## UNITED STATES OF AMERICA BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Lina M. Khan, Chair

Noah Joshua Phillips Rebecca Kelly Slaughter Christine S. Wilson

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In the Matter of

Docket No. 9407 3ublicversion

HOMEADVISOR, INC., a corporation, d/b/a ANGI LEADS, d/b/a HOMEADVISOR POWERED BY ANGI.

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## <u>COMPLAINT</u>

The Federal Trade Commission, havingson to believe thatomeAdvisor, Inc., a corporation has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

- 1. Respondent Home Advisor, Inc. ( Home Advisor), also doing business as Angi Leads, also doing business at me Advisor Powered by Angi, is a Delaware corporation with its principal offices or places of business at 601 Walnut Street, Denver, Colorado 80205 and 14023 Denver West Parkway, Golden, Colorado 80401
- 2. HomeAdvisor has marketed/værtised, offered for sale, and sold products to home service providers, including leadsomeAdvisormembership, and mHelpDesk.
- 3. The acts and practices ldbmeAdvisoralleged in this complaint have been in or affecting commerce, ascommerce is defined in Section 4 of the Federal Trade Commission Act.

## Summary of the Matter

4. HomeAdvisorcollects information about potential customers for home services like kitchen remodels or lawn care, and sells that information to service provides settwork, such as general contractors and gardeners, as leads.

- 5. HomeAdvisor recruits service providepsimarily small businesses, through marketing materials an sales agents who call service providers and attempt to persuade them to join + R P H \$ G Y LQVHRW \$\mathbb{X} \mathbb{R} \text{U N} \text{N} \text{U N} \text{N} \text{U N} \text{R U N} \text{V R U P H \$ G Y L V R U P VS (a) H W Z R U N annual membership feet \$287.99in addition topaying foreach leadwhich can range from
- 6. Since at least July 2014, HomeAdvistmough it sales agents and marketing materials has made representations to service providers about the quality, characteristics, and source of  $+RPH\$GYLVRU\PVOHDGVWKDWDUHIDOVHPLVOHDGLQJRUXO that its leads concern peophero intend to hire a service provider soon, even though many of them do not HomeAdvisor represents that service providers will only receive leads that match the types of services they provide and their geographic preferences, even though many service providers receive leads that do not match the types of services they provide or their geographic preferences. HomeAdvisor represents that its leads concern people who knowinglytsought assistance in selecting a service provider, even though many of the HomeAdvisor sells are purchased from third parties who collect information from potential customers without first revealing their affiliation with HomeAdvisor. In addition, HomeAdvisor represents to service providers that its leads convert into jobs at each of the provider of the$
- 7. 6LQFHDWOHDVW + RPH\$GYLVRU¶VVDOHVDJHQWVKD optional onemonth subscription to a field service software, mHelpDesk, which assists service providers with task like scheduling appointments and processing payments. Whereas HomeAdvisor has represented to service providers that the first mothem HelpDesk subscription is free with an annual membership, in fact in the first mothem of the subscription increases the cost of the annual membership by \$59.99.
- 8. % DVHG RQ +RPH\$GYLVRU¶V IDOVH PLVOHDGLQJ RU XQVX TXDOLW\ FKDUDFWHULVWLFV DQG VRXUFH RI +RPH\$GYLVRU¶ convert into jobs,VHUYLFH SURYLGHUV DJUHH WR MRLQ +RPH\$GYLVRU¶ (and often inflated) membership fee, followed by additional fees for each lead they receive. Service providers, already busy with the demands of running small businesses, expiend pre time following up on leads that are not of the quality HomeAdvisor promises, and still more time seeking, often unsuccessfully, credits and refunds from HomeAdvisor for such leads.

project and provide contact information. A visitem also browse a directory of service  $SURYLGHUVRQ+RPH\$GYLVRU\PVZHEVLWH$ 

- 11. Using the information visitors submit to its website, HomeAdvisor sells a variety of lead W\SHV WR VHUYLFH SURYLGHUV LQFOXGLQJ 3 0 10, Q M W 10 Q0 MD W F % RRNLQJ / HDGV ´
- 12. of the leads HomeAdvisor sells to service providers are Market Match Leads.

recourse is to request a credit to her HomeAdvisor account for the thetlead in question. If HomeAdvisor grants the credit request, HomeAdvisor then applies the credit against the cost of future leads. HomeAdvisor does not generally provide refunds for leads.

