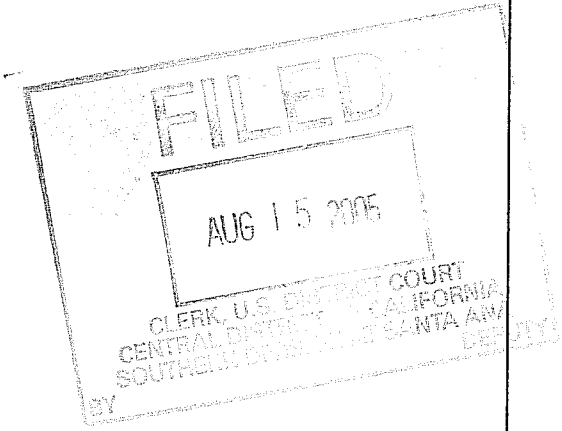


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10 UNITED STATES DISTRICT COURT
11 CENTRAL DISTRICT OF CALIFORNIA

12 FEDERAL TRADE COMMISSION

13 Plaintiff,

14 v.

15 CONSUMERINFO.COM, INC.,
16 a corporation

17 doing business as

18 EXPERIAN CONSUMER DIRECT,
19 QSPACE, INC.,
20 and IPLACE INC.

21 Defendant.

CV. SACV05-801 AHS(MLGx)

**COMPLAINT FOR INJUNCTIVE
AND OTHER EQUITABLE RELIEF**

22
23 Plaintiff, the Federal Trade Commission ("FTC" or "Commission") by its
24 undersigned attorneys, alleges:

25 1. The FTC brings this action under Section 13(b) of the Federal Trade
26 Commission Act ("FTC Act"), 15 U.S.C. § 53(b), to secure a permanent injunction,
27 preliminary relief, and other equitable relief against Defendant for deceptive acts or
28

1 practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

2 **JURISDICTION AND VENUE**

3 2. This Court has subject matter jurisdiction over the FTC's claims
4 pursuant to 15 U.S.C. §§ 45(a) and 53(b) and 28 U.S.C. §§ 1331, 1337(a) and 1345.

5 3. Venue in the Central District of California is proper under 15 U.S.C. §
6 53(b) and 28 U.S.C. § 1391(b) and (c).

7 **PLAINTIFF**

8 4. Plaintiff, the FTC, is an independent agency of the United States
9 government created by statute, 15 U.S.C. §§ 41 *et seq.* The Commission enforces
10 Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive
11 acts or practices in or affecting commerce. The Commission may initiate federal
12 district court proceedings to enjoin violations of the FTC Act and to secure such
13 equitable relief as is appropriate in each case. 15 U.S.C. § 53(b).

14 **DEFENDANT**

15 5. Defendant Consumerinfo.com, Inc., doing business as Experian
16 Consumer Direct, QSpace, Inc., and Iplace, Inc. ("Consumerinfo"), is a California
17 corporation that has its principal place of business at 18500 Von Karman Ave., Suite
18 900, Irvine, California 92612. Consumerinfo has conducted business since at least
19 1995. Consumerinfo conducts business in the Central District of California and
20 throughout the country.

21 **COMMERCE**

22 6. At all times material to this Complaint, Defendant's course of business,
23 including the acts and practices alleged herein, is and has been in or affecting
24 commerce, as "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

25 **DEFENDANT'S BUSINESS PRACTICES**

26 7. Consumerinfo's advertisements and promotional materials offer
27 consumers the opportunity to obtain a credit report free of charge through
28 Consumerinfo's websites located at www.consumerinfo.com,

1 www.freecreditreport.com, and other Internet addresses. Consumers who order their
2 free report are automatically enrolled in a credit monitoring service ("Credit Check
3 Monitoring Service"), a service that allows consumers to access their credit report
4 and determine if inquiries, negative information, public record information, new
5 accounts, or address changes have been added to the consumers' credit files.

6 Consumers who order the free credit report receive a 30-day "free" trial membership
7 in the Credit Check Monitoring Service. If the consumer does not cancel his
8 membership within the trial period, he is charged an annual fee of \$79.95 (prior to
9 December 2003) or a monthly fee of \$12 (since January 2004). The fee is
10 automatically charged to the consumer's credit or debit card, which the consumer is
11 required to provide to obtain his free credit report, and renews each period without
12 further notice to the consumer or the need for further action on the consumer's part.

13 8. Since at least November 2000, Consumerinfo's advertisements offering
14 the free credit report opportunity have appeared in or on Internet websites, Internet
15 pop-up and banner advertisements, e-mails, and in television and radio
16 advertisements. For example, an online advertisement stated:

17 "How's your credit? It might be worse than you think. Find out how
18 you rate with our free credit report. [Emphasis in original.] [This
19 language appears next to a "Free" button symbol that states "FREE
20 CREDIT REPORT Click Here" around its outer edge]."

