

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

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U.S. DISTRICT COURT

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IX EASTERN-MARSHALL

BY _____

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

RUDOLPH JOSEPH STROBEL a/k/a Lee
Harrison, individually and doing business as
Lee Harrison Credit Restoration, Credit
Restoration, and Lee Harrison Associates
Credit Restoration,

Defendant,
and

LEANNA RUTH HARRISON, individually
and doing business as Lee Harrison Credit
Restoration, Credit Restoration, and Lee
Harrison Associates Credit Restoration,

Defendant.

Civil Action No. 2-08 CV-326

COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF

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

1. The FTC brings this action under Sections 13(b) and 19 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b, and under Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b), to obtain temporary, preliminary, and permanent injunctive relief, rescission of contracts and restitution, disgorgement of ill-gotten gains, and other equitable relief against Defendants Rudolph Joseph Strobel and Leanna Ruth Harrison for engaging in deceptive acts or practices in connection with the advertising, marketing, promotion, offering for sale, or sale of credit repair services in violation of

Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the Credit Repair Organizations Act, 15 U.S.C. § 1679 *et seq.*

JURISDICTION AND VENUE

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

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

PLAINTIFF

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

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

DEFENDANTS

6. Defendant Rudolph Joseph Strobel (“Strobel”), also known as Lee Harrison, is an individual doing business as Lee Harrison Credit Restoration, Credit Restoration, and Lee Harrison Associates Credit Restoration (collectively hereinafter “LHCR”). At all times material to this Complaint, acting alone or in concert with others, Defendant Strobel has formulated, directed, controlled, or participated in, and has actual or constructive knowledge of, the acts or

practices set forth in this Complaint. Defendant Strobel resides in Naples, Texas, and transacts or has transacted business in this district and throughout the United States.

7. Defendant Leanna Ruth Harrison (“Harrison”) is an individual doing business as LHCR. At all times material to this Complaint, acting alone or in concert with others, Defendant Harrison has formulated, directed, controlled, or participated in, and has actual or constructive knowledge of, the acts and practices set forth in this Complaint. Defendant Harrison resides in Naples, Texas, and transacts or has transacted business in this district and throughout the United States.

COMMERCE

8. At all times material to this Complaint, Defendant Strobel and Defendant Harrison (collectively hereinafter “Defendants”) have maintained a substantial course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANTS’ BUSINESS ACTIVITIES

9. Since at least October 2001, Defendants have advertised, marketed, promoted, offered for sale, and sold credit repair services to consumers in Texas and throughout the United States. Defendants have advertised and continue to advertise their services through an Internet website located at www.lhcreditrepair.com, through nationwide classified advertisements placed in *USA Today*, through other printed and online classified advertisements including the *Thrifty Nickel*, *Common Cents*, and www.americanclassifieds.com, and through online listings such as www.kellysearch.com and www.aboutus.org.

10. Through verbal representations in telephone calls and through written statements on Defendants’ website and in other promotional materials, Defendants have offered and continue to offer credit repair services purporting to remove derogatory information from and to improve consumers’ credit records, credit histories, and credit ratings. Defendants claim they

possess special knowledge and expertise that enables them to permanently remove negative information from consumers' credit reports, including late payments, charge-offs, collections, tax liens, repossessions, foreclosures, bankruptcies, and judgments, even where such information is accurate and not obsolete.

11. To attract consumers and induce them to purchase Defendants' credit repair services, Defendants' website contains statements such as the following:

Any file that contains inaccurate or negative information is marked, and then we ensure it is removed.

We remove bankruptcies, collections, repossessions, late pays, and charge offs.

Have you had a bankruptcy? We will repair your credit so that this past event does not haunt your future.

We clean up your report's history and increase your score (high scores are our specialty).

After we have cleared your files we will stay with you for life, at no additional charge, to catch any other bad files that might show up.

[W]e are experts with **30 years** of experience.
(Emphasis in original.)

12. To attract consumers and induce them to purchase Defendants' credit repair services, Defendants have advertised and continue to advertise their credit repair services in print media. Such advertisements include the following nationwide classified advertisements printed in *USA Today*:

CREDIT REPAIR
We do all the work
We remove collections,
bankruptcies, repo,
foreclosures, medical bills.
Lhcreditrepair.com
FREE info pack 1-903-835-1667

and

CREDIT REPAIR

One call does it all.

Case studies avail. FREE info
pak. www.LhCreditRepair.com
31 yrs. in bus. 1-903-835-1667

13. To attract consumers and induce them to purchase Defendants' credit repair services, Defendants' informational brochures contain statements such as the following:

Any file that contains inaccurate, or negative information is marked and then it will be removed. Slow pays are disputed as inaccurate information.

