

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

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FEDERAL TRADE COMMISSION,)	
)	
Plaintiff,)	
)	Civil Action No.
v.)	
)	
THE WESTERN UNION COMPANY,)	
a corporation, also doing business as)	
Western Union Financial Services, Inc.,)	
and through other subsidiaries and affiliates,)	
)	
Defendant.)	
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COMPLAINT FOR PERMANENT INJUNCTIVE
AND OTHER EQUITABLE RELIEF

Plaintiff,.5(.257 -t4(ES)he)145 2TTd (33(t e)3.5(t(EF)]TJ AM Tr 16.1qMPL/TT1 1

disgorgement of illgotten monies. 15 U.S.C. §§ 53(b) 56(a)(2)(A)-(B), 6102(c), and 6105(b)

DEFENDANT

6. Defendant The Western Union Company ("Western Union")
doing business as Westen Union Financial Services, Inc

COMMERCE

8. At all times material to this Complaint, Defendant has 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.

BACKGROUND

9. For many years, Western Union’s money transfer system has been used by fraudsters around the world to obtain money from their victims. Discrete subsets of Western Union agents in various countries have largely been responsible for processing the payments, and many Western Union agents have played active and important roles in facilitating those frauds as described more fully below, although Western Union has long been aware and has received many warnings that its systems are being used for frauds, for many years it has failed to implement adequate and effective policies and procedures to detect and prevent fraud and to take prompt action to effectively address problematic agent locations. In some instances, Western Union’s agent locations have, or likely been, complicit in the frauds, and have

known about the problem and has identified many of the agents providing substantial assistance or support to the fraudsters. Although as a result of the FTC's investigation, Western Union has improved aspects of its anti-fraud program since 2012, Western Union still has failed in many cases to promptly suspend and terminate agent locations facilitating fraud. Instead, Western Union has continued to profit from the activities of these agents.

Western Union's Money Transfer System

10. Western Union offers money transfer services to consumers worldwide through a network of approximately 515,000 agent locations in more than 200 countries and territories. Western Union is the largest money transfer company in the United States and worldwide. More than 50,000 of its 515,000 agent locations are in the United States. In addition to offering money transfer services under the Western Union brand, Western Union owns and operates Orlanda Valuta ("OV"), which provides money transfer services primarily to Mexico, and Vigo, which provides money transfer services primarily to Latin America and the Caribbean. Consumers in the United States can send money transfers through OV and Vigo from thousands of Western Union agent locations. According to Western Union, "[e]very day, millions of consumers rely on Western Union Money Transfer® service to send money to loved ones near and far."

11. Consumers wishing to send funds using Western Union's money transfer system may initiate a transaction in person, online, or over the telephone. Western Union claims that its locations are "around every corner" with "knowledgeable agents," and that its money transfer services are "fast, convenient, and safe." Although the amount that may be s

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Union's system the sender's ID information. Over time, in some countries, Western Union has lowered the amount that triggers the ID requirement.

13. In order to send a money transfer, consumers must pay a fee to Western Union. This fee varies depending upon the method of the money transfer, the destination, the amount, the method of payment, and how quickly the money transfer is to be completed. The money transfer fee for Western Union's "Money in Minutes" service is higher than its "Next Day" service. According to Western Union's website, to send a \$1,000 "Money in Minutes" money transfer from the United States to the United Kingdom ("UK"), consumers must pay a \$81 transfer fee if paying by credit or debit card, or \$58 if paying in cash. For international money transfers, in addition to charging consumers a money transfer fee, Western Union also makes money from the foreign currency exchange. Upon initiating a money transfer, consumers are provided with a unique tracking number called a Money Transfer Control Number ("MITCN").