21 By clicking on the link, potential customers were taken to the Consumerinfo
22 "Welcome to the Credit Center" webpage, which included a second "link" that
23 stated:

24 "Get your FREE online credit report and see where your credit stands!

- 25 • Check for inaccuracies that may affect your
26 credit rating.
- 27 • Protect yourself against fraudulent activity
28 with online alerts.

- Stay on top of your credit and increase your purchasing power."

Another principal advertisement is found at Consumerinfo's website, www.consumerinfo.com. One advertisement at that address stated:

"FREE! FREE! FREE! Get Your FREE Credit Report Online in Seconds!!!! Click here to get a FREE copy of your online Credit Report Instantly*! [*Pending confirmation of your identity.]

And that's not all...along with your INSTANT credit report, we'll give you 30 FREE days of the Credit Check Monitoring Service at no obligation.

So sign up today to have your FREE credit report delivered INSTANTLY online!"

In much smaller type, the advertisement continued:

"Sound too good to be true? Well, we're convinced that once you've tried the CreditCheck Monitoring Service on a FREE trial basis, you'll want to continue with this vital service for staying on top of your credit. But if you don't, that's okay too—there's no obligation and no commitment. And your INSTANT credit report is yours to keep for you! Plus, you can rest assured that your credit rating will NOT be affected when Consumerinfo.Com pulls your FREE credit report for you!"

Benefits of the Credit Check Monitoring Service

Paid membership includes UNLIMITED FREE CREDIT REPORTS, plus online monitoring alerts that inform you of important changes to your credit file, including:

- Derogatory Information
- Inquiries
- Newly opened accounts
- Several indicators of possible credit fraud

1 You'll also receive:

- 2 • Dispute tips
- 3 • CreditCheck Newsletters
- 4 • Free Neighborhood & Homes Sales Reports
- 5 • Toll-free customer service support

6 So **click here** to order your **instant, free credit report** right now!"

7 The following is an example of a Consumerinfo Internet "pop-up"
8 advertisement:

9 "FREE Credit Report!

10 Free Credit Report with a Free Trial Membership!

11 FREE! FREE! FREE! Get a FREE Copy of Your Credit Report

12 Online!!! Click Here to get a FREE copy of your online credit report!

13 And that's not all...along with your FREE credit report, we'll give you

14 30 FREE days of the CreditCheck Monitoring Service at no

15 obligation."

16 9. Consumerinfo also uses the Internet website address

17 www.freecreditreport.com to promote its free credit report offer. Consumerinfo's
18 radio and television advertisements direct consumers to visit

19 www.freecreditreport.com. Sample text from the www.freecreditreport.com home
20 page includes:

21 "Get your FREE credit report in seconds!

22 Click here to get a copy of your FREE online Experian Credit Report

23 Instantly!

24 Plus, along with your FREE credit report, we'll give you a

25 30-day FREE trial of the CreditCheck Monitoring Service membership.

26 Sign up now and have your FREE credit report delivered online in

27 seconds!

28 So what's the catch? There isn't one! But we're convinced that once

1 you've tried the CreditCheck Monitoring Service on a FREE trial basis,
2 you won't want to be without it! But if you don't realize the value of
3 the service, there's no obligation to keep the membership."

4 10. Through at least December 2003, none of Consumerinfo's advertisements
5 for the Credit Check Monitoring Service disclosed the \$79.95 annual membership
6 fee. Instead, Consumerinfo's advertisements stated that "there's no obligation and no
7 commitment. And your FREE credit report is yours to keep."

8 11. All of Consumerinfo's Internet advertisements and webpages ultimately
9 link to Consumerinfo's online order form. The online order form is the only means
10 through which consumers can request the "free" credit reports from Consumerinfo.
11 The form requires consumers to fill in detailed personal information, including their
12 names, addresses, e-mail addresses, social security numbers, birth dates, mothers'
13 maiden names, and valid credit card account numbers. The online order form
14 includes several distinct sections, including those labeled "Payment Information"
15 and "Privacy Policy Notice." The substance of the order form remained constant
16 from approximately November 2000 to mid-September 2003.

17 12. Prior to mid-September 2003, the \$79.95 annual membership fee was
18 mentioned on the website only in the "Privacy Policy Notice" section on the second
19 Order page, in very small text. In contrast, the "Payment Information" section
20 simply stated: "Your card will not be charged during the free trial period. However,
21 valid credit card information is required to establish your account."

22 13. Many of Consumerinfo's radio, television, and Internet advertisements
23 have not mentioned or otherwise disclosed, or disclosed adequately, the existence of
24 Consumerinfo's Credit Check Monitoring Service, or any free trial period in
25 connection with the Service. Many consumers were thus unaware when signing up
26 for their free credit report that they were also automatically signing up for
27 Consumerinfo's Credit Check Monitoring Service, and would incur a \$79.95 charge
28 unless they cancelled within 30 days.