We will do all the work and guarantee our work or your money back! (Emphasis in original.)

When you begin working with [LHCR], you are entering into a relationship. Our foundation of trust is built on 30 years of performance, satisfied clients, and effectiveness repairing credit.

14. Consumers who see Defendants' promotional materials including, but not limited to, the LHCR website, or who are referred to LHCR by business or personal acquaintances, typically telephone LHCR for further information about LHCR's credit repair services.

15. In telephone conversations with inquiring consumers, Defendants often represent that LHCR can permanently and legally remove all negative items contained on a consumer's credit report, even where the items are accurate and not obsolete. In numerous instances, Defendants state that LHCR typically repairs a consumer's credit report in 60 to 90 days. Examples of verbal representations made by Defendants to induce consumers to purchase Defendants' credit repair services include the following:

[A]nything that hurts you, we're going to get it off of [your credit report].

All you do is just fill out the form, sign the two contracts, send in your deposit and we take over from there.

16. Defendants often lead consumers to believe that information accurately reported on their credit reports may somehow be considered inaccurate and subject to removal. Even where consumers tell Defendants that credit report entries are accurate, Defendants lead consumers to believe the entries can be removed. Examples of verbal representations made by Defendants that lead consumers to believe that accurate credit report entries may be considered inaccurate and subject to removal include the following statements by Defendant Strobel, using the alias Lee Harrison, in a telephone conversation:

Mr. Harrison: And that law is, it doesn't make any difference if it's your account or not, it has to be presented accurate. . . .

Caller: Okay. Well, you know, the foreclosure is mine and my husband's. That's accurate. The --

Mr. Harrison: But it's not -- it ain't, it's not accurate.

Caller: Okay. And, you know --

Mr. Harrison: You did it --

Caller: Yeah, I did it and --

Mr. Harrison: -- but it's not presented accurate.

17. Currently, Defendants offer four levels of service ranging in total cost from \$250 to \$1,150 per person. Defendants require payment of an advance fee, in the form of a deposit, before providing any service. The amount of the deposit varies by the program selected and ranges from \$50 to \$350 per person or up to \$650 for two people. Defendants' advance fee requirement is illustrated by the following verbal representation made by Defendants: "Once we get your deposit and your information, we send you a receipt for it and then we'll order your credit reports . . ."

18. Defendants promise without qualification on the home page of the LHCR website that "[a]fter we have cleared your files we will stay with you for life, at no additional charge, to catch any other bad files that might show up." The LHCR website presentation of the

various service levels on subsequent web-pages indicates that only one of the four service levels includes the “stay with you for life” feature, one includes a “stay with you for 5 years” feature, another includes a “stay with you for 1 year” feature, and one has no future service feature.

19. Defendants’ “stay with you for life” and similar future service features are an integral part of LHCR’s credit repair services that enhances the services’ value, are a selling point to consumers, and enable LHCR to command a higher fee.

20. Defendants require consumers to complete and sign various documents including a contract, a power of attorney, and a form that asks for the consumer’s personal information. The written contract used by Defendants (“LHCR’s consumer contract”) fails: (i) to contain a full and detailed description of the services to be performed for the consumer, including any guarantees of performance; (ii) to provide an estimated date by which the performance of services will be complete or the length of period necessary to perform such services; and (iii) to contain a statement regarding the consumer’s right to cancel the contract without penalty or obligation at any time before midnight of the third business day after the date on which the consumer signed the contracts.

21. Defendants also fail to provide consumers with a separate written statement, prior to the time a consumer signs LHCR’s consumer contract, that contains specific information on consumer credit file rights under state and federal law.

22. Following consumers’ payment of the advance fee, Defendants do little, if anything, to fulfill the promises made to consumers. Defendants are difficult to contact or, if contacted, are frequently non-responsive or evasive. Consumer emails and voice-mails frequently go unanswered.

23. Consumers who are successful in reaching Defendants are given a variety of excuses why the promised results have not been achieved. In cases where the consumer persists,

Defendant Strobel becomes defensive, often using obscenities, and in some cases informs the consumer that LHCR will no longer work on the consumer's file.

24. Consumers' requests for refunds are routinely denied by Defendants, including consumers who file complaints with the Better Business Bureau or a state Attorney General's office.

25. In response to consumer complaints, Defendants often reply that LHCR has done everything possible to repair and improve the consumer's credit, declare that the consumer has asked LHCR to perform illegal activities by seeking to remove accurate and non-obsolete credit report entries, and avow that LHCR will notify all appropriate authorities of the consumer's illegal and fraudulent actions.

