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The People of the State of California

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF ALAMEDA

12  
13  
14 THE PEOPLE OF THE STATE OF  
CALIFORNIA,

15 Plaintiff,

16 v.

17  
18 PAUL BLANCO'S GOOD CAR  
COMPANY AUTO GROUP, a California  
19 corporation;  
PAUL BLANCO MANAGEMENT  
20 COMPANY, a California corporation;  
PAUL BLANCO INSURANCE AGENCY,  
21 INC., a California corporation;  
PAUL BLANCO VEHICLE  
22 REGISTRATION, a California corporation;  
PAUL BLANCO'S GOOD CAR  
23 COMPANY BAKERSFIELD, a California  
corporation;  
24 PAUL BLANCO'S GOOD CAR  
COMPANY CARSON, a California  
25 corporation;  
PAUL BLANCO'S GOOD CAR  
26 COMPANY FAIRFIELD, a California  
corporation;  
27 PAUL BLANCO'S GOOD CAR  
COMPANY FRESNO, INC., a California  
28 corporation;

[EXEMPT FROM FILING FEES  
PURSUANT TO GOVERNMENT  
CODE SECTION 6103]

ENDORSED  
FILED  
ALAMEDA COUNTY

SEP 23 2019

CLERK OF THE SUPERIOR COURT  
Anita Dhir

Case No.

RG19036081

COMPLAINT FOR PERMANENT  
INJUNCTION, CIVIL PENALTIES,  
RESTITUTION, AND OTHER  
EQUITABLE RELIEF

(BUS. & PROF. CODE, § 17200 et seq.)

[VERIFIED ANSWER REQUIRED  
PURSUANT TO CODE OF CIVIL  
PROCEDURE SECTION 446]

1 **PAUL BLANCO'S GOOD CAR**  
2 **COMPANY INLAND EMPIRE, a**  
3 **California corporation;**  
4 **PAUL BLANCO'S GOOD CAR**  
5 **COMPANY OAKLAND, a California**  
6 **corporation;**  
7 **PAUL BLANCO'S GOOD CAR**  
8 **COMPANY SACRAMENTO, a California**  
9 **corporation;**  
10 **PAUL BLANCO'S GOOD CAR**  
11 **COMPANY STOCKTON, a California**  
12 **corporation;**  
13 **PAUL BLANCO'S GOOD CAR**  
14 **COMPANY RENO, a Nevada corporation;**  
15 **PAUL BLANCO'S GOOD CAR**  
16 **COMPANY LAS VEGAS, a Nevada**  
17 **corporation;**  
18 **PAUL BLANCO, an individual; and**  
19 **DOES 1 THROUGH 100, inclusive,**

20 Defendants

21  
22 The People of the State of California ("the People" or "Plaintiff"), by and through Xavier  
23 Becerra, Attorney General of the State of California, allege the following on information and  
24 belief:

### 25 INTRODUCTION

26 1. The People bring this enforcement action to protect the public and hold defendant  
27 Paul Blanco and his used car dealership network, Paul Blanco's Good Car Company, accountable  
28 for years of defrauding low- and moderate-income Californians and financial institutions.

29 2. Paul Blanco's Good Car Company is a network of motor vehicle dealerships and  
30 affiliated business operations with seven dealership locations throughout California and two in  
31 Nevada. Its dealerships sell primarily used vehicles and arrange predominantly subprime auto  
32 financing for economically distressed, credit-challenged consumers. For many low-income  
33 families in California, a vehicle is a necessity and can represent the most expensive one-time  
34 purchase they ever make. With limited financial resources, these families must typically purchase  
35 vehicles on credit.

3. From a date unknown to the People, and continuing to the present, Paul Blanco's Good Car Company has aired numerous false and deceptive advertising campaigns in order to lure unsuspecting consumers to their dealerships, including promotions for a "Senior Gold Program" that purported to offer preferential credit terms for seniors but in fact never existed. In addition, during sessions one manager called "lessons in larceny," Paul Blanco's taught employees to lie to third-party lenders in order to obtain consumer financing on false pretenses and boost dealership profits. These lies ranged from deceiving lenders about the value of vehicles financed to misrepresenting consumers' income and other information on credit applications. By falsifying this information, Defendants made consumers appear more creditworthy to third-party lenders than they actually were, thereby increasing the chances of obtaining funding for risky loans, selling an increased number of vehicles, and substantially increasing their profits. These falsehoods also increased the risk that low-income consumers, saddled with loans for which they would otherwise not qualify and could not afford, would default on their loans. Finally, Defendants tricked customers into paying thousands for optional add-on products, such as service contracts and GAP insurance, by falsely telling customers that these expensive add-ons were required by law or included in the sale price, or even by concealing the very fact that the dealership had tacked on a hidden charge. Defendants' actions have harmed thousands of California consumers and damaged honest competitors in the marketplace.

