

UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION

COMMISSIONERS: Jon Leibowitz, Chairman  
William E. Kovacic  
J. Thomas Rosch  
Edith Ramirez  
Julie Brill

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In the Matter of )  
 )  
FAJILAN AND ASSOCIATES, INC. )  
also d/b/a STATEWIDE CREDIT SERVICES, )  
a corporation, )  
 )  
and )  
 )  
ROBERT FAJILAN, )  
individually and as an officer )  
of the corporation. )  
\_\_\_\_\_ )

DOCKET NO. C-4332

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the Respondents named in the caption hereof, and the Respondents having been furnished thereafter with a copy of a draft Complaint that the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge the Respondents with violation of the Federal Trade Commission Act, 15 U.S.C. § 45 *et seq*; the Fair Credit Reporting Act, 15 U.S.C. § 1681 *et seq*; and the Commission’s Standards for Safeguarding Customer Information Rule, 16 C.F.R. Part 314, issued pursuant to Title V, Subtitle A of the Gramm-Leach-Bliley Act, 15 U.S.C. §§ 6801-6809.

The Respondents and counsel for the Commission having thereafter executed an Agreement Containing Consent Order (“Consent Agreement”), an admission by the Respondents of all the jurisdictional facts set forth in the aforesaid draft Complaint, a statement that the signing of said Consent Agreement is for settlement purposes only and does not constitute an admission by Respondents that the law has been violated as alleged in such Complaint, or that the facts as alleged in such Complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it has reason to believe that the Respondents have violated the Federal Trade Commission Act, the Fair Credit Reporting Act, and the Gramm-Leach Bliley Act's Safeguards Rule, and that a Complaint should issue stating its charges in that respect, and having thereupon accepted the executed Consent Agreement and placed such Consent Agreement on the public record for a period of thirty (30) days for the receipt and consideration of public comments, and having duly considered the comments received from interested persons, now in further conformity with the procedure described in Section 2.34 of its Rules, 16 C.F.R. § 2.34, the Commission hereby issues its Complaint, makes the following jurisdictional findings, and enters the following Order:

- 1.a. Respondent Statewide is a California corporation with its principal office or place of business at 2690 South White Road, Suite 235, San Jose, CA 95148.
- 1.b. Respondent Robert Fajilan ("Fajilan") is owner and President of Statewide. Individually, or in concert with others, he formulates, directs, or controls the policies, acts, or practices of respondent Statewide. His principal place of business is the same as Statewide.
2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the Respondents, and the proceeding is in the public interest.

## **ORDER**

### **DEFINITIONS**

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

1. "Personal information" shall mean individually identifiable information from or about an individual consumer including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information; (d) a telephone number; (e) a Social Security number; (f) a credit card or debit card account number; (g) checking account information, (h) a driver's license, military or state identification number; (i) a persistent identifier, such as a customer number, that is combined with other available data that identifies an individual consumer; or (j) any information that is combined with any of (a) through (i) above.
2. "Gramm-Leach-Bliley Act" or "GLB Act" refers to 15 U.S.C. §§ 6801-6809, as amended, the "Safeguards Rule" or the "Standards for Safeguarding Customer Information Rule" refers to 16 C.F.R. Part 314, issued pursuant to Title V, Subtitle A of the GLB Act, 15 U.S.C. §§ 6801-6809.
3. "Financial institution" shall mean as defined in Section 509(3)(A) of the GLB Act, 15 U.S.C. § 6809(3)(A).
4. "The Fair Credit Reporting Act" or "FCRA" refers to 15 U.S.C. § 1681 *et seq.*

5. “Consumer report” shall mean as defined in Section 603(d)(1) of the FCRA, 15 U.S.C. § 1681a(d)(1).
6. Unless otherwise specified, “Corporate respondent” shall mean Statewide Credit Services, Inc. and its subsidiaries, divisions, affiliates, successors and assigns. “Individual respondent” means Robert Fajilan. “Respondents” means the Individual respondent and Corporate respondent, individually, collectively, or in any combination.
7. “Commerce” shall mean as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

I.

**IT IS ORDERED** that Corporate respondent and any business entity that Individual respondent, Robert Fajilan, controls, directly or indirectly, which collects, maintains, or stores personal information from or about consumers, shall, no later than the date of service of this order, establish and implement, and thereafter maintain, a comprehensive information security program that is reasonably designed to protect the security, confidentiality, and integrity of personal information collected from or about consumers, including the security, confidentiality, and integrity of personal information accessible to end users. Such program, the content and implementation of which must be fully documented in writing, shall contain administrative, technical, and physical safeguards appropriate to Corporate respondent’s or the entity’s size and complexity, the nature and scope of Corporate respondent’s or the entity’s activities, and the sensitivity of the personal information collected from or about consumers. The information security program must include:

- A. the designation of an employee or employees to coordinate and be accountable for the information security program;
- B. the identification of material internal and external risks to the security, confidentiality, and integrity of personal information that could result in the unauthorized disclosure, misuse, loss, alteration, destruction, or other compromise of such information, and assessment of the sufficiency of any safeguards in place to control these risks. At a minimum, this risk assessment should include consideration of risks in each area of relevant operation, including, but not limited to: (1) employee training and management; (2) information systems, including network and software design, access, information processing, storage, transmission, and disposal; and (3) prevention, detection, and response to attacks, intrusions, or other systems failures;
- C. the design and implementation of reasonable safeguards to control the risks identified through risk assessment and regular testing or monitoring

of the effectiveness of the safeguards' key controls, systems, and procedures;

- D. the development and use of reasonable steps to select and retain service providers capable of appropriately safeguarding personal information they receive from the Corporate respondent or the entity, and requiring service providers by contract to implement and maintain appropriate safeguards; and
- E. the evaluation and adjustment of respondent's or the entity's information security program in light of the results of the testing and monitoring required by sub-Part C, any material changes to Corporate respondent's or the entity's operations or business arrangements, or any other circumstances that Corporate respondent or the entity know or have reason to know may have a material impact on the effectiveness of their information security program.

## II.

**IT IS FURTHER ORDERED** that Corporate respondent and any business entity that Individual respondent, Robert Fajilan controls, directly or indirectly, and their officers, agents, representatives, and employees, shall not, directly or through any corporation, subsidiary, division, website, or other device, violate any provision of the Safeguards Rule, 16 C.F.R. Part 314. In the event that this Rule is hereafter amended or modified, respondents' compliance with that Rule as so amended or modified shall not be a violation of this order.

## III

**IT IS FURTHER ORDERED** that Corporate respondent and any business entity that Individual respondent, Robert Fajilan, controls, directly or indirectly, in connection with the compilation, creation, sale, or dissemination of any consumer report shall:

- A. furnish such consumer report only to those with a permissible purpose as described in Section 604 of the Fair Credit Reporting Act, 15 U.S.C. § 1681b;
- B. maintain reasonable procedures to limit the furnishing of such consumer report to those with a permissible purpose and ensure that no consumer report is furnished to any person when there are reasonable grounds to believe that the consumer report will not be used for a permissible purpose, as required by Section 607(a) of the Fair Credit Reporting Act, 15 U.S.C. § 1681e(a).

## IV.

**IT IS FURTHER ORDERED** that, Corporate respondent and any business entity that Individual respondent, Robert Fajilan, controls, directly or indirectly, which collects, maintains, or stores personal information from or about consumers, shall, in connection with their

compliance with Part I of this order, obtain initial and biennial assessments and reports (“Assessments”) from a qualified, objective, independent third-party professional, who uses procedures and standards generally accepted in the profession. Each Assessment shall be prepared and completed within sixty (60) days after the end of the reporting period to which the Assessment applies by a person qualified as a Certified Information System Security Professional (CISSP) or as a Certified Information Systems Auditor (CISA); a person holding Global Information Assurance Certification (GIAC) from the SysAdmin, Audit, Network, Security (SANS) Institute; or a similarly qualified person or organization approved by the Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, D.C. 20580. The reporting period for the Assessments shall cover: (1) the first one hundred and eighty (180) days after service of the order for the initial Assessment, and (2) each two (2) year period thereafter for twenty (20) years after service of the order for the biennial Assessments. Each Assessment shall:

- A. set forth the specific administrative, technical, and physical safeguards that Corporate respondent or the entity have implemented and maintained during the reporting period;
- B. explain how such safeguards are appropriate to Corporate respondent’s or the entity’s size and complexity, the nature and scope of Corporate respondent’s or the entity’s activities, and the sensitivity of the personal information collected from or about consumers;
- C. explain how the safeguards that have been implemented meet or exceed the protections required by the Safeguards Rule; and
- D. certify that Corporate respondent’s or the entity’s security program is operating with sufficient effectiveness to provide reasonable assurance that the security, confidentiality, and integrity of personal information is protected and has so operated throughout the reporting period.

Respondents shall provide the initial Assessment to the Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C. 20580, within ten (10) days after the Assessment has been prepared. All subsequent biennial Assessments shall be retained by respondents until the order is terminated and provided to the Associate Director of Enforcement within ten (10) days after respondents receive such request.

V.

**IT IS FURTHER ORDERED** that Corporate respondent, and Individual respondent, Robert Fajilan, for any business entity that he controls, directly or indirectly, which collects, maintains or stores personal information from or about consumers, shall maintain, and upon request make available to the Federal Trade Commission for inspection and copying:

- A. for a period of five (5) years, a print or electronic copy of each document relating to compliance, including but not limited to documents, prepared by or on behalf of Corporate respondent or the entity, that contradict, qualify, or call into question Corporate respondent's or the entity's compliance with this order;
- B. for a period of five (5) years, copies of all subpoenas and other communications with law enforcement entities or personnel, whether in written or electronic form, if such documents bear in any respect on Corporate respondent's or the entity's collection, maintenance, or furnishing of consumer reports or other personal information of consumers; and
- C. for a period of three (3) years after the date of preparation of each Assessment required under Part IV of this order, all materials relied upon to prepare the Assessment, whether prepared by or on behalf of the Corporate respondent or the entity, including but not limited to all plans, reports, studies, reviews, audits, audit trails, policies, training materials, and assessments, and any other materials relating to the Corporate respondent's or the entity's compliance with Parts I and II of this order, for the compliance period covered by such Assessment.

