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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN DIEGO

GIC 850483

PEOPLE OF THE STATE OF CALIFORNIA, Plaintiff, **v.** **CHASE BANK USA, N.A.; CHASE MANHATTAN MORTGAGE CORPORATION; TRILEGIANT CORPORATION; TRL GROUP, INC.; and DOES 1-20, inclusive,** Defendants.	**CASE NO.** **COMPLAINT FOR INJUNCTION, CIVIL PENALTIES AND OTHER EQUITABLE RELIEF**

Plaintiff the People of the State of California ("plaintiff"), by and through Bill Lockyer, Attorney General of the State of California, is informed and believes and thereupon alleges as follows:

INTRODUCTION

1. This action is brought against Chase Bank USA, N.A.; Chase Manhattan Mortgage Mortgage Corporation; Trilegiant Corporation; and TRL Group, Inc. ("defendants"), who together have created and carried out a marketing scheme that violates California Business and Professions Code sections 17200 and 17500. Through this scheme, defendants mislead

consumers into becoming members of various membership programs without the consumers' knowledge or consent. These membership programs include, but are not limited to, AutoVantage Gold Service, AutoVantage Service, Buyers Advantage Service, CompleteHome Service, Just for Me, Pet Privileges Service, Shoppers Advantage Service and Travelers Advantage Service. Consumers are charged annual fees ranging from approximately $69.99 to at least $119.88 for these programs.

2. Defendants market these programs through solicitations that are misleading in that they appear to be from consumers' bank or mortgage company. These solicitations offer "free" or "no obligation" trial memberships in discount buying programs without adequately disclosing that consumers will be billed automatically for these memberships if they do not affirmatively cancel within a certain number of days. The solicitations also encourage consumers to cash checks in nominal amounts or to redeem other types of "rewards" without adequately disclosing that doing so automatically enrolls consumers in membership programs and that their credit card, bank, savings or mortgage account will be billed or debited automatically unless they affirmatively take action to cancel the membership.

3. The solicitations and other marketing materials used by defendants also fail to disclose adequately that these memberships will be renewed automatically each year in perpetuity, and the annual fee charged to consumers' credit card, bank or mortgage account, unless consumers affirmatively cancel. Consumers do not realize they have been billed for such membership services because the membership fees are sometimes described as "Optional Products" or described in a manner that does not clearly identify the particular membership program, seller, or nature of the charge.

4. The misleading nature of defendants' marketing scheme is such that the minimal disclosures regarding the true origin of these solicitations and the consequences of cashing these nominal checks or otherwise failing to reject defendants' solicitations are insufficient to inform consumers they are making a purchase and agreeing to have their account charged. Through this marketing scheme, defendants prey on consumers, many of whom are unsophisticated, elderly or do not read or speak English as a first language.

VENUE AND JURISDICTION

5. Plaintiff, by this action and pursuant to Business and Professions Code sections 17200, 17203, 17206, 17535 and 17536, seeks to enjoin defendants from false and misleading advertising and from engaging in the unfair, unlawful, or fraudulent business practices alleged herein, and seeks civil penalties and restitution for defendants' violations of these statutes. This civil action is brought in the public interest by the Attorney General as the chief law enforcement officer of the State of California, in the exercise of the state's police powers.

6. Defendants at all times mentioned herein have advertised and transacted business in the County of San Diego and elsewhere within the State of California. The violations of law described have been and are now being committed in the County of San Diego and elsewhere in the State of California. Unless enjoined and restrained by an order of the Court, defendants will continue to engage in the unlawful acts and conduct set forth in this complaint.

PARTIES

7. At all relevant times, defendant Chase Bank USA, N.A. ("Chase Bank") was and is a national bank, doing business in California.

8. At all relevant times, defendant Chase Manhattan Mortgage Corporation ("Chase Mortgage") was and is a New Jersey corporation, doing business in California. Defendants Chase Mortgage and Chase Bank may be referred to collectively as "Chase."

9. At all relevant times, defendant Trilegiant Corporation was and is a Delaware corporation, doing business in California.

10. At all relevant times, defendant TRL Group, Inc. ("TRL Group"), was and is a Delaware corporation, doing business in California.

