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

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

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

BAD CREDIT B GONE, LLC, and

JOSEPH A. GRAZIOLA, III,

Defendants.

Case No.

06C 0254

JUDGE HOLDERMAN

MAGISTRATE JUDGE HOLMAN

**COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF**

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

1. 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 under Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b), to obtain preliminary and permanent injunctive relief, rescission of contracts, restitution, redress, disgorgement and other equitable relief for Defendants' deceptive acts or practices in connection with the sale and offering for sale of credit repair services in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the Credit Repair Organizations Act, 15 U.S.C. § 1679 *et seq.*

**JURISDICTION AND VENUE**

2. This Court has jurisdiction over this matter pursuant to 15 U.S.C. §§ 45(a) and 53(b), and 28 U.S.C. §§ 1331, 1337(a), and 1345.

3. 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).

**PLAINTIFF**

4. Plaintiff FTC is an independent agency of the United States Government created by statute. 15 U.S.C. §§ 41-58. The FTC is charged, *inter alia*, with enforcing 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 the Credit Repair Organizations Act. 15 U.S.C. § 1679h(a).

5. The FTC is authorized to initiate federal district court proceedings, by its own attorneys, to enjoin violations of the FTC Act and the Credit Repair Organizations Act in order to ensure such equitable relief as is appropriate in each case, including restitution for injured consumers. 15 U.S.C. §§ 53(b), 57b, and 1679h(b).

**DEFENDANTS**

6. Defendant Bad Credit B Gone, LLC (“BCBG”), is a Pennsylvania Limited Liability Company. BCBG has a registered office at 649 South Avenue, Suite 3, Secane, Pennsylvania 19018. BCBG transacts business at P.O. Box 51, Glenolden, Pennsylvania 19036, and 1230 Avenue of the Americas, Rockefeller Center, Suite 238, 7<sup>th</sup> Floor, New York, New York 10020. Defendant BCBG transacts or has transacted business in this district and throughout the United States.

7. Defendant Joseph A. Graziola, III (“Graziola”), is the organizer and manager of Defendant BCBG. At all times material to this Complaint, acting alone or in concert with others, Defendant Graziola has formulated, directed, controlled, or participated in the acts or practices

set forth in this Complaint. Defendant Graziola transacts or has transacted business in this district and throughout the United States.

### COMMERCE

8. At all times material 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’ BUSINESS ACTIVITIES

9. Since at least November 2003, and continuing thereafter, Defendants have advertised, promoted, offered for sale, and sold credit repair services to consumers across the country. Defendants have advertised their services through an Internet Web site, located at [www.badcreditbgone.com](http://www.badcreditbgone.com), and by other means.

10. Through verbal statements made by their representatives, written statements on their Web site and in promotional materials, and other advertisements, Defendants have offered “credit repair” services purporting to remove or attempt to remove derogatory information from, or improve, consumers’ credit histories, credit reports, or credit ratings. Defendants purport to be able to remove accurate negative information from consumers’ credit histories, credit reports, or credit ratings.

11. To induce consumers to purchase Defendants’ services, Defendants’ Web site contains statements such as the following:

**We get your credit reports for you and work around the clock to give you the credit you’ve always dreamed of!**

\*\*\*

If we fail to remove any negative credit from your reports, we will give you a refund plus \$100.

\*\*\*

**Which Credit Bureaus does Bad Credit B Gone remove bad credit from?**

Bad Credit B Gone removes your bad credit from all three Credit Bureaus. The three are Trans Union, Equifax, and Experian.

\*\*\*

**Are items such as bankruptcies and foreclosures impossible to remove?**

There is not one type of negative listing that cannot be removed from a credit report. While negative items such as bankruptcy or unpaid debts are certainly more difficult to remove from the credit report, this has more to do with the operational systems of the credit bureaus than with the severity of the bad credit item. For example, judgments and tax liens are severely negative listings yet are considerably easier to remove.

12. To induce consumers to purchase Defendants' services, Defendants' representatives make statements to consumers such as the following:

And the attorneys, they do remove charge-offs, collections, tax liens, bankruptcies, repossessions, [ ] student loans, child support, late payments, judgments – all of that.

\*\*\*

On average, 80 percent of the derogatory information is deleted off your credit report [ ] within the first quarter or the first three months, and our deletion rate for 2004 was 92.4 percent.

\*\*\*

Our job is to delete those derogatory items from your credit report, which will definitely raise your credit score.

13. To induce consumers to purchase Defendants' services, Defendants' promotional materials contain statements such as the following:

At Bad Credit B Gone our team of specialists work around the clock erasing your bad credit from your credit report. Your credit score will rise since we only remove the bad credit and leave the good.