VI.

**IT IS FURTHER ORDERED** that for a period of five (5) years from the date of entry of this Order, respondents shall deliver copies of the Order as directed below:

- A. Corporate respondent must deliver a copy of this Order to (1) all current and future principals, officers, directors, and managers, (2) all employees, agents and representatives who engage in conduct related to the subject matter of the Order, and (3) any business entity resulting from any change in structure set forth in Part VIII. For current personnel, delivery shall be within five (5) days of service of this Order. For new personnel, delivery shall occur prior to them assuming their responsibilities. For any business entity resulting from any change in structure set forth in Part VIII, delivery shall be at least ten (10) days prior to the change in structure.
- B. For any business that Individual respondent, Robert Fajilan, controls, directly or indirectly, which collects, maintains, or stores personal information from or about consumers, Individual respondent must deliver a copy of this Order to (1) all principals, officers, directors, and managers of that business, (2) all employees, agents, and representatives of that business who engage in conduct related to the subject matter of the Order, and (3) any business entity resulting from any change in structure set forth in Part VII. For current personnel, delivery shall be within five (5) days of service of this Order. For new personnel, delivery shall occur prior to them assuming their responsibilities. For any business entity resulting from any change in structure set forth in Part VII, delivery shall be at least ten (10) days prior to the change in structure.

- C. For any business that collects, maintains, or stores personal information from or about consumers, where Individual respondent, Robert Fajilan, is not a controlling person of the business, but he otherwise has responsibility, in whole or in part, for developing or overseeing the implementation of policies and procedures to protect the privacy, security, confidentiality, or integrity of personal information collected from or about consumers by the business, Individual respondent must deliver a copy of this Order to all principals and managers of such business before engaging in such conduct.
- D. Respondents must secure a signed and dated statement acknowledging receipt of this Order, within thirty (30) days of delivery, from all persons receiving a copy of the Order pursuant to this section.

## VII.

**IT IS FURTHER ORDERED** that Individual respondent Fajilan, for a period of ten (10) years from the date of entry of this Order, shall notify the Commission of the following:

- A. Any changes in Individual respondent's residence, mailing address, and or telephone numbers, within ten (10) days of such a change;
- B. Any changes in Individual respondent's business or employment status (including self-employment), and any changes in his ownership in any business entity, within ten (10) days of such a change. Such notice shall include the name and address of each business that respondent is affiliated with, employed by, created or forms, or performs services for; a detailed description of the nature of the business or employment; and a detailed description of the respondent's duties and responsibilities in connection with such business or employment; and
- C. Any changes in Individual respondent's name or use of any aliases or fictitious names, including "doing business as" names.

Unless otherwise directed by a representative of the Commission, all notices required by this Part shall be sent by overnight courier (not the U.S. Postal Service) to the Associate Director of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, D.C. 20580, with the subject line FTC v. Fajilan and Associates, Inc. also d/b/a Statewide Credit Services, and Robert Fajilan. Provided, however, that, in lieu of overnight courier, notices may be sent by first-class mail, but only if an electronic version of such notices is contemporaneously sent to the Commission at DEbrief@ftc.gov.

## VIII.

**IT IS FURTHER ORDERED** that Corporate respondent shall notify the Commission at least thirty (30) days prior to any change in the corporation that may affect compliance obligations arising under this order, including, but not limited to, a dissolution, assignment, sale,

merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. Provided, however, that with respect to any proposed change in the corporation about which Corporate respondent learns less than thirty (30) days prior to the date such action is to take place, Corporate respondent shall notify the Commission as soon as is practicable after obtaining such knowledge. Unless otherwise directed by a representative of the Commission, all notices required by this Part shall be sent by overnight courier (not the U.S. Postal Service) to the Associate Director of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, D.C. 20580, with the subject line FTC v. Fajilan and Associates Inc., d/b/a Statewide Credit Services, and Robert Fajilan. Provided, however, that, in lieu of overnight courier, notices may be sent by first-class mail, but only if an electronic version of such notices is contemporaneously sent to the Commission at DEbrief@ftc.gov.

#### IX.

**IT IS FURTHER ORDERED** that Corporate respondent, and its successors and assigns, and Individual respondent Robert Fajilan, within sixty (60) days after the date of service of this order, shall file with the Commission a true and accurate report, in writing, setting forth in detail the manner and form of their own compliance with this order. Within ten (10) days of receipt of written notice from a representative of the Commission, they shall submit additional true and accurate written reports.

#### X.

This order will terminate on August 17, 2031, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; provided, however, that the filing of such a complaint will not affect the duration of:

- A. any Part in this order that terminates in less than twenty (20) years;
- B. this order's application to any respondent that is not named as a defendant in such complaint; and
- C. this order if such complaint is filed after the order has terminated pursuant to this Part.

Provided, further, that if such complaint is dismissed or a federal court rules that respondents did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

By the Commission.

Richard C. Donohue  
Acting Secretary

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ISSUED: August 17, 2011