11. From approximately July 2, 2001 to approximately January 30, 2004, the name of TRL Group was "Trilegiant Corporation" and under that name, TRL Group marketed various membership programs to members of the public, including Chase customers. On or about January 30, 2004, Trilegiant Corporation changed its name to TRL Group, Inc. and ceased marketing memberships to new members. At or near the same time, Cendant Corporation, which had held an ownership stake in Trilegiant Corporation, changed the name of one of its

subsidiaries to Trilegiant Corporation and the newly named Trilegiant Corporation began marketing the membership programs. Defendants Trilegiant Corporation and TRL Group, Inc. are hereinafter referred to collectively as "Trilegiant".

12. Plaintiff is not aware of the true names and capacities of the defendants sued as Does 1 through 20, inclusive, and therefore sues these defendants by such fictitious names. Each of these fictitiously named defendants is responsible in some manner for the activities alleged in this Complaint. Plaintiff will amend this Complaint to add the true names of the fictitiously named defendants once they are discovered.

13. Defendants Chase Bank, Chase Mortgage, Trilegiant Corporation, TRL Group and Does 1 through 20 are referred to collectively as "defendants."

14. Whenever reference is made in this Complaint to any act of defendants, that allegation shall mean that each defendant acted individually and jointly with the other defendants.

15. Any allegation about acts of any corporate or other business defendant means that the corporation or other business did the acts alleged through its officers, directors, employees, agents and/or representatives while they were acting within the actual or ostensible scope of their authority.

16. At all relevant times, each defendant committed the acts, caused or directed others to commit the acts, ratified the acts, or permitted others to commit the acts alleged in this Complaint. Additionally, some or all of the defendants acted as the agent of the other defendants, and all of the defendants acted within the scope of their agency if acting as an agent of another.

17. At all relevant times, each defendant knew or realized that the other defendants were engaging in or planned to engage in the violations of law alleged in this Complaint. Knowing or realizing that other defendants were engaging in or planning to engage in unlawful conduct, each defendant nevertheless facilitated the commission of those unlawful acts. Each defendant intended to and did encourage, facilitate, or assist in the commission of the unlawful acts, and thereby aided and abetted the other defendants in the unlawful conduct.

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18. Defendants have engaged in a conspiracy, common enterprise, and common course of conduct, the purpose of which is and was to engage in the violations of law alleged in this Complaint. This conspiracy, common enterprise, and common course of conduct continues to the present.

DEFENDANTS' BUSINESS PRACTICES

Trilegiant's Membership Programs

19. At all relevant times, defendants have been in the business of marketing, selling, and providing membership programs for goods and services. These programs allegedly provide consumers discounts on various goods and services, including discounts on automobile maintenance, car rentals and car-related services; travel services; shopping; pet products; and home improvement and maintenance products and services. Defendants market these membership programs to consumers in San Diego County and elsewhere in the State of California.

20. The programs marketed, sold and provided by defendants include the following:

A. AutoVantage

B. AutoVantage Gold

C. Travelers Advantage, sometimes known as Chase Travelers Advantage

D. CompleteHome

E. Shoppers Advantage

F. Buyers Advantage

G. Pet Privileges

H. Just for Me

21. Defendants market these programs through several means, including direct mail solicitations and telemarketing. The solicitations prominently feature the "Chase" name and logo, making it appear the solicitation is from the consumer's bank or mortgage company.

22. Consumers who are charged for these various programs do not sign an application, expressly or knowingly consent to a purchase, or provide any of their account information for billing purposes. Instead, consumers may be urged to cash checks that appear to be a "reward"

for being a valued or loyal Chase customer. Cashing such checks, which range in amount from approximately $2.50 to $10.00, causes consumers to be enrolled in a "free" trial membership. Defendants do not adequately disclose to consumers that the annual cost of the "free" trial membership will be charged to the consumer's Chase account unless the consumer affirmatively cancels the membership within a limited time period, generally 30 days. Consumers may also be urged to accept gifts or "free" trial memberships through telemarketing or other types of marketing, including other direct mail solicitations.

23. At the expiration of the "free" trial period, consumers' accounts are charged automatically for a one-year membership, without their having provided their account number or other billing information. In some instances, the annual fee is charged to a consumer's Chase Bank credit card or other account. In other instances, the membership fee is added as a monthly charge to the consumer's monthly Chase Mortgage statement. The fee is sometimes described on the mortgage statement as "Optional Product" without clearly identifying the particular membership program or the nature of the charge. At the end of each one-year period, defendants automatically renew the memberships and automatically bill the consumer's Chase account for successive one-year periods, in perpetuity, unless the consumer takes affirmative steps to cancel the membership.