14. Prior to paying out funds at its agent locations, Western Union's

Use of Western Union's Money Transfer System to Facilitate Fraud and Harm Consumers

17. Over the years, money transfers have increasingly become the payment method of choice for scams that prey on consumers around the world. Fraudulent telemarketers and con artists prefer to use money transfers to facilitate their scams because, among other reasons, they can pick up money transferred within minutes at multiple locations and, oftentimes, the perpetrators are afforded anonymity because the payments are untraceable. For example, money transfers can be picked up at any location within a particular state or country, some money transfers caate or ctraatear .4(d.).6(te]TJ -0.4(d.).6(te]T(Ti6Bvnte)3.6(or006 Tw -h5(

approximately \$1,148. That is more than three times the amount of Western

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behalf, while it pays its international agents an agreed base compensation for the consumer received and a percentage of the foreign exchange profits, on each transaction

21. Western Union's written agreements with its agents typically require the agents to comply with all applicable laws and regulations in the countries in which they operate.

agents, however, provide with the authority to suspend and terminate its agents' subagents, as well as a location at which its money transfer services are offered

Western Union's Programs, Policies, and Procedures

23. Western Union has two primary programs relating to detection and prevention of consumer fraud and the installation and oversight of agents: its anti-fraud program, which sometimes is referred to as its consumer protection program, and its AML program. As implemented by Western Union for many years, these interrelated programs failed to adequately and effectively detect and prevent consumer fraud. (coSh)TJ 0.Tc -0.004Tc 0.0012(a)-8.5(t) /TT2 1-0.008 Tc 0.50464ne

agents. The SOP was revised at various times, recently in or around September 2010. Beginning in or around January 2006, the SOP included procedures that applied to agents outside of the United States and Canada. However, to the extent that Western Union suspended and/or terminated agents pursuant to the SOP, for many years the suspensions and/or terminations were typically limited to agents in the United States and Canada.

25. In a written report in January 2011, Western Union represented it was making “enhancements” to its consumer protection program that were to include improvements to the company’s program for conducting due diligence and training of its agents, monitoring agent activity, and taking disciplinary action, including suspension and termination, against agents. Subsequently, in a written report about its anti-fraud program dated September 14, 2012, Western Union claimed it had implemented “a comprehensive anti-fraud program” that included agent training, agent monitoring, and “[p]rompt action, including suspensions and terminations, against Agents when the Company identifies fraudulent activity.” Western Union recognized in this report that its “first line of defense against fraud is to engage Agents who will fully comply with the Anti-Fraud program and policies and procedures.”

26. As a result of the FTC’s investigation, Western Union has made progress since 2012 in identifying and blocking potentially fraudulent transactions

and in otherwise protecting consumers from fraud. Despite West, Western Union continued to fail in certain cases, to promptly suspend and terminate

adequate due diligence on prospective and existing agents and subagents; effectively train, monitor, and review agents, subagents, and front line associates, who are responsible at the point of sale for processing money transfers at Western Union's agent locations ("FLAs"), with respect to consumer fraud; adequately collect, record, and report consumer fraud involving its money transfer system; and adopt other reasonable measures to prevent fraudulent money transfers. In some cases Western Union has failed to adopt adequate and effective policies and procedures to detect and prevent fraudulent money transfers, while in other cases it has failed to adhere to its own anti-fraud and AML programs.

result of purported circumstances, such as emergencies, that do not exist.

Consumers fraud-induced payments through Western Union's system often

exceed \$1,000 per transaction. The types of scams referenced Western Union's

own complaint database. <<291 T4b1d26 0 Td [(i)8.5((c)12.1n)8.3212.2(te)3.-0

1, 2004 and August 29, 2015, the company received at least 41,897 complaints about this type of scam totaling at least \$73,807,353 in losses

d. *Advance-fee loan scams* (see

<http://www.consumer.ftc.gov/articles/0078-advance-loans>):

According to Western Union's complaint database, between January 1, 2004 and August 29, 2015, the company received at least 71,296 complaints about this type of scam totaling at least \$49,617,107 in losses and

e. *Online dating or romance scams* (see <http://www.ftc.gov/news-events/press-releases/2010/11/ftc-warns-consumers-about-online-dating-scams>)

According to Western Union's complaint database between January 1, 2004 and August 29, 2015, the company received at least 44,588 complaints about this type of scam totaling at least \$40,980,482 in losses

31. When consumers send the money transferred from one of Western Union's agent locations, the perpetrators of the scams described above, or those acting on their behalf, frequently collect the funds from one of Western Union's corrupt or complicit agent locations

properly collect and record all of recipients' IDs or biological information, or by recording obviously false information.

