gotten
17 gains by Defendants; and

18 4. Award Plaintiff the costs of bringing this action, as well as such
19 other and additional relief as the Court may determine to be just and proper.

20
21 Respectfully submitted,

22 WILLIAM BLUMENTHAL
23 General Counsel
24 CHARLES A. HARWOOD,
Regional Director

25 October 16, 2008

26 
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