14. Before providing any of the promised services, Defendants request and obtain at least partial payment for these services. The fee required by Defendants typically is \$500 for an individual and \$700 for a couple. Defendants require a payment of one-half the total amount up-front with the remaining balance due in 45 days.

### **THE CREDIT REPAIR ORGANIZATIONS ACT**

15. The Credit Repair Organizations Act took effect on April 1, 1997, and has since that date remained in full force and effect.

16. Defendants are “credit repair organizations” as that term is defined in the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3).

17. The purposes of the Credit Repair Organizations Act, according to Congress, are:

(1) to ensure that prospective buyers of the services of credit repair organizations are provided with the information necessary to make an informed decision regarding the purchase of such services; and (2) to protect the public from unfair or deceptive advertising and business practices by credit repair organizations.

15 U.S.C. § 1679(b).

18. The Credit Repair Organizations Act prohibits credit repair organizations from charging or receiving any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform before such service is fully performed. 15 U.S.C. § 1679b(b).

19. The Credit Repair Organizations Act prohibits 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).

20. Pursuant to Section 410(b)(1) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b)(1), any violation of any requirement or prohibition of the Credit Repair Organizations Act constitutes an unfair or deceptive act or practice in commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

## **VIOLATIONS OF THE CREDIT REPAIR ORGANIZATIONS ACT**

### **COUNT ONE**

21. In numerous instances, in connection with the performance of services for consumers by a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), 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. Defendants have thereby violated Section 404(b) of the Credit Repair Organizations Act. 15 U.S.C. § 1679b(b).

### **COUNT TWO**

22. In numerous instances, in connection with the performance of services for consumers by a credit repair organization, as that term is defined in Section 403(3) of the Credit Repair Organizations Act, 15 U.S.C. § 1679a(3), Defendants have made untrue or misleading statements to induce consumers to purchase their credit repair services, including, but not limited to, the representation that Defendants can improve substantially most consumers' credit reports or profiles by permanently removing negative information from consumers' credit reports, even where such information is accurate and not obsolete.

23. In truth and in fact, in numerous instances, Defendants cannot improve substantially consumers' credit reports or profiles by permanently removing negative information from consumers' credit reports where such information is accurate and not obsolete.

24. Defendants have thereby violated Section 404(a)(3) of the Credit Repair Organizations Act. 15 U.S.C. § 1679b(a)(3).

### **VIOLATION OF SECTION 5 OF THE FTC ACT**

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

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

### **COUNT THREE**

27. In numerous instances, in connection with the advertising, marketing, promotion, offering for sale, or sale of credit repair services, Defendants have represented that they can improve substantially most consumers' credit reports or profiles by permanently removing negative information from consumers' credit reports, even where such information is accurate and not obsolete.

28. In truth and in fact, in numerous instances, Defendants cannot improve substantially consumers' credit reports or profiles by permanently removing negative information from consumers' credit reports where such information is accurate and not obsolete.

29. Therefore, the representations set forth in Paragraph 27 are false and misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act. 15 U.S.C. § 45(a).

## **CONSUMER INJURY**

30. Consumers have suffered, and continue to suffer, 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, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public.

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

31. Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, and Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b), empower this Court to grant injunctive and such other relief as the Court may deem appropriate to prevent and redress violations of the FTC Act. The Court, in the exercise of its equitable jurisdiction, may award other ancillary relief, including, but not limited to, rescission of contracts and restitution, and the disgorgement of ill-gotten gains, to prevent and remedy injury caused by Defendants' law violations.

## **PRAYER FOR RELIEF**

WHEREFORE, Plaintiff FTC, pursuant to Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, and Section 410(b) of the Credit Repair Organizations Act, 15 U.S.C. § 1679h(b), and the Court's own equitable powers, requests that this Court:

1. Enter an order enjoining Defendants preliminarily and permanently from violating the FTC Act and the Credit Repair Organizations Act as alleged herein;
2. Award such equitable relief as the Court finds necessary to redress injury to consumers resulting from Defendants' violations of the FTC Act and the Credit Repair Organizations Act, including, but not limited to, rescission of contracts and restitution, and the



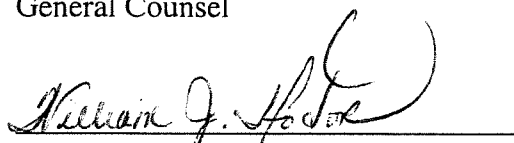
disgorgement of ill-gotten gains by Defendants; and

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.

Respectfully submitted,

WILLIAM BLUMENTHAL  
General Counsel

Dated: Jan 17, 2006



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