A DISCRETE SUBSET OF WESTERN UNION
AGENTS WORLDWIDE HAS PAID OUT THE
MAJORITY OF FRAUD-INDUCED MONEY TRANSFERS

32. Western Union's records show that the majority of fraud-induced money transfers have been paid out by a discrete, easily identifiable subset of Western Union's agents and subagents in various countries around the world. The vast majority of Western Union agent locations worldwide do not payout transactions associated with a single fraud complaint to Western Union. In fact, only a small and discrete subset of agents and subagents worldwide pay out money transfers relating to any fraud complaints. An even more easily identifiable and distinct subset of agents and subagents have been the subject of five or more fraud complaints in a given year, but this group of Western Union agents has been responsible for paying out most of the reported fraud losses. For example:

- a. In 2012, 137 agent locations in Mexico (out of an average of 17,710 locations operating in that country each month of the year) had five or more fraud complaints, and these 137 agents were responsible for paying out approximately \$3.2 million, amounting to over 80% of the total reported fraud for Mexico that year. Similarly, in 2013, 40 agent locations in Mexico (out of an average of 1,002 locations) paid

analysis of data in the first quarter of 2010. For nineteen agents demonstrated

“indicators of Agent complicity.” A January 19, 2012 memorandum regarding

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39 agents in the United States and Canada have been charged in the United States with defrauding consumers through various mass marketing and telemarketing schemes including fraudulent sweepstakes, advance fee loans, business opportunities (including secret shopper or work-at-home scams), emergency or person-in-need schemes, and/or Internet purchase offers. Charges against these 39 agents have included conspiracy to commit mail fraud, wire fraud and/or money laundering, and most of the agents have already pleaded guilty or been convicted of the charges. These 39 agents paid out over \$2 million in money transfers that were reported to Western Union as having been induced by fraud. As explained below, however, actual consumer losses far exceed the reported losses.

These matters include

Case	Western Union Agents
<i>United States v. Agbasi, et al.</i> , No. 07-CR-504 (M.D. Pa.)	Stanley Akubueze and Christopher Ozurus (d/b/a Afro Spot Restaurant) Philip Utomi (d/b/a Swift Cash Centre)
<i>United States v. Bellini, et al.</i> ,	

<p><i>United States v. Dobrovinsky-Kaz</i>, No. 10CR-327 (M.D. Pa.)</p>	<p>Tatyana Dobrovinsky-Kaz (d/b/a Professional Medical Supplies)</p>
<p><i>United States v. Abbey</i>, No. 10CR-344 (M.D. Pa.)</p>	<p>Festus G. Abbey (d/b/a AbbeyOne Stop and Abbey Multi Service)</p>
<p><i>United States v. Nwuda</i>, No. NoNo. P77.4 60 0 1[(No</p>	

<i>United States v. Idisi-Arah, et al.</i> , No. 12CR-311 (M.D. Pa.)	Lucas Obi (d/b/a Canada Cash Express)
<i>United States v. Anyika, et al.</i> , No. 14CR-006 (M.D. Pa.)	Ejike Egwuekwe (d/b/a Merrick Multiple Services and Lincoln One Stop Place) Franklyn Idehen (d/b/a Treasure Links and Cherrish Communication Center) Nnamdi Ihezuo (d/b/a Net Global & Multi Services) Cyprian Osita Ngbadi (d/b/a Rockaway Business Center)
<i>State of Texas v. Mbaka</i> , No. 09DCR-52310A (Tex. Dist. Ct. Ft. Bend County)	Boniface Ifeanyi Mbaka (d/b/a BIM Services)

36. Criminal law enforcers in other countries also have taken action against at least an additional 107 Western Union agents and FLAs, including in the following instances:

- a. Sentencing in the UK (in or around November 2012) of an individual, Peter Oyewo, who operated at least two Western Union agent locations (d/b/a Benson Logistics and Abmec Logistic) and was found guilty of money laundering over £1.34 million in proceeds from consumer frauds
- b. Arrests made by the Nigerian Special Fraud Unit (in or around June 2013) of two FLAs at a Western Union location (Skye Bank PLC) for aiding Internet fraudsters; and
- c. Arrests made by the Spanish police (in or around July 2014) of 105 Western Union agents in Spain, who were involved in a massive

international scam involving Nigerian fraudsters that primarily targeted U.S., Canadian, and German consumers and caused at least €11.5 million (approximately \$15.5 million) in consumer injury.