4. The People respectfully request that this Court use its equitable and legal authority to permanently enjoin these unlawful, unfair, and fraudulent practices; provide restitution to redress the considerable harm Defendants have caused California's consumers; and impose civil penalties to punish Defendants for their unlawful conduct.

**PLAINTIFF**

5. The People of the State of California are the Plaintiff in this case. The People bring this action by and through Xavier Becerra, Attorney General of the State of California. The Attorney General is authorized by Business and Professions Code sections 17204, 17206, 17535,

1 and 17536 to file litigation to enforce the Unfair Competition Law (Bus. & Prof. Code, § 17200 et  
2 seq.) and the False Advertising Law (Bus. & Prof. Code, § 17500 et seq.).

3  
4 **DEFENDANTS**

5 6. Defendant Paul Blanco's Good Car Company Auto Group is a California Corporation  
6 headquartered in Sacramento, California. Since at least its formation in 2017, acting alone or in  
7 concert with others, Paul Blanco's Good Car Company Auto Group has transacted business  
8 throughout California, including advertising, marketing, distributing, or offering vehicles to  
9 consumers for sale.

10 7. Defendant Paul Blanco Management Company is a California corporation  
11 headquartered in Sacramento, California. At all relevant times, acting alone or in concert with  
12 others, Paul Blanco Management Company has transacted business throughout California, by  
13 providing advertising, marketing, and other services related to the purchase and sale of used  
14 vehicles.

15 8. Defendant Paul Blanco Insurance Agency, Inc. is a California corporation  
16 headquartered in Sacramento, California, and possibly operating under the business name "IFE  
17 Insurance Agency." At all relevant times, acting alone or in concert with others, Paul Blanco  
18 Insurance Agency, Inc. has transacted and continues to transact business throughout California.

19 9. Defendant Paul Blanco Vehicle Registration is a California corporation headquartered  
20 in Sacramento, California. Since at least its formation in 2017, acting alone or in concert with  
21 others, Paul Blanco Vehicle Registration has transacted and continues to transact business  
22 throughout California.

23 10. Defendant Paul Blanco's Good Car Company Bakersfield ("Paul Blanco's  
24 Bakersfield"), is a California corporation, doing business in Bakersfield, California. At all  
25 relevant times, acting alone or in concert with others, Paul Blanco's Bakersfield has advertised,  
26 marketed, distributed, or offered vehicles to consumers for sale in California.

27 11. Defendant Paul Blanco's Good Car Company Carson ("Paul Blanco's Carson"),  
28 formerly known as Paul Blanco's Good Car Company El Monte, is a California corporation



1 located in Carson, California. Although it is listed as a dealership location on the  
2 PaulBlanco.com website, it is not currently not known whether Paul Blanco's Carson is in fact  
3 operating.

4 12. Defendant Paul Blanco's Good Car Company Fairfield ("Paul Blanco's Fairfield") is  
5 a California corporation doing business in Fairfield, California. From a date unknown to the  
6 People and continuing to the present, acting alone or in concert with others, Paul Blanco's  
7 Fairfield has advertised, marketed, distributed, or offered vehicles to consumers for sale in  
8 California.

9 13. Defendant Paul Blanco's Good Car Company Fresno, Inc. ("Paul Blanco's Fresno")  
10 is a California corporation doing business in Fresno, California. At all relevant times, acting  
11 alone or in concert with others, Paul Blanco's Fresno has advertised, marketed, distributed, or  
12 offered vehicles to consumers for sale in California.

13 14. Defendant Paul Blanco's Good Car Company Inland Empire ("Paul Blanco's Inland  
14 Empire") is a California corporation doing business in Norco, California. At all relevant times,  
15 acting alone or in concert with others, Paul Blanco's Inland Empire has advertised, marketed,  
16 distributed, or offered vehicles to consumers for sale in California.

