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**MAY 28 2002**

**MICHAEL W. DOBBINS  
CLERK, U.S. DISTRICT COURT**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

_____ )	
FEDERAL TRADE COMMISSION, )	)
)	)
Plaintiff, )	)
)	)
v. )	)
)	)
EFFICIENT TELESales SERVICES INC., also d/b/a )	)
U.S. CREDIT SERVICES and U.S. DIRECT )	)
BENEFITS AND SAVINGS, and )	)
)	)
LEONORA KHAN, individually and as an officer )	)
of EFFICIENT TELESales SERVICES INC., )	)
)	)
Defendants. )	)
_____ )	

Civil Action No.

**020 3775**

**JUDGE HIBBLER**

**MAGISTRATE JUDGE SCHENKIER**

**COMPLAINT FOR PERMANENT INJUNCTION AND OTHER EQUITABLE RELIEF**

Plaintiff, the Federal Trade Commission ("FTC" or "the Commission"), for its complaint alleges as follows:

The FTC brings this action under Sections 13(b) and 19 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b, and the Telemarketing and Consumer Fraud and Abuse Prevention Act ("Telemarketing Act"), 15 U.S.C. §§ 6101, *et seq.*, to secure injunctive relief, restitution, rescission or reformation of contracts, disgorgement, and other equitable relief for defendants' deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the FTC's Trade Regulation Rule entitled "Telemarketing Sales Rule," 16 C.F.R. Part 310.

## **JURISDICTION AND VENUE**

1. This Court has subject matter jurisdiction pursuant to 15 U.S.C. §§ 45(a), 53(b), 57b, 6102(c), and 6105(b), and 28 U.S.C. §§ 1331, 1337(a), and 1345.

2. Venue in the United States District Court for the Northern District of Illinois is proper under 15 U.S.C. § 53(b) and 28 U.S.C. § 1391(b), (c), and (d).

## **PLAINTIFF**

3. Plaintiff, the Federal Trade Commission, is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58, as amended. The Commission is charged, *inter alia*, with enforcement of 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 Commission also enforces the Telemarketing Sales Rule, 16 C.F.R. Part 310, which prohibits deceptive or abusive telemarketing acts or practices. The Commission is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and the Telemarketing Sales Rule, and to secure such equitable relief as may be appropriate in each case, including restitution for injured consumers. 15 U.S.C. §§ 53(b), 57b, 6102(c), and 6105(b).

## **DEFENDANTS**

4. Defendant Efficient Telesales Services Inc., also d/b/a U.S. Credit Services and U.S. Direct Benefits and Savings (“ETS” collectively), is an Ontario corporation with its offices and principal place of business located at 4300 Steeles Ave. W., Unit #31, Woodbridge, Ontario L4L 4C2. ETS transacts or has transacted business in the Northern District of Illinois and throughout the United States.

5. Defendant Leonora Khan is the owner and principal of ETS. At all times relevant to this Complaint, acting alone or in concert with others, Leonora Khan has formulated, directed, controlled, or participated in the acts and practices of ETS, including the acts and practices set forth in this Complaint. Leonora Khan transacts or has transacted business in the Northern District of Illinois and throughout the United States.

### **COMMERCE**

6. 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’ COURSE OF CONDUCT**

7. Since at least September 1999 until at least September 2001, defendants have made unsolicited outbound telephone calls to consumers throughout the United States and falsely offered to provide pre-approved, low interest credit cards to those consumers who agreed to permit defendants to debit their bank accounts for an advance fee of \$199.00 in one lump sum or two installments of \$99.50. Defendants’ telemarketers have told consumers that the defendants were offering pre-approved VISA or MasterCard credit cards with interest rates around 3.9% and credit limits of \$2,500 or \$5,000. Defendants also have stated that the credit cards had no annual fee.

8. During the telephone calls to consumers, defendants have requested bank account information, including bank routing information.

9. Defendants have routinely debited the bank accounts of consumers, who had provided bank account information and agreed to pay fees with bank account debits, in advance

of providing those consumers with the VISA or MasterCard credit cards promised during the telephone calls.

10. Instead of providing consumers with VISA or MasterCard credit cards, they sometimes have provided consumers with packets of materials containing general information about credit and finances, including information on how to obtain credit, repair credit, and avoid credit card fraud and financial scams, as well as information about discount shopping and travel services. The packets also included credit card release forms which required consumers to provide personal information such as their social security numbers, employment information, and credit histories.

