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SUPERIOR COURT OF CALIFORNIA
COUNTY OF MONTEREY

THE PEOPLE OF THE STATE OF CALIFORNIA,
Plaintiffs,
v.
INTEGRATED CREDIT SOLUTIONS, INC.; and
LIGHTHOUSE CREDIT FOUNDATION, INC.,
Defendants.

Case No. _____

**COMPLAINT FOR
INJUNCTION, CIVIL
PENALTIES AND OTHER
RELIEF**

The People of the State of California, by Bill Lockyer, Attorney General for the State of California, Dean Flippo, District Attorney of Monterey County, and George W. Kennedy, District Attorney of Santa Clara County, is informed and believes and on such information and belief alleges as follows:

PARTIES

1. Defendant Integrated Credit Solutions, Inc. is a Florida Corporation with its principal place of business located at 8550 Ulmerton Road, Largo, Florida. Integrated Credit Solutions, Inc. may be referred to as “ICS” in this complaint.

2. Defendant Lighthouse Credit Foundation, Inc. is registered as a nonprofit Florida Corporation with its principal place of business located at 8550 Ulmerton Road, Largo, Florida. Lighthouse Credit Foundation, Inc. may be referred to as “Lighthouse” in this complaint.

3. ICS and Lighthouse may be referred to collectively as “Defendants” in this complaint.

4. Whenever reference in this complaint is made to any corporate defendant, such allegation shall mean that such corporation did or authorized the acts alleged in this Complaint through its principals, officers, directors, employees, members, agents and representatives while they were acting within the actual or ostensible scope of their authority.

ACTS OF THE DEFENDANTS

5. Lighthouse offers to sell, sells and administers debt management plans in California and elsewhere. Under a debt management plan, a consumer authorizes a third party to renegotiate the terms of payment of his unsecured debts, such as credit cards, and thereafter makes one monthly payment to the third party, which distributes money to each of the consumer's participating creditors.

6. ICS is a telemarketing company that works primarily with clients offering debt management plans to consumers. ICS is wholly owned by its parent corporation, Flagship Capital Services Corporation, which shares several common officers with ICS.

7. Lighthouse entered into agreements with ICS to create, implement and staff a marketing program for Lighthouse to solicit and screen potential customers for Lighthouse's debt

1 management program.

2 8. For the period from at least January 2002 through January 2003, ICS disseminated
3 or caused to be disseminated to the answering machines of California consumers unsolicited
4 prerecorded messages advertising Lighthouse's debt management plans. The prerecorded messages
5 failed to disclose that consumers would have to pay ICS a substantial up front fee for enrollment
6 services or for the purchase ICS's personal finance guide, called the Money Matters Tool Kit, in
7 order to sign-up for a debt management plan with Lighthouse. Further, the prerecorded messages
8 contained the following untrue and misleading statements and omissions pertaining to the benefits
9 a debt management program can provide and the terms and conditions of the offer from Lighthouse:

10 A. That the consumer previously received correspondence from ICS or Lighthouse, when,
11 in fact, no correspondence has been sent;

12 B. That the consumer has been "approved" by a nonprofit agency, when, in fact, the
13 consumer had not been approved in advance of the prerecorded call; and

14 C. That the consumer's interest rate after consolidation will be as low as 1.5%, 5.5% or
15 6.5%, when, in fact, there is no realistic possibility that the consumer's consolidated interest
16 rate will be lowered to any of the stated levels.

17 9. In person-to-person telephone calls with California consumers ICS made untrue or
18 misleading statements or omissions and engaged in unfair, unlawful or deceptive acts in carrying
19 out it sales of its own products and services and Lighthouse's debt management services. ICS made
20 the following untrue or misleading statements and omissions pertaining to the benefits a debt
21 management program can provide and the terms and conditions of the goods and services being
22 offered by ICS and by Lighthouse:

23 A. That purchase of ICS's Money Matters Tool Kit is required by the consumer's
24 creditors as a pre-condition to enrolling and participating in Lighthouse's debt management
25 program, when, in fact, creditors have no such requirement;

26 B. That the fee charged by Lighthouse is the most a nonprofit organization is allowed to
27 charge in monthly administration fees, when, in fact, the monthly fee permitted under
28 California law is lower; and

1 C. That the monthly fee charged by Lighthouse is tax deductible, when, in fact, such
2 fees are not tax deductible.

3 10. Lighthouse administers debt management plans for California consumers, from whom
4 it collects a monthly fee for its services. Prior to January 2003, Lighthouse collected monthly fees
5 in excess of the statutory maximum amount which can be charged to California consumers under
6 state law.