17 15. Defendant Paul Blanco's Good Car Company Oakland ("Paul Blanco's Oakland") is  
18 a California corporation doing business in Oakland, California. At all relevant times, acting alone  
19 or in concert with others, Paul Blanco's Oakland has advertised, marketed, distributed, or offered  
20 vehicles to consumers for sale in California.

21 16. Defendant Paul Blanco's Good Car Company Sacramento ("Paul Blanco's  
22 Sacramento") is a California corporation doing business in Sacramento, California. At all  
23 relevant times, acting alone or in concert with others, Paul Blanco's Sacramento has advertised,  
24 marketed, distributed, or offered vehicles to consumers for sale in California.

25 17. Defendant Paul Blanco's Good Car Company Stockton ("Paul Blanco's Stockton") is  
26 a California corporation doing business in Stockton, California. At all relevant times, acting alone  
27 or in concert with others, Paul Blanco's Stockton has advertised, marketed, distributed, or offered  
28 vehicles to consumers for sale in California.

1       18. Defendant Paul Blanco's Good Car Company Reno ("Paul Blanco's Reno") is a  
2 Nevada corporation doing business in Reno, Nevada. Since at least its formation in 2015, acting  
3 alone or in concert with others, Paul Blanco's Reno has advertised, marketed, distributed, or  
4 offered vehicles to consumers for sale in both California and Nevada.

5       19. Defendant Paul Blanco's Good Car Company Las Vegas ("Paul Blanco's Las  
6 Vegas") is a Nevada corporation doing business in Las Vegas, Nevada. Since at least its  
7 formation in 2016, acting alone or in concert with others, Paul Blanco's Las Vegas has  
8 advertised, marketed, distributed, or offered vehicles to consumers for sale in both California and  
9 Nevada.

10       20. Defendant Paul Blanco, an individual, resides in Orange County, California, and at all  
11 relevant times has been the founder, co-owner and President/Chief Executive Officer of Paul  
12 Blanco's Good Car Company Auto Group, Paul Blanco Management Company, Paul Blanco  
13 Insurance Agency, Inc., Paul Blanco Vehicle Registration, Paul Blanco's Bakersfield, Paul  
14 Blanco's Carson, Paul Blanco's Fairfield, Paul Blanco's Fresno, Paul Blanco's Inland Empire,  
15 Paul Blanco's Oakland, Paul Blanco's Sacramento, Paul Blanco's Stockton, Paul Blanco's Reno,  
16 and Paul Blanco's Las Vegas. At all relevant times, acting alone or in concert with others, Mr.  
17 Blanco has conducted, supervised, developed, or overseen training of his employees, and has  
18 managed, formulated, directed, controlled, had the authority to control, or participated in the acts  
19 and practices of the other defendants that constitute the common enterprise alleged below.

20       21. Defendants Paul Blanco's Good Car Company Auto Group, Paul Blanco  
21 Management Company, Paul Blanco Insurance Agency, Inc., Paul Blanco Vehicle Registration,  
22 Paul Blanco's Bakersfield, Paul Blanco's Carson, Paul Blanco's Fairfield, Paul Blanco's Fresno,  
23 Paul Blanco's Inland Empire, Paul Blanco's Oakland, Paul Blanco's Sacramento, Paul Blanco's  
24 Stockton, Paul Blanco's Reno, Paul Blanco's Las Vegas and Paul Blanco, (collectively "Paul  
25 Blanco's Good Car Company" "Paul Blanco's," or "Defendants") have operated as a common  
26 enterprise while engaging in the deceptive, unfair, and unlawful acts and practices as alleged  
27 below. Defendants have conducted the business practices described below through interrelated  
28 companies that have common ownership, officers, managers, business functions, employees, and

1 office locations. Among other things, these interrelated companies have routinely commingled  
2 funds and other assets. For example, the dealerships have shared profits and losses: funds from  
3 better-performing dealerships have been transferred to the Paul Blanco Management Company  
4 and then funneled out to other dealerships. Because Paul Blanco's Good Car Company has  
5 operated as a common enterprise, each Defendant is jointly and severally liable for the acts and  
6 practices of each of them.

7 22. At all relevant times, each Defendant acted as a principal, under express or implied  
8 agency, and/or with actual or ostensible authority to perform the acts alleged in this Complaint on  
9 behalf of every other named Defendant. At all relevant times, some or all Defendants acted as the  
10 agent of the others, and all Defendants acted within the scope of their agency if acting as an agent  
11 of another.