22. Service providers can submit lead credit requests by isperwith a HomeAdvisor FXVWRPHUVHUYLFHUHSUFFUHQLWWDWLHYTHXHZWWRRRQEWFKWFWWWWWYHL Service providers can also submit lead credit requests online via their HomeAdvisor account. To submit a lead credit request, a seeviporovider must provide the reason the service provider thinks a credit is appropriate. HomeAdvisor grants lead credit requests at its discretion based on DYDULHW\RIII

Since
July 2014, HomeAdvisor has deniærøre thar

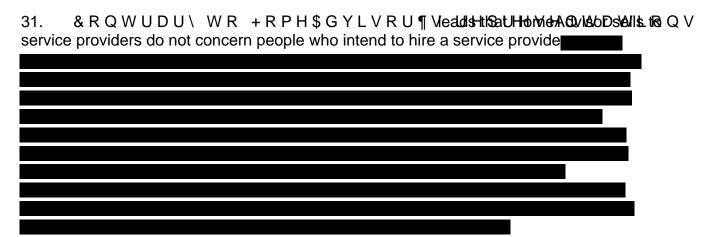
percentof those submitted

+RPH\$GYLVRU¶V 0LVUHSUHVHQWDWLRQV \$ERXW

23.

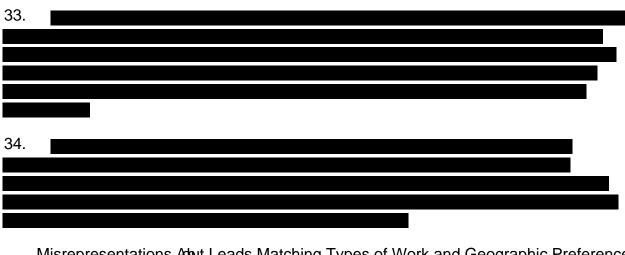


Illustration 3: email marketing setto prospective service provider members



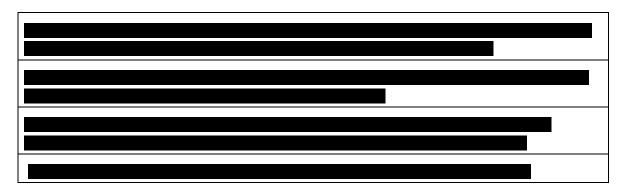
32. Indeed, HomeAdvisor sells information to service providers as leads even when internet users affirmatively indicate that theto notintend to hire a service provider soon. For example, one of the questions that a user typically must answer about a home project is whether its status LV ³5HDG\WR+LUH′RURQO\³3ODQQLQJ %XID MHWLQWRÜ6L typically must answer is how soon they would like the project completed (37LPLQJLVIOH[LEOH′3:LWKLQHHZIHHNR′U33ORUH WKDQ ZHHNV′ <HWZKHWKLQUWHKUHQLHWWWKKHHURZQHKRURLU]HG WRPDN

andmany of the leads that HomeAdvisor sells to service providers concern people who described their project VWDWXVRQO\DV33ODQCDMfleXingefreinWe for Qcomplexion YLGHGDQCDMfleXingefreinWeightextingefreinWeightextingefreinWeightextingefreinWeightextingefreinWeightextingefreinWeightextingefreinWeightextingefreinWeightextingefreinWeightextingefreinWeightextingefreinweightext



Misrepresentations Adut Leads Matching Types of Work and Geographic Preferences

35. , Q Q X P H U R X V L Q V W D Q F H V + R P H \$ G Y L V R U ¶ V WD ЮНН V D J H leads they will receive concern home services projects that match the type of work and geographic preferensethat service providers express to HomeAdvisor. For example, in sales F D O O V + R P H \$ G Y L V R U ¶ V V D O H V D J H Q W V K D Y H G H V F U L E H G W

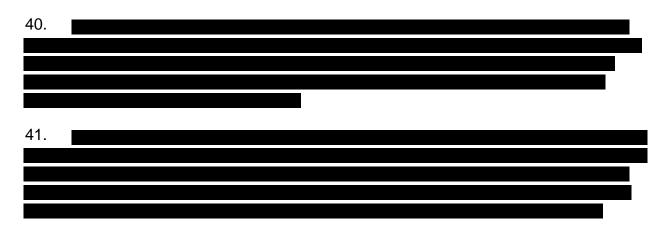


Indeed, soulswv xvhg E\ +RPH\$GYLVRU VDOHV DJHQWV GHV 36. follows:



(emphasis original)

37.



