

FEDERAL TRADE COMMISSION ,

Plaintiff,

v.

FINANCIAL EDUCATION SERVICES,
INC., a Michigan Corporation,

UNITED WEALTH SERVICES, INC. , a
Michigan corporation,

VR-TECH, LLC , a Michigan limited
liability company,

VR-TECH MGT, LLC , a Michigan
limited liability company,

CM RENT INC. , a Colorado corporation,

YOUTH FINANCIAL LITERACY
FOUNDATION , a Michigan nonprofit
corporation,

PARIMAL NAIK , in his individual and
corporate capacity,

MICHAEL TOLOFF , in his individual
and corporate capacity,

CHRISTOPHER TOLOFF , in his
individual and corporate capacity, and

GERALD THOMPSON , in his individual
and corporate capacity,

Defendants.

5. Venue is proper in this District under 28 U.S.C. § 1391(b)(1), (b)(2), (c)(1), and (c)(2), and 15 U.S.C. § 53(b).

PLAINTIFF

6. The FTC is an independent agency of the United States Government created by the FTC Act, which authorizes the FTC to commence this district court civil action by its own attorneys. 15 U.S.C. §§ 41-58. The FTC enforces 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 enforces CROA, 15 U.S.C. §§ 1679-1679l, which prohibits untrue or misleading representations to induce the purchase of credit repair services, requires certain affirmative disclosures in the offering or sale of credit repair services, and prohibits credit repair service organizations from charging or receiving money or other valuable consideration for the performance of credit repair services before such services are fully performed. The FTC also enforces the Telemarketing Act, 15 U.S.C. §§ 6101-6108. Pursuant to the Telemarketing Act, the FTC promulgated and enforces the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive telemarketing acts or practices.

DEFENDANTS

7. Defendant Financial Education Services, Inc (“FES”) is a Michigan corporation with its principal place of business at 37637 Five Mile Road, Suite 397, Livonia, Michigan. FES was originally incorporated as Credit

Education Services, Inc. FES has also done business as American Credit Education Premium Services, American Credit Education Services, United Credit Education Premium Services, United Credit Education Services, United Wealth Education, and VR-Tech Marketing Group. At all times relevant to this Complaint, acting alone or in concert with others, FES has marketed and sold credit repair services and investment opportunities to consumers throughout the United States. FES transacts or has transacted business in this District and throughout the United States.

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three previously incorporated Michigan companies, VR-Tech Data Processing Solutions, LLC, VR-Tech Software Solutions, LLC, and VR-Tech Marketing Group, LLC. VR-Tech has also done business as Financial Education & Services, LLC. At all times relevant to this Complaint, acting alone or in concert with others, VR-Tech has marketed and sold credit repair services and investment opportunities to consumers throughout the United States. VR-Tech transacts or has transacted business in this District and throughout the United States.

10. Defendant VR-Tech MGT, LLC (“VR-Tech Mgt”) is a Michigan limited liability company with its principal place of business at 37735 Enterprise Court, Suite 600, Farmington Hills, Michigan. At all times relevant to this Complaint, acting alone or in concert with others, VR-Tech Mgt has marketed and sold credit repair services and investment opportunities to consumers throughout the United States. VR-Tech Mgt transacts or has transacted business in this District and throughout the United States.
11. Defendant CM Rent Inc. (“CM Rent”) is a Colorado company with its principal place of business at 1415 Park Avenue, Denver, Colorado. CM Rent is registered as a foreign corporation in Michigan, with an address of 1 Towne Square, Suite 1835, Southfield, Michigan. CM Rent has also done business as Credit My Rent. At all times relevant to this Complaint, acting alone or in concert with others, CM-Rent has marketed and sold credit repair

services and investment opportunities to consumers throughout the United States. CM-Rent transacts or has transacted business in this District and throughout the United States.