12 23. At all relevant times, each Defendant knew or realized, or should have known or  
13 realized, that the other Defendants were engaging in or planned to engage in the violations of law  
14 alleged in this Complaint. Knowing or realizing that the other Defendants were engaging in such  
15 unlawful conduct, each Defendant nevertheless facilitated the commission of those unlawful acts.  
16 Each Defendant intended to and did encourage, facilitate, or assist in the commission of the  
17 unlawful acts, and thereby aided and abetted the other Defendants in the unlawful conduct.

18 24. Defendants have engaged in a conspiracy, common enterprise, and common course of  
19 conduct, the purpose of which is and was to engage in the violations of law alleged in this  
20 Complaint. The conspiracy, common enterprise, and common course of conduct continue to the  
21 present.

22 25. The corporate Defendants are alter-egos of their co-owner, Defendant Paul Blanco.  
23 There is a unity of interest and ownership between Paul Blanco and the corporate Defendants,  
24 such that in reality the corporate Defendants and Paul Blanco have no separate personality. For  
25 example, each of the corporate Defendants is owned and controlled solely by Paul Blanco and his  
26 wife, who have at times used Defendants' accounts to pay personal expenses or to make cash gifts  
27 to family members. Defendant Paul Blanco used the corporate Defendants to perpetrate fraud and  
28 accomplish other wrongful and inequitable acts, including those alleged in this Complaint.

1 Failure to hold Mr. Blanco individually liable for the corporate Defendants' wrongful acts would  
2 lead to an inequitable and unjust result.

3 26. Plaintiff is not aware of the true names and capacities of defendants sued herein as  
4 DOES 1 through 100, inclusive, and therefore sues those defendants by fictitious names. Each  
5 fictitiously named defendant is responsible in some manner for the violations of law alleged.  
6 Plaintiff will amend this Complaint to add the true names of the fictitiously named defendants  
7 once they are discovered. Whenever reference is made in this Complaint to "Defendants," "Paul  
8 Blanco's," or "Paul Blanco's Good Car Company," such reference shall include DOES 1 through  
9 100 as well as the named defendants.

#### 10 11 **JURISDICTION AND VENUE**

12 27. Jurisdiction is proper because Defendants have transacted business within the State of  
13 California, including in the County of Alameda, where Defendants operate a motor vehicle  
14 dealership, and have engaged in conduct impacting the State of California or its residents at all  
15 times relevant to this Complaint. The violations of law described herein occurred in the County  
16 of Alameda and elsewhere in the State of California.

#### 17 18 **TOLLING**

19 28. Pursuant to valid agreements between the Office of the Attorney General and  
20 Defendants Paul Blanco's Good Car Company Auto Group; Paul Blanco's Insurance Agency,  
21 Inc.; Paul Blanco Management Company; Paul Blanco's Good Car Company Bakersfield; Paul  
22 Blanco's Good Car Company Carson; Paul Blanco's Good Car Company Fairfield; Paul Blanco's  
23 Good Car Company Fresno, Inc.; Paul Blanco's Good Car Company Inland Empire; Paul  
24 Blanco's Good Car Company Oakland; Paul Blanco's Good Car Company Sacramento; and Paul  
25 Blanco's Good Car Company Stockton ("Tolled Defendants"), the People and the Tolled  
26 Defendants have tolled all time limits and time-related defenses, either in law or in equity,  
27 including but not limited to statute of limitations, statute of repose, and the doctrine of laches,  
28

1 relating to claims that the People might bring against the Tolled Defendants pertaining to their  
2 business operations and practices.

3 29. An initial tolling agreement became effective on August 30, 2017, and tolled all such  
4 claims not then expired until August 30, 2018. The tolling agreement was later extended,  
5 pursuant to a series of separately-executed amendments with the Tolled Defendants, to  
6 February 28, 2019, April 1, 2019, May 1, 2019, June 1, 2019, August 1, 2019, and finally, to  
7 December 1, 2019. Pursuant to the tolling agreement and extensions, claims the People might  
8 bring against the Tolled Defendants pertaining to their business operations and practices have  
9 been continuously tolled since August 30, 2017.