11. Defendants have not provided consumers with, or arranged for consumers to receive, credit cards or other extensions of credit. Furthermore, defendants have not been authorized by VISA or MasterCard to issue credit cards.

#### **VIOLATIONS OF THE FEDERAL TRADE COMMISSION ACT**

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

#### **COUNT I**

13. In numerous instances, in connection with the marketing of advance fee credit cards, defendants or their employees or agents have represented, directly or by implication, that after paying defendants a fee, consumers will, or are highly likely to, receive an unsecured major credit card, such as a VISA or MasterCard credit card.

14. In truth and in fact, in numerous instances, after paying defendants a fee, consumers do not receive an unsecured major credit card, such as a VISA or MasterCard credit card.

15. Therefore, the representation set forth in Paragraph 13 is false and misleading and constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

### **THE TELEMARKETING SALES RULE**

16. The Commission promulgated the Telemarketing Sales Rule pursuant to Section 6102(a) of the Telemarketing Act, 15 U.S.C. § 6102(a). The Rule became effective on December 31, 1995.

17. The FTC Telemarketing Sales Rule prohibits telemarketers and sellers from misrepresenting 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).

18. The Telemarketing Sales Rule also prohibits telemarketers and sellers from, among other things, requesting or receiving payment of any fee or consideration in advance of obtaining or arranging 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. 16 C.F.R. § 310.4(a)(4).

19. 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), violations of the Telemarketing Sales

Rule constitute unfair or deceptive acts or practices in or affecting commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

20. Defendants are or have been “sellers” or “telemarketers” engaged in “telemarketing,” as those terms are defined in the FTC Telemarketing Sales Rule. 16 C.F.R. §§ 310.2(r), (t) & (u).

### **VIOLATIONS OF THE TELEMARKETING SALES RULE**

#### **COUNT II**

21. In numerous instances, in connection with the telemarketing of advance fee credit cards, defendants or their employees or agents have misrepresented, directly or by implication, that after paying defendants a fee, consumers will, or are highly likely to, receive an unsecured major credit card, such as a VISA or MasterCard credit card.

22. Defendants have thereby violated Section 310.3(a)(2)(iii) of the Telemarketing Sales Rule, 16 C.F.R. § 310.3(a)(2)(iii).

#### **COUNT III**

23. In numerous instances, in connection with the telemarketing of advance fee credit cards, defendants or their employees or agents have requested and received payment of a fee in advance of consumers obtaining a credit card when defendants have guaranteed or represented a high likelihood of success in obtaining or arranging for the acquisition of an unsecured credit card, such as a VISA or MasterCard credit card, for such consumers.

24. Defendants have thereby violated Section 310.4(a)(4) of the Telemarketing Sales Rule, 16 C.F.R. § 310.4(a)(4).

### **CONSUMER INJURY**

25. Consumers throughout the United States have suffered substantial monetary loss as a result of defendants' unlawful acts and practices. In addition, defendants have been unjustly enriched as a result of their unlawful acts and practices. Absent injunctive relief by this Court, consumers will continue to suffer injury, defendants will reap an unjust enrichment, and the public interest will be harmed.

### **THIS COURT'S POWER TO GRANT RELIEF**

26. Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b and Section 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b), empower this Court to issue a permanent injunction against defendants' violations of the FTC Act and the Telemarketing Sales Rule, and, in the exercise of its equitable jurisdiction, to order such ancillary relief as a preliminary injunction, rescission, restitution, disgorgement of profits resulting from defendants' unlawful acts or practices, and other remedial measures.

### **PRAYER FOR RELIEF**

WHEREFORE, plaintiff, the Federal Trade Commission, requests that this Court, as authorized by Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, Section 6(b) of the Telemarketing Act, 15 U.S.C. § 6105(b), and pursuant to the Court's own equitable powers:

1. Permanently enjoin defendants from violating the FTC Act and the Telemarketing Sales Rule, as alleged herein;
2. Award such relief as the Court finds necessary to redress injury to consumers resulting from defendants' violations of the FTC Act and the Telemarketing Sales Rule,

including, but not limited to, rescission or reformation of contracts, restitution, refund of monies paid, and disgorgement of ill-gotten monies; and

3. Award plaintiff the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper.

Dated: May 28, 2002

Respectfully Submitted,

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