12. Defendant Youth Financial Literacy Foundation (“Youth Financial”) is a Michigan nonprofit corporation with its principal place of business at 37637 Five Mile Road, Suite 397, Livonia, Michigan. Youth Financial was originally incorporated as MSU Common Sense, Inc., which changed its name to The Thompson Scholarship Foundation, Inc., which changed its name to Patro Scholarship Foundation, Inc., which changed its name to Youth Financial. Youth Financial has also done business as American Credit Education Services, Financial Education, Financial Literacy Education Services, and United Credit Education Services. At all times relevant to this Complaint, Youth Financial has carried on business for its own profit or that of its members. At all times relevant to this Complaint, acting alone or in concert with others, Youth Financial has marketed and sold credit repair services and investment opportunities to consumers throughout the United States. Youth Financial transacts or has transacted business in this District and throughout the United States.
13. Defendant Parimal Naik is or was an owner, officer, director, or manager of Youth Financial, FES, and VR-Tech

often paid using his credit card. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in this Complaint. Defendant Parimal Naik resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.

14. Defendant Michael Toloff is or was an owner, officer, director, or manager of Youth Financial, FES, and VR-Tech Mgt. He is an authorized signatory on many of Defendants' bank accounts. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in this Complaint. Defendant Michael Toloff resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.

15. Defendant Christopher Toloff is or was an owner, officer, director, or manager of Youth Financial and CM Rent. He is an authorized signatory on many of Defendants' bank accounts. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in this Complaint. Defendant Christopher Toloff resides in this District and,

in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.

16. Defendant Gerald Thompson is or was an owner, officer, director, or manager of Youth Financial and FES. He is an authorized signatory on many of Defendants' bank accounts. At all times relevant to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices set forth in this Complaint. Defendant Gerald Thompson resides in this District and, in connection with the matters alleged herein, transacts or has transacted business in this District and throughout the United States.

COMMON ENTERPRISE

17. Defendants FES, United Wealth, VR-Tech, VR-Tech Mgt, CM Rent, and Youth Financial (collectively, "Corporate Defendants") have operated as a common enterprise while engaging in the unlawful acts and practices alleged below. Corporate Defendants have conducted the business practices described below through an interrelated network of companies that have common ownership, officers, managers, business functions, employees, and office locations, and that commingled funds. Because these Corporate Defendants have operated as a common enterprise, each of them is liable for the acts and practices alleged below.

COMMERCE

18. At all times relevant to this Complaint, 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’ UNLAWFUL BUSINESS ACTIVITIES

Defendants’ Unlawful Credit Repair Services

Defendants’ Deceptive Internet and Social Media Claims

19. To induce consumers to purchase their credit repair services, Defendants and their agents utilize Internet websites, including ucesprotectionplan.com, united-credit.org, creditmyrent.com, financialeducationservices.com and fesprotectionplan.com, as well as social media sites, such as Facebook, Instagram, and YouTube on which they make deceptive claims regarding their services.
20. Defendants claim they can successfully and permanently remove all negative information from consumers’ credit histories or credit reports. Defendants also claim they will build a positive payment history for consumers by reporting their rental payments to credit reporting agencies, through their Credit My Rent service. Defendants also claim they can obtain for consumers credit-building products, such as secured credit cards. Defendants claim that these activities will significantly increase consumers’ credit scores and their eligibility

21. For example, Defendants and their agents have made the following statements regarding Defendants' credit repair services:

- x Who needs negative items removed from their credit report Permanently???
- x Attention!! If you have 400-500 credit score and want a 700-800 score, I have a connection that legally erases negative things..repos, foreclosures, late payments, medical, student loans evictions, and more.
- x If you have 400-675 credit score and want a 700-800 credit score, David can LEGALLY erase negative items...repos, foreclosures, late payments, medical, student loans, evictions, and more
- x Good morning! Did You Know? Late payments can be removed from your credit report & increase your score by 100 points!!
- x Si tu puntaje de credito es menos de 600 nosotros tenemos los servicios

Collections Ü Deleted
Bankruptcy Ü Deleted
Evictions Ü Deleted
Repossessions Ü Deleted

Any negative items on your credit report are deleted. (r)3.7 (c)3.12.4 0 Td se 2:22-cve 2:22-cve 2:22r9 Td

representatives sometimes refer to their dispute process as something “the credit bureaus don’t want you to know about.”

25. In numerous instances, Defendants’ representatives claim that as a result of Defendants’ services, consumers’ credit scores will improve significantly within 30 to 90 days.