WESTERN UNION HAS BEEN AWARE THAT ITS SYSTEM
HAS BEEN

money transfers associated with agent locations in some cases
over five times higher than the reported complaint figures; and

transfers were sent (f) flipping (shortly after receiving funds, a large portion of the money is sent to another recipient (g) surfing (suspicious look-ups of money transfers in Western Union's system by FLAs); and (h) substantial sends to high risk countries known for fraud

41. According to information contained in Western Union's complaint database, the United States has been the top country for fraud payouts since at least 2004 and has generated over three times the number of complaints as the next highest country. In fact, over \$128.2 million in reported fraud has been paid out in the United States since 2010, and Western Union has received more than 34,000 fraud complaints about transactions totaling over \$21.2 million since 2014. Certain agent locations in the United States have operated for years despite high levels of fraud. For example, between July 2008 and March 2015, the agent location in Washington, D.C. generated at least 116 fraud complaints totaling \$187,356. Even though reviews of the agent in June 2014 and February 2015 identified confirmed and potential fraud amounting to 84% and 55% of the money transfers paid at that location, the agent was not terminated until August 2015, after it failed an undercover test visit by a compliance officer tasked with assessing the agent's AML compliance. Another agent location in Detroit, Michigan, paid out at least 194 money transfers totaling \$379,031 in reported fraud since 2004.

Although this agent has received Western Union's fraud prevention training multiple times, it has continued to receive fraud complaints.

42. Over the years, many other countries in addition to the United States have emerged as high-risk countries for fraud as international scams have become more pervasive. For example, from 2006 to 2012, the UK was the second highest payout country for fraud-induced money transfers behind the United States. During that time, Western Union's UK agents paid out over \$82.4 million in reported fraud and internal reports and records demonstrate that Western Union was aware of problems with particular agents in the UK. From January 1, 2004 to August 29, 2015, 172 UK agents paid out over \$44.3 million in reported fraud. A subset of only 34 of these agents was responsible for paying out nearly half of the reported fraud (at least \$21.2 million), most of which came from U.S. victims. The actual fraud paid out by these agents was likely much higher. Total payouts by these agents during the period they were receiving fraud complaints amounted to \$389 million, with \$154 million of that coming from U.S. senders. Notably, these agents also sent \$104.6 million to Nigeria and \$76.6 million to Romania, both of which are high-risk countries for fraud, as acknowledged by Western Union itself. One agent alone, NewsMark, was the top fraud agent in the UK and worldwide. Between January 1, 2006 and January 14, 2013, Western Union received at least 1,421 fraud complaints about NewsMark totaling at least \$2,150,892 of which

44. In 2008, according to Western Union's records, Mexico was one of the top five countries worldwide

Union had rarely, if ever, terminated agent locations in Mexico for consumer fraud, even in instances where particular agent locations repeatedly appeared on fraud reports, or had confirmed and potential fraud amounting to more than 25%, or even 50%, of their ~~plan~~

of which over \$22.7 million came from U.S. consumers. During that time, those 20 agents were responsible for sending over \$8.8 million to Nigeria, over \$3.7 million to Canada, over \$1.7 million to Romania, and over \$800,000 to Ghana, which are all high-risk fraud countries. Although Western Union was aware of problematic agent locations in Spain, it failed to promptly suspend and terminate those agent locations.

46. Prior to 2011, Western Union received a small number of complaints each year involving its Peruvian agents. For example, in 2010, Western Union recorded only 71 fraud reports against agents in Peru totaling \$38,492. In 2011, however, there was a dramatic spike in complaints about money transfers paid out in Peru, especially about emergency scam calls, with Western Union receiving at least 692 complaints totaling \$2,218,761. The average transfer amount in the complained-of transactions jumped from \$542 to \$3,206. In 2012, the numbers increased to 1,003 fraud complaints totaling \$149,730. Over 96% of the complained-of transfers paid out in Peru in 2011 and 2012 originated from the United States. Between 2011 and 2012, thirteen Peruvian agents paid out \$3,603,539 in reported fraud, and together were responsible for nearly 87% of the total reported fraud payouts in Peru for those years. Internal reports and records show that Western Union was aware of the dramatic increase in complaints as well as particular Peruvian agent locations that were responsible for paying out