#### 10 11 **DEFENDANTS' GENERAL BUSINESS PRACTICES**

12 30. Paul Blanco's Good Car Company operates nine motor vehicle dealerships, which  
13 primarily market used cars and trucks to consumers with low incomes and poor credit scores.  
14 These consumers may have difficulty obtaining credit and are often vulnerable to financial  
15 exploitation. The dealerships typically work with third-party auto lenders to arrange "subprime"  
16 auto loans for their customers. Subprime auto loans carry higher interest rates, and typically  
17 involve longer monthly payment terms, than prime loans.

18 31. As part of its marketing strategy, Paul Blanco's Good Car Company advertises on the  
19 internet, radio, and television. Defendants' advertisements, described in detail below, generally  
20 promise consumers easy credit approval and make various claims that consumers will be able to  
21 secure low interest rates and monthly payments. Through these advertisements, Paul Blanco's  
22 encourages consumers with low incomes and poor credit histories to call Paul Blanco's or apply  
23 for credit on Defendants' website.

24 32. After calling in or filling out the application form on the PaulBlanco.com website, an  
25 interested consumer typically speaks by phone with an agent at Defendants' call center, which  
26 Defendants call the "Business Development Center." Using scripts provided by Defendants,  
27 Business Development Center representatives interview prospective customers and attempt to  
28



1 schedule in-person dealership appointments, often luring customers to those appointments with  
2 false promises.

3 33. When a consumer visits one of Defendants' dealerships seeking to purchase and  
4 finance a vehicle, Defendants' sales personnel collect the consumer's credit information and  
5 documentation and prepare a credit application. Defendants' managers then solicit consumer  
6 financing by transmitting the consumer credit application to third-party finance companies  
7 through a digital finance platform.

8 34. After receiving a credit application from Defendants, the finance companies inform  
9 Defendants whether they will extend credit to the consumer, and if so, on what terms (such as  
10 amount financed, interest rate, and income verification requirements). This process happens  
11 quickly, outside of the consumer's presence, and he or she is typically unaware of the approved  
12 terms.

13 35. Once a finance company conditionally approves a consumer for credit, Defendants'  
14 sales employees select a vehicle from the dealership's inventory and attempt to negotiate a sale  
15 with the consumer. To complete the sale, Defendants' sales and finance personnel present the  
16 consumer with a stack of paperwork, including disclosure forms and a standardized retail  
17 installment sales contract ("RISC"). Once the customer signs, Paul Blanco's delivers the vehicle  
18 to the customer.

19 36. Although formally the RISC is a contract between the consumer and the Paul  
20 Blanco's dealership, Defendants, like most auto dealers, do not carry or service consumer auto  
21 loans. Instead, they immediately attempt to assign the RISC to the third-party finance company  
22 that initially approved the consumer for credit. Defendants transmit the signed RISC to the  
23 finance company along with relevant information about the vehicle sold, add-on products  
24 included in the sale, and documentation to substantiate the credit application. The finance  
25 company then reviews the package as a whole and makes a final decision whether to "fund" the  
26 consumer's loan. Assuming it decides to do so, the finance company pays Paul Blanco's a cash  
27 price in exchange for an assignment of the contract. In the event the finance company backs out  
28 of the transaction, Paul Blanco's typically seeks to renegotiate with the consumer or purports to

1 rescind the RISC and demands return of the consumer's vehicle, eventually resorting to  
2 repossession if the consumer does not return it.

## 4 **DEFENDANTS' FRAUDULENT FINANCE PRACTICES**

### 5 **FALSIFYING CREDIT APPLICATIONS**

6 37. From a date unknown to the People, and continuing to the present, Defendants' sales  
7 and finance personnel have falsified consumers' monthly incomes, expenses, down-payment  
8 amounts, places of residence, residence histories, and other information on consumer credit  
9 applications. By falsifying this information, usually without consumers' knowledge, Defendants  
10 have made consumers appear more creditworthy than they actually are, thus increasing the chance  
11 of obtaining third-party financing. This practice has enabled Defendants to sell many more  
12 vehicles than they otherwise could have, substantially boosting their profits. It has also burdened  
13 unknowing, low-income consumers with loans they often cannot afford.

