

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS

NATURE OF THE CASE

2. Since at least 2018, Defendants have operated an unlawful credit repair scam that has harmed vulnerable consumers nationwide through Internet websites, social media, and telemarketing. Defendants falsely claim that, for a fee ranging from several hundred dollars to more than \$1,500, they can improve consumers' credit scores. Defendants attempt to improve the credit scores of their customers by filing false identity theft reports on the FTC's identitytheft.gov website and

THE FTC ACT

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

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

THE CREDIT REPAIR ORGANIZATIONS ACT

11. The Credit Repair Organizations Act (“CROA”) took effect on April 1, 1997. CROA’s purposes are (1) to ensure that prospective buyers of the services of credit repair organizations receive the information necessary to make an informed decision regarding the purchase of such services; (2) to protect the public from unfair or deceptive advertising and business practices by credit repair organizations. 15 U.S.C. § 1679(b).

12. CROA defines a “credit repair organization” as any person who uses any instrumentality of interstate commerce or the mails to sell, provide, or perform (or represent that they 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 consumers’ credit record, credit history, or credit rating. . . .” 15 U.S.C. § 1679(a).

13. CROA prohibits all persons from making any statement, or counseling or advising any consumer to make any statement, which is untrue or misleading with respect to any consumer’s credit worthiness, credit standing, or credit capacity to any consumer reporting agency. 15 U.S.C. § 1679b(a)(1)(A). CROA also bars 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). Furthermore, CROA prohibits all persons from engaging, directly or indirectly, in any act, practice, or course of business that constitutes or results in the commission of, or an attempt to commit, a

CROA made with the knowledge required by Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A), is subject to monetary civil penalties for each violation of CROA. See 15 U.S.C. § 45(m)(1)(A), as modified by Section 4 of the Federal Civil Penalties Inflation Adjustment Act of 1990, 28 U.S.C. § 2461, the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Public Law 114-74, sec. 701, 129 Stat. 599 (2015); see 16 C.F.R. § 1.98(d).

19. Each instance in which Defendants have failed to comply with CROA constitutes a separate violation of CROA for the purpose of assessing monetary civil penalties.

THE TELEMARKETING SALES RULE

20. In 1994, Congress directed the FTC to prescribe rules prohibiting abusive and deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15 U.S.C. §§ 6101-6108. The FTC adopted the original Telemarketing Sales Rule in 1995, extensively amended it in 2003, and amended certain sections thereafter. 16 C.F.R. Part 310.

21. Under the TSR, a “telemarketer” means any person who, in connection with telemarketing, initiates or receives telephone calls to or from a consumer or donor. 16 C.F.R. § 310.2(ff). A “seller” means any person who, in connection with a telemarketing transaction, provides, offers to provide, or arranges for others to provide goods or services to the customer in exchange for consideration. 16 C.F.R. § 310.2(dd).

22. The TSR prohibits sellers and telemarketers from misrepresenting, directly or by implication, any material aspect of the performance, efficacy, nature, or central characteristics of goods or services that are the subject of a sales offer. 16 C.F.R. § 310.3(a)(2)(iii).

23. The TSR bars sellers and telemarketers from requesting

which the seller has represented all of the goods or services will be provided to that person has expired; and (b) the seller has provided the person with documentation in the form of a consumer report from a consumer reporting agency demonstrating that the promises have been achieved, such report having been issued more than six months after the results were achieved. 16 C.F.R. § 310.4(a)(2). The TSR also prohibits sellers and telemarketers from requesting or receiving payment of any fee or consideration in advance of obtaining a loan or other extension of credit when the seller or telemarketer has guaranteed or represented a high likelihood of success in obtaining or arranging a loan or other extension of credit for a person. 16 C.F.R. § 310.4(a)(4).

24. Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. § 6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of the TSR constitutes an unfair or deceptive act or practice in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a). A violation of the TSR made with the knowledge required by Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. § 45(m)(1)(A), is subject to monetary civil penalties for each violation. See 15 U.S.C. § 45(m)(1)(A), as modified by Section 4 of the Federal Civil Penalties Inflation Adjustment Act of 1990, 28 U.S.C. § 2461, the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Public Law 114, sec. 701, 129 Stat. 599 (2015); see 16 C.F.R. § 1.98(d).

in restructuring and rebuilding your credit.”

x Your scores will increase according to how many Positive Accounts you have after

36. Defendants' telephonic representatives require consumers to provide a credit or debit card number on the phone. They tell consumers that they make at least a down payment immediately. Defendants charge consumers' credit or debit cards debit payment from consumers' bank accounts soon after they receive the billing information, and well before the promised credit repair services have been provided or completed.

37. Defendants' Instagram account makes clear that Defendants require payment before the work is performed.

consumers with the aforementioned “Notice of Cancellation” form duplicate, that explains consumers’ three-day right to cancel the contract. Defendants have also failed to provide many consumers with copies of the contracts they signed.

Defendants Do Not Follow Through on Credit Repair Promises

40. As detailed above, Defendants claim they can improve consumers’ credit scores by removing negative items from their credit report and adding positive credit history. However, is no legal way to remove accurate, non-solete negative items from a consumer’s credit history. Defendants’ strategy for removing negative items has included filing bogus identity theft reports and fabricating baseless credit disputes. Defendants purport to add “positive credit history” by instructing consumers to apply for store credit cards to pay to be added to as an authorized user on a “trade line” i.e., a line of credit Defendants’ services do little or noth2 (ti)-2 (d [(A)2 (s)t Tw 8.

credit scores by, among other things ~~a~~) removing negative information from consumers' credit reports or profiles ~~and~~ b) selling credit building products, such as store credit cards

50. In fact, when Defendants have made the representations set forth ~~above~~ ~~above~~ representations were false or misleading.

51. Therefore, Defendants' false or misleading representations as set forth above constitute deceptive ~~and~~ practices in violation of Section 5 ~~(a)~~ of the FTC Act, 15 U.S.C. § 45(a).

COUNT II Fraudulent or Deceptive Credit Repair Practices

52. Paragraphs ~~51~~ are incorporated as if set forth herein.

53. Defendants ~~are~~ a "credit repair organization" under Section 403(3) of CROA, 15 U.S.C. § 1679a(3).

54. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of services to consumers by a credit repair organization, Defendants have engaged in practices prohibited by CROA. For example, Defendants ~~have~~ made statements, or counseled or advised consumers to make statements, which are untrue or misleading with respect to their credit worthiness, credit standing, or credit capacity to consumer reporting ~~agenci~~ including by filing or causing to be filed identity theft reports even when consumers have not, in fact, been victims of identity theft.

55. In addition, Defendants have made untrue or misleading representations to consumers, including that ~~Defendants~~ will significantly improve consumers' credit scores by, among other things ~~a~~) removing negative information from consumers' credit reports or profiles; and/or ~~b~~) selling credit building products, such as store credit cards, that will appear on consumers' credit reports or profiles

56. Defendants also have engaged, directly or indirectly, in acts, practices, or course of business that constitute or result in the commission of, or an attempt to commit, a fraud or deception on any person in connection with the offer or sale of the services of the credit repair organization, including by filing identity theft reports on behalf of consumers even when consumers have not, in fact, been victims of identity theft.

57. Defendants have actual knowledge or knowledge fairly imputed to the federal credit repair organization laws or analogous state laws that apply to and regulate credit repair organizations.

58. Therefore, Defendants' acts or practices as set forth above violate Section 404(a) of CROA, 15 U.S.C. § 1679b(a)

COUNT III

Violation of Prohibition against Charging Advanced Fees for Credit Repair Services

59. Paragraphs 58 are incorporated as if set forth herein.

60. In numerous instances, in connection with advertising, marketing, promotion, offering for sale, or sale of services to consumers by a credit repair organization, 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.