most of the reported fraud. Despite its awareness, Western Union failed to

while the other has at least 908 complaints totaling \$8,167,769. Individual locations of the two banks also have amassed huge numbers of complaints. One location alone was responsible for at least 832 complaints totaling \$1,407,252, while another was responsible for at least 1,741 complaints totaling \$1,187,141. Despite repeated reviews and investigations of agent locations in Nigeria, as of October 2015, Western Union had rarely, if ever, terminated agent locations in Nigeria for consumer fraud.

48. Over the years, agent locations in many other countries have appeared on Western Union's fraud reports, and have been reviewed by the company for fraud. Those countries include, but are not limited to Ghana, Togo, Nigeria, and others.

as a condition to continued agent or subagent status. The 2005 Agreement was in effect for five years. Despite this agreement, as explained below, Western Union in many instances failed to terminate many problematic agent locations, especially in countries outside of the United States and Canada.

52. In October 2009, the FTC announced that it had reached a settlement with MoneyGram International, Inc. ("MoneyGram"), Western Union's main competitor, relating to charges that the company had allowed its money transfer system to be used for fraud. The FTC publicly released copies of the complaint and order against MoneyGram, which required, among other things, the termination of any agent that may be complicit in fraud. Following the FTC's settlement with MoneyGram, FTC staff sent a letter to Western Union in November 2009 expressing concern about the "huge volume of fraud that employs money transfer services like that of Western Union

53. According to Western Union's records, in or around September 2010, the Japan Financial Services Agency expressed concerns about Japanese consumers sending fraudulent money transfers to the UK and "suspicious viewing/surfing of transactions in the United Kingdom, resulting in either Paid in Error (PIE) or Non Payment Claims [i.e., complaints about money transfers being paid to the wrong person or not being paid]

Union is not a party to this serious criminal offense, whether intentionally or willfully blind to its role.” In numerous additional instances, the Toronto Police Service emailed

consumer fraud involving money transfer systems and (e) take other reasonable steps to prevent fraudulent telemarketers and con artists from using

67. Even though Western Union's internal reports have identified agent locations where 5% to over 75% of the transaction\$in volume or amount)

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one agent location in Spain, Locutorio Okuns, operated from 2005 until at least 2012. During that time, the agent engaged in highly suspicious activity, including making payouts related to 126 complaints totaling at least \$341,771 in reported fraud, and receiving over \$1 million from the United States in money transfers that had characteristics indicative of fraud, such as unusually high-dollar amounts and serious data integrity issues. The agent also displayed highly suspicious spikes in volume that corresponded with spikes in fraud complaints. Although it was reviewed by Western Union at least five times, agent was permitted to continue to operate for years, and its owner was ultimately one of the individuals arrested by the Spanish police in 2014, as described above. Another agent location in the UK, -wfnusmnut

only lasted a short time, however, before the agents were reactivated. After being reactivated, ten of those agents have continued to pay out tens to hundreds of reported fraud complaints each year since 2013, and in that span the subject of 2,055 complaints totaling \$737,319.

71. In some instances, reactivated agents or subagents assigned new agent ID numbers or became subagents in different agent networks. For example, Western Union's top fraud payout agent in Mexico made payouts relating to at least 410 complaints totaling over \$1.4 million in reported fraud between March 2011 and July 2012. Western Union finally suspended the location in July 2012, but one month later, the same agent began to operate again under a new agent ID, and it continued generating fraud complaints. In addition, Western Union even reactivated some agents that had been terminated due to consumer fraud.

72. Western Union's general practice has been to attempt to rehabilitate agents and subagents

of agent locations and FLAs even though Western Union has acknowledged that “identifying and eliminating complicit actors from the system is more effective at combating consumer fraud than training.” In other instances, Western Union or its agents have failed to create any action plan for months have delayed creating action plans. Even after action plans have been created, in some cases, the agents and subagents have resisted implementing them, failed to do so satisfactorily, or even ignored them.