14 38. Audits undertaken by third-party finance companies have found substantial rates of  
15 credit application falsification at Defendants' dealerships. For example, one finance company  
16 audited three Paul Blanco's dealerships, attempting to verify incomes for a sample of consumers  
17 who had purchased vehicles at each dealership. The audits revealed that an astounding number of  
18 credit applications submitted by Paul Blanco's dealerships reported incomes that exceeded the  
19 figures the finance company had been able to verify by *at least* \$500 per month. The finance  
20 company found that 78.13% of incomes (250 out of 320) reported by Paul Blanco's Fresno,  
21 58.75% of incomes (47 out of 80) reported by Paul Blanco's Oakland, and 87.5% of incomes (7  
22 out of 8) reported by Paul Blanco's Sacramento were greater than the verified monthly incomes  
23 by at least \$500. Another audit undertaken by a different lender found that Defendants had  
24 submitted falsified borrower incomes and in many instances supplied forged documents to prove  
25 borrowers' residence.

26 39. Defendants' actions were endorsed, taught, and carried out by senior management. For  
27 instance, one group of senior managers would alter credit applications after customers' true  
28 incomes were reported to them by lower-level employees. In one team meeting, another senior

1 manager told employees who were uncomfortable with these practices that they were not team  
2 players and that, if they did not like the practices, they could leave the company. Yet another  
3 senior manager told an employee to “school” customers, by telling them that they would need to  
4 lie about their incomes if a finance company called to verify the credit application. The practice  
5 of fraudulently inflating income was so common that Defendants’ personnel even developed  
6 associated slang. For example, “packing income” meant falsely increasing a customer’s reported  
7 income on a credit application, and packing income “by a nickel” meant increasing a customer’s  
8 income by \$500.

9 40. Defendant Paul Blanco, aware that this unlawful and fraudulent falsification activity  
10 was ongoing, nevertheless facilitated and encouraged it. Finance companies who uncovered  
11 falsification discussed their findings in detail with Mr. Blanco. Employees of Paul Blanco’s  
12 dealerships also notified Mr. Blanco that such activity was occurring, but rather than end the  
13 practices, Mr. Blanco terminated or forced those employees out for raising concerns. One senior  
14 manager threatened employees on at least two occasions, telling them not to be a “snitch;” he  
15 explained that employees who raised concerns about malfeasance to Mr. Blanco would be fired,  
16 and referenced the example of an employee who had previously met that fate.

17  
18 **FALSIFYING VEHICLE VALUES: “POWER BOOKING”**

19 41. When soliciting financing from third-party finance companies, Defendants, like other  
20 dealers, must provide those companies with the dollar value of the vehicle to be sold. Lenders  
21 rely on that value in making their funding decisions because the vehicle will serve as collateral  
22 for the consumer’s loan—if the consumer defaults, the lender will repossess the vehicle. The  
23 ratio of the dollar amount being financed to the dollar value of the underlying collateral—the  
24 “loan-to-value” ratio—affects finance companies’ assessments of the overall risk of a finance  
25 transaction and ultimately their decision about whether to fund a consumer’s loan. The lower the  
26 financed amount relative to the vehicle value, the lower the risk profile of the overall transaction.

27 42. In order to verify a claimed vehicle value, finance companies typically require dealers  
28 to submit a “book sheet” that lists the year, make, model, and trim level of the vehicle, as well its

1 optional features. The book sheet typically includes an assessed value for the vehicle supplied by  
2 third-party reference listings such as Kelley Blue Book, with the value calculated based on  
3 vehicle attributes reported by the dealership.

4 43. From a date unknown to the People, and continuing to the present, Defendants have  
5 routinely falsified book sheets by artificially inflating vehicle trim levels and fabricating optional  
6 features, a fraudulent practice euphemistically referred to in the industry as “over-  
7 collateralization,” “building books,” “book packing,” or “power booking.” For instance,  
8 Defendants might submit a book sheet misrepresenting a base-model 2014 Nissan Altima as a  
9 top-of-the-line “SL” trim level, and may further inflate the value by falsely claiming that the  
10 vehicle has upgraded features, such as a larger engine, premium sound system, or moon roof.

11 44. These fraudulent techniques can increase a vehicle’s reported value by thousands of  
12 dollars, allowing Defendants to sell a higher-balance RISC without exceeding loan-to-value limits  
13 put in place by lenders for underwriting purposes. Selling a higher-balance RISC in turn  
14 increases Defendants’ profit on the transaction. That profit comes at the expense of harm to  
15 consumers, who typically have no idea that Defendants have misrepresented the vehicle to their  
16 finance company, but who end up with loans likely to be significantly less affordable than what  
17 they could have qualified for had the dealership booked their vehicle honestly.