61. Therefore, Defendants' acts or practices as set forth above violate Section 404(b) of CROA, 15 U.S.C. § 1679b(b).

COUNT IV

Failure to Make Good on a Promise to Perform Credit Repair Services

and Federal Law,” in the form and manner required by CROA, to consumers before any contract or agreement was executed.

64. Therefore, Defendants acts or practices as set forth above violate Section 405 of CROA, 15 U.S.C. § 1679

COUNT V

Failure to Include Required Terms and Conditions in Contracts

65. Paragraphs-64 are incorporated as if set forth herein.

66. In connection with the sale of services to consumers by a credit repair organization, Defendants have failed to include in their consumer contracts the following required terms and conditions: the specific conspicuous statement in bold face type, in immediate proximity to the space reserved for the consumer’s signature on the contract, regarding the consumers’ right to cancel the contracts without penalty or obligation at any time before the third business day after the date on which consumers signed the contract

67. Therefore, Defendants acts or practices as set forth above violate Section 406 of CROA, 15 U.S.C. § 1679d.

COUNT VI

Failure to Provide Copy of Contract and Cancellation Form

68. Paragraphs-67 are incorporated as if set forth herein.

69. In connection with the sale of services to consumers by a credit repair organization, Defendants have failed to provide with their consumer contracts a form with the heading “Notice of Cancellation,” in the form and manner required by CROA to consumers. Similarly, Defendants have failed to provide consumers who entered into a contract with Defendants a copy of the completed contract and all disclosures required under CROA and a copy of any other document Defendants required the consumers to sign.

70. Therefore, Defendants' acts or practices as set forth above violate Section 407 of CROA, 15 U.S.C. § 1679

COUNT VII

Violations of Prohibition on Deceptive Telemarketing Practices

71. Paragraphs-70 are incorporated as if set forth herein

72. Defendants are "seller[s]" or "telemarketer[s]" engaged in "telemarketing," as those terms are defined in the TSR, 16 C.F.R. § 310.2(dd), (ff), and (gg).

73. In numerous instances, in connection with the telemarketing of credit repair services, Defendants have misrepresented, directly or by implication, material aspects of the performance, efficacy, nature, or central characteristics of their credit repair services, including but not limited to, that Defendants will significantly improve consumers' credit scores by, among other things a) removing negative information from consumers' credit reports or profiles; and/or b) selling credit building products, such as store credit cards, that will appear on consumers' credit reports or profiles

74. Defendants have actual knowledge or knowledge fairly implied of the TSR or analogous federal or state laws that regulate telemarketing.

75. Therefore, Defendants' acts or practices as set forth above violate Section 310.3 of the TSR, 16 C.F.R. § 310.3.

COUNT VIII

Violation of Prohibition against Abusive Telemarketing Practices

76. Paragraphs-75 are incorporated as if set forth herein

77. In connection with the telemarketing of credit repair services, Defendants have engaged in abusive telemarketing practices in violation of the TSR. Defendants have requested or received payment of a fee or consideration for credit repair services before the (time frame in

which Defendants have represented all of the credit repair services will be provided to consumers has expired; and (b) Defendants have provided consumers with documentation in the form of a consumer report from a consumer reporting agency demonstrating that the promised results have been achieved, such report having been issued more than six months after the results were achieved.

78. In addition, Defendants have requested or received payment of a fee or consideration in advance of obtaining a loan or other extension of credit when the seller or telemarketer has guaranteed or represented a high likelihood of success in obtaining or arranging a loan or other extension of credit for a person.

79. Defendants acts or practices as set forth above violate Section 310.4 of the TSR, 16 C.F.R. § 310.4.

CONSUMER INJURY

80. Consumers are suffering, have suffered and will continue to suffer substantial injury as a result of Defendants' violations of the FTC, CROA, and the TSR. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers and harm the public interest.

PRAYER FOR RELIEF

Wherefore, Plaintiff requests that the Court

- A. Grant 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, an order freezing assets, and appointment of a receiver;

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