73. For many years, suspensions and/or terminations were typically limited to agents in the United States and Canada. For example, between January 1, 2006 and November 1, 2010, Western Union failed to terminate many problematic agent locations worldwide that had paid out \$100,000 or more in reported fraud, including in the UK (124 agents), Nigeria (56 agents), Ghana (18 agents), Jamaica and Spain (16 agents each). In fact, two UK agents each were responsible for paying out over \$2 million in reported fraud between January 1, 2006 and November 1, 2010. Moreover, as of October 2015, Western Union had rarely, if ever, terminated agent locations for fraud in certain high-risk countries, including, but not limited to, Mexico, Nigeria, Ghana, the Dominican Republic, China, and Haiti, despite high levels of fraud and indications of complicity at agent locations.

Western Union Has Failed to Conduct Adequate Due Diligence on Agents

74. For many years, Western Union has failed to conduct adequate due diligence on its prospective agents and subagents, as well as those agents and subagents whose contracts come up for renewal. Western Union either has not conducted background checks on many of its agents and subagents, to the extent background checks have been conducted, they often have been inadequate. It also has, in many instances, failed to maintain records demonstrating that it has conducted such

other instances, Western Union has not known, and has not required its agents to disclose or update the identities of all of its subagents/FLAs.

76. In numerous instances, background checks conducted by Western Union have not been thorough, consisting only of collecting limited information and conducting some type of credit or financial check, rather than criminal background checks of agents and subagents. In many cases, Western Union has relied upon inaccurate, incomplete, or false information provided by agents and has failed to verify the accuracy of information provided by applicants. Western Union also has installed agents or subagents with criminal histories, including

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sender to Nigeria who Western Union had interdicted just two months before the location began operating. During the three month period before the agent location was suspended, it generated at least 173 fraud complaints totaling \$316,400, and paid out over \$1.2 million in suspected fraud.

Western Union Has Failed to Effectively Train, Monitor, and Review Agents

79. For many years, Western Union has failed to effectively train, monitor, and review its agents, subagents, and FLAs to detect and prevent consumer fraud and to prevent potential complicity at agent locations.

80. For many years, Western Union has provided only limited training to agents and subagents with respect to detecting and preventing consumer fraud, and its training overall has been inadequate and ineffective. In many instances, FLAs responsible for processing fraud-induced money transfers at Western Union's agent locations have not been knowledgeable about Western Union's anti-fraud and/or AML policies and procedures, including with respect to detecting and preventing fraud, properly recording customers' biographical information and IDs, and addressing suspicious activities. Western Union also has not had an adequate and effective system in place to ensure that FLAs are knowledgeable in these areas. As a result, in many instances, Western Union's high fraud agent locations have violated the company's policies and procedures by failing to collect proper IDs or biographical information from recipients of money transfers, accepti

Western Union Has Failed to Adequately Collect, Record,
and Report Consumer Fraud Involving Its Money Transfer System

86. Since at least January 2004, Western Union has maintained a complaint database, which contains information relating to complaints or reports the company receives about fraudulently induced money transfers.

87. The information contained in the Western Union Money Transfer System (WMTS) database is not accurate, complete, or reliable. The information is not updated in a timely manner and is often outdated. The information is not accurate, complete, or reliable. The information is not updated in a timely manner and is often outdated.

89. Western Union uses the information in its complaint database to administer its anti-fraud programs, so it is important that the database be accurate and complete. For example, Western Union uses this information to (a) monitor and identify agents, subagents, and FLAs that may be complicit in fraud; (b) create automated rules regarding particular corridors (e.g., limiting the number and amount of money transfers to receivers); and (c) interdict individuals who are the victims or the perpetrators of fraud. Therefore, Western Union's failure to keep accurate and complete records of fraud-related money transfers has impeded its efforts to detect and prevent consumer fraud.

90. Although Western Union sp0.5(e)onsacT

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Union responsible for handling consumer fraud issues did not routinely share consumer fraud information with other groups or departments.

94. Although Western Union relies on its agents to comply with Western Union's anti-fraud and AML programs and to oversee the activity of their own subagents, locations, and FLAs, it often fails to provide its agents with the information necessary to conduct effective fraud reviews and to detect and prevent consumer fraud, including the potential complicity of particular agent locations and FLAs. For example, Western Union typically does not share with the agents themselves complaints that has received about fraudulent money transfers processed by the agent locations or FLAs. Therefore, despite being tasked with overseeing the conduct of their own subagents, locations, and FLAs, Western Union's agents in many cases are unaware of the nature, details, history, and volume of complaints involving the agent locations and FLAs.