18 45. Defendants’ employees frequently falsified vehicle values, and they did so with the  
19 approval and encouragement of Defendants’ upper management. For example, one senior  
20 manager taught employees how to inflate vehicle values and perpetrate other wrongful conduct,  
21 during sessions the senior manager referred to as “lessons in larceny.” The senior manager taught  
22 employees that finance companies cannot decode the trim level of certain vehicles based on the  
23 Vehicle Identification Number alone, and that, in order to avoid detection, employees should  
24 focus on misrepresenting the trim levels of those particular vehicles.

25 46. Defendant Paul Blanco was aware of the power booking activity, but rather than  
26 stopping it, he instead facilitated and encouraged it. Underwriting verification processes  
27 undertaken by third-party finance companies have found hundreds of instances of power booking  
28 in finance applications submitted by Paul Blanco’s Good Car Company. Defendant Paul Blanco

1 received or was aware of letters from those companies, demanding repayment of losses due to  
2 power booking, and responded by making the demanded payments. Mr. Blanco participated in at  
3 least one meeting with a finance company after it identified transactions involving power booking  
4 and indicated in other communications with finance company representatives that he was aware  
5 of the activity. Mr. Blanco was also made aware of power booking activity by subordinates. And  
6 yet, Defendants' unlawful power booking activity continued.

### 7 8 **FALSE AND DECEPTIVE ADVERTISING**

9 47. From a date unknown to the People, and continuing to the present, Defendants have  
10 disseminated advertisements on the radio, television, and the internet promoting the purchase and  
11 finance of their motor vehicles. Many of these advertisements are false or deceptive.  
12 Defendants' false and deceptive advertising has included promotions for a non-existent "Senior  
13 Gold" program that targeted and deceived senior citizens; false assurances that consumers will be,  
14 or have been, approved for financing prior to visiting a dealership; suggesting that over 100  
15 lenders will compete for a customer's business, when the real number is only a small handful; and  
16 touting the false promises that Paul Blanco's helps customers obtain the lowest interest rate  
17 available and does not mark up customers' interest rates, when in fact the dealerships routinely  
18 mark up interest rates in order to boost profits.

19 48. In addition to targeting senior citizens and low-income Californians, Defendants also  
20 targeted vulnerable communities of non-English speakers and immigrants. Defendants aired  
21 deceptive advertisements in Spanish or intended for audiences of immigrants, including  
22 advertisements touting the availability of credit for customers who receive cash wages, are  
23 undocumented, or lack valid driver's licenses.

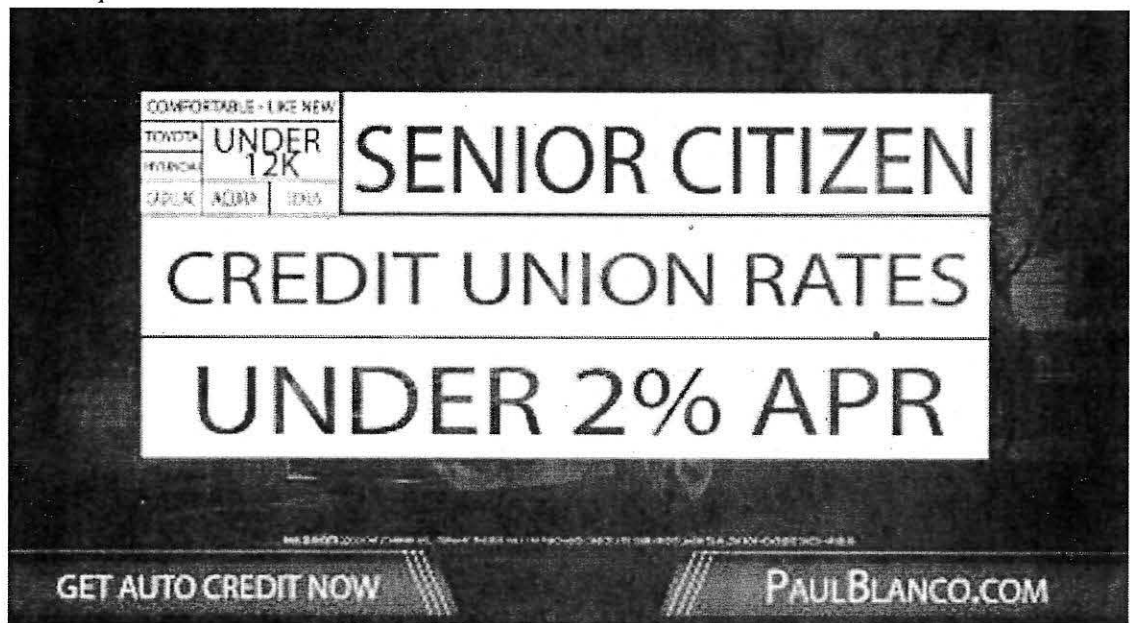
24 49. Defendant Paul Blanco played a personal, integral role in the development and  
25 dissemination of this advertising. Mr. Blanco wrote and approved Defendants' advertisements  
26 and participated as a voiceover artist for their television and radio ads. He also drafted and  
27 approved call center scripts and held himself out as the dealerships' "Advertising Guru."  
28