THE CREDIT REPAIR ORGANIZATIONS ACT

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

27. The Credit Repair Organizations Act defines a "credit repair organization" as:

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

15 U.S.C. § 1679a(3).

28. The purposes of the Credit Repair Organizations Act, according to Congress, are:

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

15 U.S.C. § 1679(b).

29. The Credit Repair Organizations Act prohibits all persons from making or using any untrue or misleading representation of the services of the credit repair organization.

15 U.S.C. § 1679b(a)(3).

30. The Credit Repair Organizations Act prohibits credit repair organizations from charging or receiving any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform before such service is fully performed. 15 U.S.C. § 1679b(b).

31. The Credit Repair Organizations Act requires credit repair organizations to provide consumers with a written statement containing prescribed language concerning “Consumer Credit File Rights Under State and Federal Law” before any contract or agreement is executed. 15 U.S.C. § 1679c(a).

32. The Credit Repair Organizations Act prohibits credit repair organizations from providing any credit repair services unless and until a written and dated contract is signed by the consumer. 15 U.S.C. § 1679d(a).

33. The Credit Repair Organizations Act requires credit repair organizations to include, in any contract or agreement for services, a full and detailed description of the services to be performed by the credit repair organization for the consumer, including all guarantees of performance and an estimate of the date by which the performance of the services will be complete or the length of the period necessary to perform such services. 15 U.S.C. § 1679d(b)(2).

34. The Credit Repair Organizations Act requires credit repair organizations to include, in any contract or agreement for services, specific conspicuous statements regarding the consumers’ right to cancel the contract without penalty or obligation at any time before midnight

of the third business day after the date on which the consumers signed the contract or agreement.
15 U.S.C. § 1679d(b)(4).

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

VIOLATIONS OF THE CREDIT REPAIR ORGANIZATIONS ACT

COUNT ONE

36. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of services to consumers by a credit repair organization, as that term is defined in Section 403(3) of the 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 that Defendants can improve substantially consumers' credit reports or profiles by permanently removing negative information from consumers' credit reports, even where such information is accurate and not obsolete.

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

COUNT TWO

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

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

COUNT THREE

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

41. Defendants have thereby violated Section 405(a) of the Credit Repair Organizations Act. 15 U.S.C. § 1679c(a).

COUNT FOUR

42. In numerous instances, in connection with their operation as a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have failed to include on their consumer contract a full and detailed description of the services to be performed for the consumer, including all guarantees of performance and an estimate of the date by which the performance of the services will be completed or the length of period necessary to perform such services.

43. Defendants have thereby violated Section 406(b)(2) of the Credit Repair Organizations Act. 15 U.S.C. § 1679d(b)(2).

COUNT FIVE

44. In numerous instances, in connection with their operation as a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have failed to include on their consumer contract a conspicuous statement regarding the consumer’s right to cancel the contract without penalty or

obligation at any time before midnight of the third business day after the date on which the consumer signed the contract.

45. Defendants have thereby violated Section 406(b)(4) of the Credit Repair Organizations Act. 15 U.S.C. § 1679d(b)(4).

VIOLATIONS OF SECTION 5 OF THE FTC ACT

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

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

COUNT SIX

48. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of credit repair services, Defendants have represented, expressly or by implication, that they can improve substantially consumers' credit reports or profiles by permanently removing negative information from consumers' credit reports, even where such information is accurate and not obsolete.

49. In truth and in fact, in numerous instances, Defendants cannot improve substantially consumers' credit reports or profiles by permanently removing negative information from consumers' credit reports where such information is accurate and not obsolete.

50. Therefore, Defendants' representations set forth in Paragraph 48 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act. 15 U.S.C. § 45(a).

CONSUMER INJURY

51. Consumers have suffered, and continue to suffer, substantial monetary loss as a result of Defendants' violations of the FTC Act and the Credit Repair Organizations Act. In

addition, Defendants have been unjustly enriched as a result of their unlawful acts and practices. Absent injunctive relief, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public.

THIS COURT'S POWER TO GRANT RELIEF

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

PRAYER FOR RELIEF

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

1. Award Plaintiff such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief, including, but not limited to, temporary and preliminary injunctions and an order freezing assets;
2. Enter a permanent injunction to prevent future violations of the FTC Act and the Credit Repair Organizations Act by Defendants;
3. Award such equitable relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act and the Credit Repair

Organizations Act, including, but not limited to, rescission of contracts and restitution, and the disgorgement of ill-gotten gains by Defendants; and

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

Dated: August 27, 2008

Respectfully submitted,

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