Misrepresentation&bout Lead Source

42. +RPH\$GYLVRU¶V VDOHV DJHQWV DOVR KDYH IUHTXHQW( +RPH\$GYLVRU¶HVU**Q**HSDHCRVSÐRIQZFKR NQRZLQJO\ VRXJKW +RPH\$G VHOHFWLQJ D VHUYLFH SURYLGHU )R**VI**DHQ**BT**SDOJHHQLWQV VKDDOYH GHVFULEHG WKH VRXUFH RI +RPH\$GYLVRU¶V OHDGV DV IRO





44. +RPH\$GYLVRU¶V PDUNHWLQJ PDWHULDOV KDYH DOVR U concern people who knowingly sought HomeAdRisU¶V DVVLVWDQFH LQ VHOHFWL +RPH\$GYLVReUha[svdezchibted/Market MatchHLDGV DV IROORZFVRPH&WRQVXPH HomeAdvisor.com and give us detailed infoDERXW WKHLU SURMHFW ´



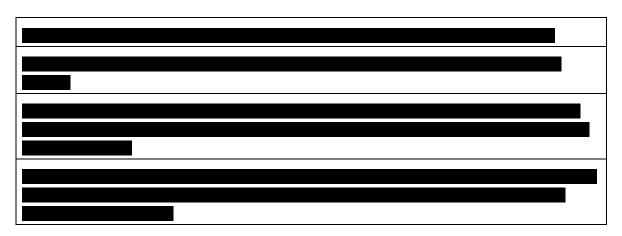
Illustration 6: previously available atttps://www.homeadvisor.com/rfs/enroll/sppostenrollleadsdetails

 Misrepresentations About the Rates at Which L@adsvert into Jobs

48.

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- 54. , Q Q X P H U R X V L Q V W D Q F H V + R P H \$ G Y L V R U ¶ p/rov/dbe/s H V D J H that the cost of an annual membership is \$347.98, and includes a free pothesubscription to mHelpDesk.
- 55. )RU H[DPSOH LQ VDOHV FDOOV +RPH\$GYLVRU¶V VDOHV follows:



- 56. , QGHHG +RPH\$GYLVRU¶V WUDLQLQJ PDWHULDOV KDYH WKWDKWH ILUVW PRQWK RI P+HOS'HVN LV IUHH 6 EEELSWV XVH
- 57. Similarly, until at least 2016, the form email that HomeAdvisor sent service providers confirming their purchase of an annual membership represented that \$347.98 was the cost of the anQXDOPHPEHUVKLSDQGD³IUHH´PRQWKRIP+HOS'HVN
- 58. In fact, the cost of an annual membership is \$287.99. The \$347.98 price has represented the cost of an annual membership plus one month of mHelpDesk, an optional, padduct that costs \$59.99 peronth and automatically renews after the first month. If a service provider does not want a one onth subscription to mHelpDesk, she can purchase an annual membership for \$287.99.

## Count II Misrepresentations About the Rates at which Leads Convert into Jobs

64. for sa	In numerous instar ale, or sale of leads,	ices in connec	ction with the	advertising,	marketing,	promotion,	offering

If you elect not to contest the allegations of fact set forthe Complaint, the answer shouldconsist of a statement that yadmitall of the material facts to be true. Such an answer will constitute a waiver of hearings as to the facts alleged iochreplaint and, together with the Complaint, will provide a record basis on which the Commission issue a final decision containing appropriate findings and conclusions and a final order disposing of the proceeding. In such answer, you may, however, reserve the right to submit profitosieds of fact and conclusions of law underTC Rule§ 3.46.

Failure to answetimely will be deemed to constitute a waiver of your right to appear and contest the allegations of the mplaint. It will also authorize the Commission, without further notice to you, to find the facts to be as alleged in the facts of the facts to be as alleged in the facts of the

- a. A prohibition on misrepresentationiscluding false or unsubstantiated claims connection with the romoting, advertising, marketing, offering for sale, or selling any product or service.
- b. A requirement that, for a period of time, Respondent must send acknowledgments of the order to the Commission.
- c. A requirement that, for period of time, Respondent must create and retain certain business records.
- d. A requirement that, for a period of time, Respondent must provide prior notice to the Commission of all new business activity.
- e. A requirement that, for a period of time, Resportdeust submit compliance reports to the Commission.
- f. Provisions to enable the Commission to monitor Respon that the order.
- g. \$Q\RWKHU UHOLHI DSSURSULDWH WR FRUUHFW RU UI deceptive practices or afry or all of the conduct alleged in the complaint.

THEREFORE, the Federal Trade Commission this 1 th day