24. Because of the misleading and deceptive nature of the marketing scheme, consumers generally do not realize they have been enrolled in these membership programs or charged a fee. The minimal disclaimers regarding the conditions attached to cashing the check or redeeming the "reward" are not clear and conspicuous and are insufficient to inform consumers they are allegedly making a purchase and agreeing to have their accounts charged. Consumers are unaware that Chase allows Trilegiant to charge the fees to the consumers' Chase Bank accounts or add the fees to their Chase Mortgage monthly mortgage statements, merely upon the consumer cashing a "reward" check or accepting a "free" trial offer.

25. As a result of these misleading practices, consumers do not knowingly consent to purchasing or being billed for the initial membership fees. Further, consumers do not consent to the renewal fees for the program, which are billed automatically unless the consumer takes

affirmative steps to cancel. Even after consumers cancel their memberships, they sometimes continue to be billed or fail to receive a refund.

Chase's Participation in The Marketing Scheme

26. Chase both controls and directly participates in defendants' fraudulent and deceptive marketing scheme. Indeed, Chase's participation in this marketing scheme is integral to the scheme's success and its deceptive nature.

27. Chase enters into agreements with Trilegiant for the purpose of marketing Trilegiant's membership programs to Chase customers. This relationship allows Trilegiant to solicit Chase customers to purchase Trilegiant's programs, using the Chase name, and allows Trilegiant to charge the accounts of Chase customers without the account holders providing Trilegiant with their billing or account information.

28. Chase reviews, approves or is fully aware of all solicitations and marketing materials used by defendants to sell Trilegiant's programs. Chase sometimes even includes such solicitations in the account statements Chase sends to its customers, further misleading them into thinking they are receiving special offers from Chase because they are valued customers. Chase receives substantial compensation for its participation in this marketing scheme, including commissions on initial sales and automatic renewals of Trilegiant's programs to Chase customers.

FIRST CAUSE OF ACTION AGAINST ALL DEFENDANTS

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17500

(UNTRUE OR MISLEADING REPRESENTATIONS)

29. The People reallege and incorporate by reference all paragraphs above.

30. Beginning at an exact date unknown to plaintiff, and continuing to the present, defendants made, disseminated, or caused to be made and disseminated before the public in the State of California certain untrue and misleading statements defendants knew, or by the exercise of reasonable care should have known, were untrue or misleading at the time the statements were made or disseminated, in violation of Business and Professions Code section

17500. Unless enjoined and restrained by order of the Court, defendants will continue to engage in such violations.

31. Defendants' untrue or misleading statements include the allegations set forth in Paragraphs 1 through 28 above. Additionally, these statements include but are not limited to the following:

a. Offering nominal checks or rewards to consumers without adequately disclosing that cashing these checks or redeeming these rewards automatically enrolls a consumer in a membership program and that the fee for such program will automatically be charged to the consumer's Chase account unless the consumer affirmative takes steps to cancel the membership.

b. Representing consumers are able to try Trilegiant's membership programs without cost or obligation, or that the trial membership is "free," without adequately disclosing that to avoid being charged, the consumer must contact Trilegiant to affirmatively cancel.

c. Stating in solicitations that annual renewals will be charged to customers' Chase accounts without adequately disclosing that these renewals will be automatic unless the consumer takes affirmative steps to cancel the membership.

d. Failing to disclose in an adequate manner that Chase enables and allows Trilegiant to contact Chase's customers and charge its membership fees to consumers' Chase accounts without the consumer providing any account or billing information to Trilegiant.

e. Representing, through use of the Chase name and logo and references to Chase in solicitations, that consumers are receiving correspondence, including checks or telemarketing calls, from their bank or mortgage company, and that Trilegiant's products and services are endorsed, guaranteed or provided by Chase. In fact, the solicitations are sent by Trilegiant, not Chase, and Chase generally disclaims any responsibility for the membership programs.

f. Representing that consumers can cancel their membership after the trial period. In fact, in some instances, defendants do not issue refunds, make only partial refunds, or act

only after repeated phone calls by the consumer. Moreover, membership fees continue to appear on some consumers' accounts or mortgage statements, even after they call to cancel.

g. Representing that Trilegiant had obtained authorization from consumers to mail consumers information regarding its membership programs and had obtained consent to charge the price of those programs to consumers' Chase accounts, when consumers did not knowingly consent to such mailings or charges.

h. Representing consumers could not obtain a credit for unauthorized charges to their Chase accounts or have such charges reversed or refunded, or that consumers could only do so upon complying with arbitrary requirements or procedures specified by defendants.

i. Misrepresenting the reasons for, existence of, or amount of price reductions consumers would realize by purchasing Trilegiant's membership programs for discount services.