7 11. The violations of law alleged in this Complaint occurred in Santa Clara County,
8 Monterey County and in other counties throughout California.

9 **FIRST CAUSE OF ACTION**

10 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17500**
11 **(UNTRUE AND MISLEADING STATEMENTS – ALL DEFENDANTS)**

12 12. The People re-allege and incorporate by reference paragraphs 1 through 11 of this
13 complaint.

14 13. Since at least January 2001, ICS violated Business and Professions Code section
15 17500 by making untrue or misleading statements or omissions pursuant to the practice described
16 in paragraphs 6 through 9 above. These statements were made in order to sell ICS's own products
17 and services and to sell debt management plans and services to members of the public. At the time
18 these statements were made ICS knew or reasonably should have known that they were untrue or
19 misleading.

20 14. Defendant Lighthouse violated Business and Professions Code section 17500 by
21 authorizing ICS to market debt management plans on its behalf as described in paragraphs 6
22 through 9 above. In order to sell Lighthouse's debt management plans and services, ICS made
23 statements to the members of the public that Lighthouse knew or reasonably should have known
24 were untrue and misleading at that time that the statements were made.

25 **SECOND CAUSE OF ACTION**

26 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200**
27 **(UNFAIR COMPETITION – ICS)**

28 15. The People re-allege and incorporate by reference paragraphs 1 through 11, 13 and

14 of this complaint.

16. Since at least January 2001, ICS engaged in unfair competition in violation of Business and Professions Code section 17200, by:

A. Violating Business and Professions Code section 17500 as alleged in the First Cause of Action;

B. Engaging in practices in violation of section 1770(a) of the California Civil Code;

C. Engaging in practices in violation of 47 U.S.C. section 227(b)(1)(B) and regulations thereunder;

D. Engaging in practices in violation of 16 C.F.R. sections 310.3 and 310.4;

E. Engaging in practices in violation of section 17500.3 of the California Business and Professions Code; and

F. Engaging in practices in violation of section 1689.5 et seq. of the California Civil Code.

THIRD CAUSE OF ACTION

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200 (UNFAIR COMPETITION – LIGHTHOUSE CREDIT FOUNDATION, INC.)

17. The People re-allege and incorporate by reference paragraphs 1 through 11, and 13, 14 and 16 of this complaint.

18. Since at least October 2000, Lighthouse engaged in unfair competition in violation of Business and Professions Code section 17200, by:

A. Violating Business and Professions Code section 17500 as alleged in the First Cause of Action;

B. Engaging in the practices described in paragraph 10 above during the period prior to January 2003, in violation of section 12100(j) of the California Financial Code (amended effective January 1, 2003); and

C. Failing to comply with subsections (g), (f) and (i) of section 12104 of the California Financial Code.

1 **WHEREFORE**, plaintiff prays for judgment as follows:

2 1. Pursuant to Business and Professions Code sections 17203 and 17535, that
3 Defendants, their successors, agents, representatives, employees, and any and all other persons who
4 act under, by, through, or on behalf of defendants be permanently restrained and enjoined from:

5 A. Making or disseminating any of the untrue or misleading statements described
6 in this complaint or any other statement in violation of Business and Professions Code
7 section 17500 *et seq.*;

8 B. Doing any of the acts set forth in this complaint or any other act in
9 violation of Business and Professions Code section 17200 *et seq.*

10 2. Pursuant Business and Professions Code section 17206 and 17535, the court assess
11 a civil penalty against ICS for violations of Business and Professions Code section 17200 and 17500
12 which occurred as alleged in this Complaint.

13 3. Pursuant Business and Professions Code section 17206 and 17535, the court assess
14 a civil penalty against Lighthouse for violations of Business and Professions Code section 17200
15 and 17500 which occurred as alleged in this Complaint.

16 4. Plaintiff recover its costs of suit.

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5. Plaintiff have such other and further relief as the nature of the case may require and the Court deems appropriate and just.

Dated: August 26, 2004

Respectfully submitted,

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