1 14. Through at least December 2003, Consumerinfo assessed the \$79.95
2 annually renewing fee against consumers who did not contact Consumerinfo and
3 cancel their trial membership within the 30-day period. The charge was made to the
4 credit card account numbers that Consumerinfo had assured consumers were needed
5 only to "establish [their] account." The charge appeared on consumers' credit card
6 statements as "Credit Report Fee 877-513-4175 CA Credit Serv \$79.95." At the end
7 of the membership term, Consumerinfo automatically renewed the membership by
8 imposing another charge on consumers' credit card accounts, without providing any
9 contemporaneous notice that it was doing so.

10 15. Consumerinfo's policy was not to charge consumers who cancelled
11 their Credit Check Monitoring Service membership within the 30-day free trial
12 period, and to provide pro-rata refunds to consumers who cancelled after the first 30
13 days, but within 180 days. Consumers who cancelled after the first 180 days
14 received no refund. Although many consumers have avoided being charged by
15 cancelling within the first 30 days or have otherwise obtained a refund of this
16 charge, many others received only a partial refund. Many consumers who did not
17 see the charge on their credit card statements when they were first billed received no
18 refund whatsoever of the charges, and many of these consumers were charged for
19 one or more additional annual membership fees.

20 **VIOLATIONS OF SECTION 5 OF THE FTC ACT**

21 **COUNT I**

22 16. In numerous instances since at least November 2000, in connection
23 with the marketing of its free credit report/credit monitoring service promotion,
24 Defendant has represented, expressly or by implication, that consumers can obtain a
25 "free" credit report and a "free" trial membership to Consumerinfo's Credit Check
26 Monitoring Service at no obligation, but has failed to disclose or to disclose
27 adequately that consumers will incur an annual \$79.95 fee unless they cancel their
28

1 trial membership within 30 days after requesting their free credit report.

2 17. In light of the representation set forth in Paragraph 16, Defendant's
3 failure to disclose adequately the need for consumers to cancel the Credit Check
4 Monitoring Service membership within 30 days to avoid being charged was, and is,
5 a deceptive act or practice in or affecting commerce in violation of Section 5(a) of
6 the FTC Act, 15 U.S.C. § 45(a).

7 COUNT II

8 18. In numerous instances since at least November 2000, in connection with
9 the marketing of Consumerinfo's Free Credit Report, Defendant has caused annual
10 \$79.95 charges to be assessed against consumers' accounts without the express,
11 informed consent of the consumers.

12 19. Defendant's practice of causing the annual \$79.95 charges to be assessed
13 for payment without the consumers' express, informed consent causes, is likely to
14 cause, or has caused, substantial injury to consumers that is not reasonably
15 avoidable by consumers themselves and is not outweighed by countervailing
16 benefits to consumers or competition.

17 20. Therefore Defendant's practices as alleged in paragraphs 18 and 19, are
18 unfair in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

19 COUNT III

20 21. On December 4, 2003, the Fair and Accurate Credit Transactions Act of
21 2003 ("FACT Act"), Pub. L. 108-159, amending the Fair Credit Reporting Act
22 ("FCRA"), 15 U.S.C. § 1681, et seq., became law. Section 211 of the FACT Act
23 amends Section 612 of the FCRA, 15 U.S.C. § 1681j, to require all nationwide
24 consumer reporting agencies to provide all consumers with a copy of their credit
25 report once during any twelve-month period, upon request of the consumer and
26 without charge. Section 211 requires the FTC to prescribe regulations establishing a
27 "centralized source" through which consumers can request their reports.

1 22. The FTC issued its final rule as required by Section 211 of the FACT
2 Act on June 4, 2004, 16 C.F.R. Part 610. The FTC's rule provided for a structured
3 roll-out of the availability of the free credit reports, beginning in the western states
4 on December 1, 2004, and culminating in the Eastern states on September 1, 2005.
5 The rule sets forth the requirements for establishing a centralized source, including a
6 dedicated website through which consumers could order their reports. That website
7 has been in operation since December 1, 2004, and its URL is
8 www.annualcreditreport.com.

9 23. The availability of free annual reports pursuant to the FACT Act has
10 been widely publicized in the mass media since December 2004. Millions of
11 consumers have ordered their reports to date.

12 24. Since December 1, 2004, Consumerinfo has advertised and promoted
13 its "free reports" available through www.freecreditreport.com. Popular search
14 engines such as Google providing search results for the term "free credit report"
15 have listed freecreditreport.com as its first listing.

16 25. From December 1, 2004 to at least March 2005, Defendant failed to
17 disclose or to disclose adequately in their advertisements or on their websites that
18 the "free" credit reports they were offering were not associated with the annual free
19 credit report program pursuant to the FACT Act, but rather a commercial promotion,
20 and that consumers cannot obtain their statutorily-mandated free report through
21 Defendant's websites.

22 26. In light of the representations they made, Defendant's failure to disclose
23 adequately the facts set forth in Paragraph 25 was, and is, a deceptive act or practice
24 in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C.
25 § 45(a).

1 Dated August 15, 2005

Respectfully submitted,

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