Defendants’ COVID-Related Claims

26. Defendants and their agents have also made numerous recent statements that prey on consumers’ fears regarding the financial uncertainty associated with the COVID-19 pandemic as a reason for purchasing their 12 (mu95 (ng)8.6 (th)(EMC /Sp

Imagine over 90 million people with a credit score less than 599. Can we agree that we're offering something that people need?

27. Meanwhile, in some instances, Defendants encourage FES Agents to market their credit repair services by saying, without any substantiation, that because of the COVID-19 pandemic, the credit bureau and creditor work force would be less likely to respond timely to dispute letters, resulting in the automatic removal of the disputed items.

Defendants' Unlawful Enrollment Process

28. Before providing any of the promised credit repair services, Defendants require consumers to make an upfront payment for these services. Defendants' representatives typically tell consumers that Defendants' services cost \$89 per month with a one-time payment of \$99, variously referred to as a registration or activation fee. In more recent instances, the monthly fee drops to \$69 per month after 3 months of enrollment, and then to \$49 per month after one year. To enroll, Defendants require consumers to pay the \$99 registration fee and the first month fee of \$89, for a total of \$188. In some instances, Defendants will offer to lower or waive the registration fee if the consumers agree to sign up on the call.
29. Consumers enrolling in Defendants' Credit My Rent service must pay additional fees before receiving services. The base fee is \$14.95 per month, for which Defendants purport to report one rent payment each month. For an

principal business address; or (4) a conspicuous statement in bold face type, in immediate proximity to the space reserved for the consumer's signature on the contract, which reads as follows: "You may cancel this contract without penalty or obligation at any time before midnight of the 3rd business day after the date on which you signed the contract. See the attached notice of cancellation form for an explanation of this right."

32. In numerous instances, Defendants fail 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.
33. In numerous instances, Defendants fail to provide consumers with a "Notice of Cancellation" form, in duplicate, containing prescribed language concerning consumers' three-day right to cancel that consumers can use to cancel the contract.

Defendants Do Not Follow Through on Credit Repair Promises

34. In numerous instances, Defendants email consumers form dispute letters challenging, without support, all or almost all negative information in consumers' credit reports. Defendants instruct consumers to print the letters and mail them directly to the credit reporting agencies. In numerous instances, however, these unsupported challenges have not caused credit reporting agencies to delete permanently or change the information.

about a million dollars every single 30 days in business. At 2.25 percent,
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41. Defendants and their agents also depict purported success stories of consumers who became FES Agents. The testimonials include the following statements:

- x As a wife, mom of four growing boys and one disabled, I needed an opportunity that would give me more income and time flexibility with my family. While I did make a lot of money with my first work from-home opportunity, I didn't get time with family like I wanted. Then, a Friend introduced me to FES after a financial crisis hit my family...I'm forever grateful because I really needed the services! Now, it's been five years since I said "YES to FES" and my life has truly changed! I've become Pinnacle Senior Vice President, earned the Bentley, dneeete ead hue

x Knew this was coming!!!! This single mom moved to Atlanta 4 years ago, retired hair stylist slept on a friends [sic] couch fast forward to joining our company and becoming a millionaire! I posted her getting her G wagon last year and now it's paid off! She can legit sell this for 280k IF she were to ever go broke and need cash! . . . Wealth is the goal!!!!
#unitedwealtheducation

Defendants' Deceptive Telemarketing Activity

42. When consumers speak with Defendants' representatives regarding

Defendants' COVIDRelated Claims

43. Defendants and their agents have also made numerous recent statements that prey on consumers' fears regarding the COVID-19 pandemic and its financial effects as reason for enrolling in their investment opportunity. For example, in YouTube video presentations, Defendants and their agents have made statements regarding the benefits of Defendants' investment opportunity such as:

- x You can imagine during Covid how many restaurant owners, how many different people that have brick and mortars lost money because of that. And so I like to joke and tell people, but it's true, in this day and age it's not brick and mortar, everything is click and mortar. And so you gotta figure it out, right? And so this is the best way.
- x And I just heard a sad story you know the other day, you know somebody that never had COVID, went and got you know the shot, and the second shot, they ended up dying. And so you know tell somebody, if anything tonight that you guys gain from this, tell your family, friends, and loved ones you love them. Because you never know when you're gonna see them. So United Wealth Education, right, we provide agents the ability to build a business by marketing innovative financial literacy tools and products and services from the comfort of your phone or home.
- x Well first of all, because of COVID, I lost my job. So I had no job. Then I started working as a driver, long hours, low paying, not really worth it. . . . Actually I got sick, missed a month back, I was really down low, had barely money. . . had to max out my credit cards. So that reason, my cousin's wife, she's a Sales Director right now, she introduced me to the company.