SECOND CAUSE OF ACTION AGAINST ALL DEFENDANTS

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200 (UNFAIR COMPETITION)

32. Plaintiff realleges and incorporates by reference all paragraphs above.

33. Beginning at an exact date unknown to plaintiff and continuing to the present, defendants have engaged in and continue to engage in unfair competition as defined in Business and Professions Code section 17200. Unless enjoined and restrained by order of the Court, defendants will continue to engage in such violations.

34. Defendants' acts and practices of unfair competition include but are not limited to the following:

a. Defendants engage in untrue and misleading advertising in violation of Business and Professions Code section 17500, as more fully described in Paragraph 31of the First Cause of Action. Plaintiff incorporates herein the allegations contained in Paragraph 31 and realleges the untrue and misleading statements laid out therein as unfair competition pursuant to Business and Professions Code section 17200.

b. Defendants formulated and engaged in a marketing scheme, as described in Paragraphs 1 through 28 above, that is unlawful, unfair or fraudulent in that it results in consumers being charged for products or services they did not intend to purchase and for which they did not consent to pay. In most instances, consumers are not even aware they allegedly made a purchase, do not know they have been charged and have paid for such "purchase," and never use the membership program.

c. Defendants fail to inform consumers how to cancel the "free" trial membership or provide the information in such a manner that the consumer is unlikely to find or to notice the cancellation instructions.

d. Defendants fail to provide an adequate description on consumers' account statements of products or services supposedly purchased by the consumer, including listing the monthly fee as an "Optional Product" on consumers' mortgage statements without further specifying or describing the nature of the charge.

e. Defendants use envelopes, postcards and membership materials that appear to be junk mail, when in fact these materials contain, among other things, terms and conditions for canceling the membership. As a result, consumers discard these envelopes, postcards and membership materials. Through the use of these envelopes, defendants are able to prevent recipients from being able to cancel under the terms and conditions established by defendants.

f. Defendants fail to disclose Trilegiant can charge consumers' credit cards without the consumer providing the account number or any billing information and without the consumer signing any receipt or similar document.

g. Defendants automatically renew memberships at the expiration of the one-year term and charge consumers' Chase accounts for the renewals, which renewals were not actually ordered or requested by the members, without the advance consent of the consumers.

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h. Defendants cause unauthorized charges to be placed on consumers' credit cards and mortgage statements for initial fees and renewal fees for Trilegiant's membership programs.

i. Defendants fail or refuse to remove unauthorized charges from consumers' Chase accounts, or do so only upon consumers complying with arbitrary requirements and procedures imposed by defendants.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

1. Pursuant to Business and Professions Code section 17535, that all defendants, their successors, agents, representatives, employees, and all persons who act in concert with them be permanently enjoined from making any untrue or misleading statements in violation of Business and Professions Codes section 17500, including the untrue or misleading statements alleged in the First Cause of Action.

2. Pursuant to Business and Professions Code section 17203, that all defendants, their successors, agents, representatives, employees, and all persons who act in concert with them be permanently enjoined from committing any acts of unfair competition, including the violations alleged in the Second Cause of Action.

3. Pursuant to Business and Professions Code sections 17535 and 17203, that the Court make such orders or judgments as may be necessary to restore to any person in interest any money or property which may have been acquired by means of false or misleading advertising or unfair competition.

4. Pursuant to Business and Professions Code section 17536, that defendants, and each of them, be ordered to pay a civil penalty in the amount of Two Thousand Five Hundred Dollars ($2,500) for each violation of Business and Professions Code section 17500 by defendants, according to proof.

5. Pursuant to Business and Professions Code section 17206, that defendants, and each of them, be ordered to pay a civil penalty in the amount of Two Thousand Five Hundred Dollars

($2,500) for each violation of Business and Professions Code section 17200 by defendants, according to proof.

6. Pursuant to Business and Professions Code section 17206.1, that defendants, and each of them, be ordered to pay a civil penalty in the amount of Two Thousand Five Hundred Dollars ($2,500) for each violation of 17200 perpetrated by defendants against senior citizens or disabled persons, according to proof.

7. Pursuant to Business and Professions Code section 17536, that plaintiff recover its costs of suit herein, including costs of investigation.

8. For such other and further relief as the Court may deem just and proper.

Dated: July 11, 2005

Respectfully submitted,

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