95. Western Union and its agents also have failed to provide adequate and effective warnings to consumers about the fraud occurring through its money transfer system. Although Western Union provides some warnings on the first page of send forms located at some of its agent locations,

consumers' money transfers have displayed obvious signs of fraud, such as high-dollar money transfers by elderly consumers to countries known for fraud

Therefore, consumers often have been unaware of the risks associated with sending money through Western Union's money transfer system

WESTERN UNION HAS FOR MANY YEARS FAILED
TO MAKE EFFECTIVE CHANGES TO PREVENT FRAUD

96.

97. In numerous instances, Western Union has permitted agent locations to continue operating for months or years despite high levels of fraud and other suspicious activities. For example, from July 2009 to as recently as August 2015, an agent location in Malaysia made payouts relating to at least 252 fraud complaints totaling \$389,061. Although the agent appeared on fraud reports was reviewed for fraud many times between 2010 and 2014, the agent has not been terminated. In fact, in 2014, company executives approved the retention of that agent despite being informed that confirmed and potential fraud, as well as suspicious activity, amounted to approximately 54% of the agent's pay volume. An agent location in Greece made payouts relating to at least 106 fraud complaints totaling \$193,696 from July 2011 to October 2014. From 2012 to 2014, the agent paid out \$5.4 million in money transfers, of which approximately \$3.7 million were for \$1,000 or more. That agent operated for over two years despite appearing on internal fraud or agent complicity reports multiple times and being reviewed for fraud at least three times with findings of suspicious activities. From September 2013 to August 2015, an agent in Thailand paid out money transfers associated with at least 1197 complaints totaling \$425,409, of which 636 complaints totaling \$117,290 were paid out in April 2015 alone. That agent was allowed to continue operating despite a review in 2013 finding that 63% of the agent's transactions in two months amounted to confirmed fraud and questionable

activity, and a review in 2015 associated with three of its agent ID numbers finding that 25% of its activity in one month, amounting to over \$1.2 million, was connected to fraud.

VIOLATIONS OF THE FTC ACT

98. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair” or “deceptive” acts and practices in or affecting commerce, including acts or practices involving foreign commerce that cause or are likely to cause reasonably foreseeable injury within the United States” or “involve material conduct occurring within the United States.”

99. Acts or practices are unfair under Section 5 of the FTC Act if they cause a substantial injury to consumers that is not reasonably avoidable by consumers acting reasonably and that is not outweighed by benefits to consumers or to society.

101. Defendant's actions cause or are likely to cause substantial injury to consumers that consumers cannot reasonably avoid themselves and that is not outweighed by countervailing benefits to consumers or competition.

102. Therefore, Defendant's practices as described in Paragraph 100 above constitute unfair acts or practices in violation of Section 5 of the FTC Act, 15 U.S.C. §§45(a) and 45(n).

THE TSR

103. Congress directed the FTC to prescribe rules prohibiting abusive and deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15 U.S.C. §§ 610-6108. The FTC adopted the original TSR in 1995, extensively amended it in 2003, and amended certain provisions thereafter. 16 C.F.R. Pa 310.

104. Defendant's agents or subagents have processed money transfers and provided related services on behalf of persons who are "sellers" or "telemarketers" engaged in "telemarketing," as those terms are defined in Sections 310.2(dd), (ff), and (gg) of the TSR.

105. The TSR prohibits telemarketers and sellers from making a false or misleading statement to induce any person to pay for goods or services. 16 C.F.R. § 310.3(a)(4).

106. The TSR

VIOLATIONS OF THE TSR

COUNT II

Assisting and Facilitating TSR Violations

110.

111. Defendant's acts or practices, as described in Paragraph 10 above constitute deceptive marketing acts or practices that violate the TSR, 16 C.F.R. §310.3(b).

CONSUMER INJURY

112.

Act 15 U.S.C. § 6105(b) and the Court's own equitable powers, requires that the