Signup Process

44. In order to become an FES Agent, Defendants require consumers to pay an upfront fee of \$299. The fee consists of a one-time “set up” fee, purportedly to cover administrative costs associated with setting up the FES Agent’s business. In addition, Defendants require consumers who want to become FES Agents to enroll in Defendants’ credit repair services if they have not already done so, regardless of the prospective FES Agent’s credit score. The first month’s fee of \$89 is added to the administrative fee. FES Agents then pay \$89 per month thereafter (although in more recent instances, the monthly fee drops to \$69 per month after three months, and then to \$49 per month after one year). Defendants inform FES Agents, however, that if they recruit and maintain a certain number of new FES Agents in a month, the next month’s fee will be waived.
45. Defendants require consumers to provide their financial information, including their credit or debit card number or account routing number and bank account number, on the phone.

Defendants Provide Consumers with Deceptive Advertising Materials

46. In numerous instances after signing up, Defendants provide new FES Agents with marketing materials necessary for FES Agents to market Defendants’ credit repair services and recruit additional FES Agents. For example, in numerous instances, consumers are provided with scripts to use when

Agent earns a \$12 commission for each person who enrolls in Defendants' credit repair services, and \$12 each month thereafter as long as the person continues to make his or her payments to Defendants.

52. The second, and main, way FES Agents are purportedly eligible to be paid is by creating "lineage organizations" and "building a team." This is commonly referred to as a "downline." By urging FES Agents to create lineage organizations and build a team, Defendants stress that an FES Agent has the ability to make significantly more money by recruiting new agents. Through the combination of new agent recruitment and purchases of credit repair services, FES Agents can achieve "titles" and trigger "bonuses."
53. When first recruited, an FES Agent is called an "a

a certain number of downline FES Agents having achieved their own titles, and a certain dollar amount in personal credit repair services revenue each month. For example, to move from “agent” to “field trainer,” an FES Agent needs to have two FES Agents in his or her downline (each referred to as a “leg”), with each downline FES Agent bringing in a minimum of \$400 in monthly revenue and the FES Agent and the downline FES Agents together bringing in a minimum of \$1,600 in monthly revenue. To become a “senior field trainer,” in addition to an increase in the dollar amount of monthly revenue, the FES Agent needs to have both downline FES Agents themselves become “field trainers” (i.e., each must have recruited an additional two FES Agents). Nothing in the compensation plan requires that some or all of the monthly revenue requirements be met through sales to non-participants. Thus FES Agents have the ability to meet the requirement solely through purchases of credit repair services by themselves and other FES Agents, including in the form of continued payment of monthly fees for credit repair services.

55. Defendants explain to consumers that if an FES Agent establishes a strong enough set of “teams” in his or her downline that are consistently performing at a high level (i.e., in terms of new agent recruitment and purchases of credit repair services), the FES Agent at the top can maintain a high title on a monthly basis (and all commensurate bonuses) without having to do very much personal work.

56. Defendants explain that FES Agents can earn bonuses when a qualified FES Agent enrolls a new FES Agent who produces a certain minimum of personal revenue within a specific time frame. If those conditions are met, the enrolling FES Agent and any upline FES Agents receive bonuses. Additional bonuses are available to FES Agents who achieve higher titles and provide significantly more money to those with larger downlines. The amounts of the bonuses increase significantly as the FES Agent earns higher titles, further emphasizing that the most lucrative rewards come from recruiting new FES Agents rather than the purchase by non-agents of credit repair services. For example, Defendants purport to pay what they call a “customer acquisition bonus” or “CAB” that is generated when an FES Agent enrolls a new agent. “Agents” typically receive a CAB of \$100, “field trainers” receive \$160, “senior field trainers” receive \$240, and “pinnacle senior vice presidents” receive \$560. Another bonus is called the “infinity bonus” that starts for FES Agents who rise to the “sales director” level. The infinity bonus is a percentage of the revenue brought in by the FES Agent’s entire downline. A “sales director” typically gets an infinity bonus of 0.5%, a “regional sales

VIOLATIONS OF THE FTC ACT

63. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts or practices in or affecting commerce.”
64. Misrepresentations or deceptive omissions of material fact constitute deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

COUNT I Misrepresentations Regarding Credit Repair Services

65. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of credit repair services, Defendants have represented, directly or indirectly, expressly or by implication, that Defendants will significantly improve consumers’ credit scores by, among other things, removing negative information permanently from consumers’ credit reports or profiles or adding positive payment history to consumers’ credit reports or profiles.
66. In truth and in fact, in numerous instances in which Defendants have made the representations set forth in Paragraph 65 of this Complaint, such representations were false or misleading or not substantiated at the time Defendants made them.
67. Therefore, Defendants’ making of the representations as set forth in Paragraph 65 constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

72. Therefore, Defendants' making of the representations as set forth in Paragraph 70

deceptive advertising and business practices by credit repair organizations.

15 U.S.C. § 1679(b).

77. 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. § 1679a(3).
78. Defendants are a “credit repair organization.”
79. CROA prohibits all persons from making or using any untrue or misleading representation of the services of the credit repair organization. 15 U.S.C. §

concerning consumers' three-day right to cancel that consumers can use to cancel the contract. 15 U.S.C. § 1679e(b).

85. CROA requires that any consumer who enters into a contract with a credit repair

94. Therefore, Defendants' acts or practices as set forth in Paragraph 93 violate Section 406(a) of CROA, 15 U.S.C. § 1679d(a).

COUNT IX

Failure to Include Required Terms and Conditions in Contracts

95. In numerous instances, in connection with the sale of services to consumers by a credit repair organization, as that term is defined in Section 403(3) of CROA, 15 U.S.C. § 1679a(3), Defendants have failed to include in their consumer contracts the following required terms and conditions: (1) the terms and conditions of payment, including the total amount of all payments to be made by the consumer to Defendants or to any other person, (2) a full and detailed description of the credit repair services to be performed by Defendants for the consumer, including (a) all guarantees of performance, and (b) an estimate of (i) the date by which the performance of the services (to be performed by Defendants or any other person) will be complete or (ii) the length of the period necessary to perform such services; (3) Defendants' name and principal business address; or (4) 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

VIOLETIONS OF THE TELEMARKEETING SALES RULE

101. 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.
102. 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).
103. 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).
104. The TSR defines “investment opportunity[ies]” to mean “anything, tangible or intangible, that is offered, offered for sale, sold, or traded based wholly or in part on representations, either express or implied, about past, present, or future income, profit, or appreciation. 16 C.F.R. § 310.2(s).
105. The TSR prohibits sellers and telemarketers from misrepresenting, directly or by implication, any material aspect of the performance, efficacy, nature, or

109. 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). Section 19(a)(1) of the FTC Act, 15 U.S.C. § 57b(a)(1), provides that the FTC may commence a civil action against “any person, partnership, or corporation” who “violates any rule . . . respecting unfair or deceptive acts or practices.” Section 19(b) of the FTC Act, 15 U.S.C. § 57b(b), provides that in any action commenced under Section 19(a)(1), the court “shall have jurisdiction to grant such relief as the court finds necessary to redress injury to consumers, including but not limited to rescission or reformation of contracts, the refund of money or return of property, the payment of damages, and public notification.”

COUNT XII
Misrepresentations Regarding Credit Repair Services

110. 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 removing negative information permanently from consumers’ credit reports

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.

115. Therefore, Defendants)14s7 (tR.-rs)8.2 (a)3.5 (f)heehaep6dnbm5tsehaeanatgatph

PRAYER FOR RELIEF

Wherefore, Plaintiff FTC 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, immediate access to business premises, and appointment of a receiver;

B. Enter a permanent injunction to prevent future violations of the FTC Act, CROA, and the TSR by Defendants;

C. Award monetary and other relief within the Court's power to grant;
and

D. Award any additional relief as the Court determines to be just and proper.

Dated: May 23, 2022

Respectfully submitted,

/s/Gregory A. Ashe
GREGORY A. ASHE
K. MICHELLE GRAJALES
JULIA E. HEALD
Federal Trade Commission