1 **DEFENDANTS' FRAUDULENT "SENIOR GOLD" PROGRAM**

2 50. As part of their marketing strategy, Defendants advertised a "Senior Gold Program"  
3 that they promoted as a way of helping senior citizens purchase vehicles. The Senior Gold  
4 Program purportedly offered "special senior pricing" and rates available with no credit check,  
5 down payment, or proof of income—arrangements claimed to be the result of an "exclusive"  
6 partnership between Paul Blanco's dealerships and a select group of credit unions. In truth, no  
7 such partnership existed, and the dealerships offered no special prices, rates, or other  
8 accommodations to senior citizens. Far from receiving special treatment, seniors at Paul Blanco's  
9 dealerships were treated no differently from any other car buyer on the lot. In sum and substance,  
10 the Senior Gold Program was a sham.

11 51. For example, Defendants' radio advertising claimed that "select credit unions in our  
12 program have joined together to offer a Seniors Gold Program that requires no proof of income  
13 and no down payment" and that customers should "let one hundred participating lenders compete  
14 to qualify you for our Senior Gold rates." Defendants' television advertisements conveyed the  
15 same messages (see Figure 1, below) and promised in voice-overs that Paul Blanco's senior  
16 customers could obtain "senior citizen credit union rates, offered only at Paul Blanco's, starting  
17 under two percent."



*Figure 1: Screen shot from one of Defendants' television advertisements.*

1       52. In fact, there was never any such partnership among credit unions to offer a Senior  
2 Gold Program through Paul Blanco's Good Car Company, nor was any aspect of the credit union  
3 financing offered at Defendants' dealerships exclusive to Paul Blanco's dealerships.

4       53. Defendants also advertised that the Senior Gold Program offered special prices and  
5 interest rates for seniors. For example, Defendants claimed in a television advertisement that  
6 "Paul Blanco's Good Car Company has special senior pricing and two percent financing, plus  
7 down payment assistance, through our Seniors Gold Program." A purported customer testimonial  
8 that aired in Defendants' television and radio advertising proclaimed: "We put no money down,  
9 and since we are retired, we qualified for a two percent senior finance rate. Thanks, Paul  
10 Blanco!" Another radio ad stated: "Paul Blanco's Good Car Company is the preferred dealer of  
11 seniors. Special rates, special prices, and special treatment. . . . Apply for Senior Gold at  
12 PaulBlanco.com."

13       54. In fact, Paul Blanco's Good Car Company never offered special prices or interest  
14 rates for senior citizens. Senior citizens were not able to obtain rates of two percent or lower  
15 unless they qualified for those rates following a credit check, just like any other car buyer.

16       55. Defendants also advertised that, under the Senior Gold Program, senior citizen car  
17 buyers could obtain financing without undergoing a credit check, submitting proof of income, or  
18 making a down payment. For example, television advertising claimed that senior citizens would  
19 face "no credit check hassles" and "no embarrassing credit check." One television ad touted:  
20 "Paul Blanco's Good Car Company introduces the Seniors Gold Program, with no credit check  
21 hassles, no pressure, and no money down, with no proof of income." Other advertisements  
22 emphasized that the Senior Gold Program offered "the lowest prices on almost one thousand  
23 vehicles and two-percent credit union rates that require no money down and no proof of income  
24 and no embarrassing credit check hassles." The following image aired in television advertising  
25 for the Senior Gold Program:  
26  
27  
28

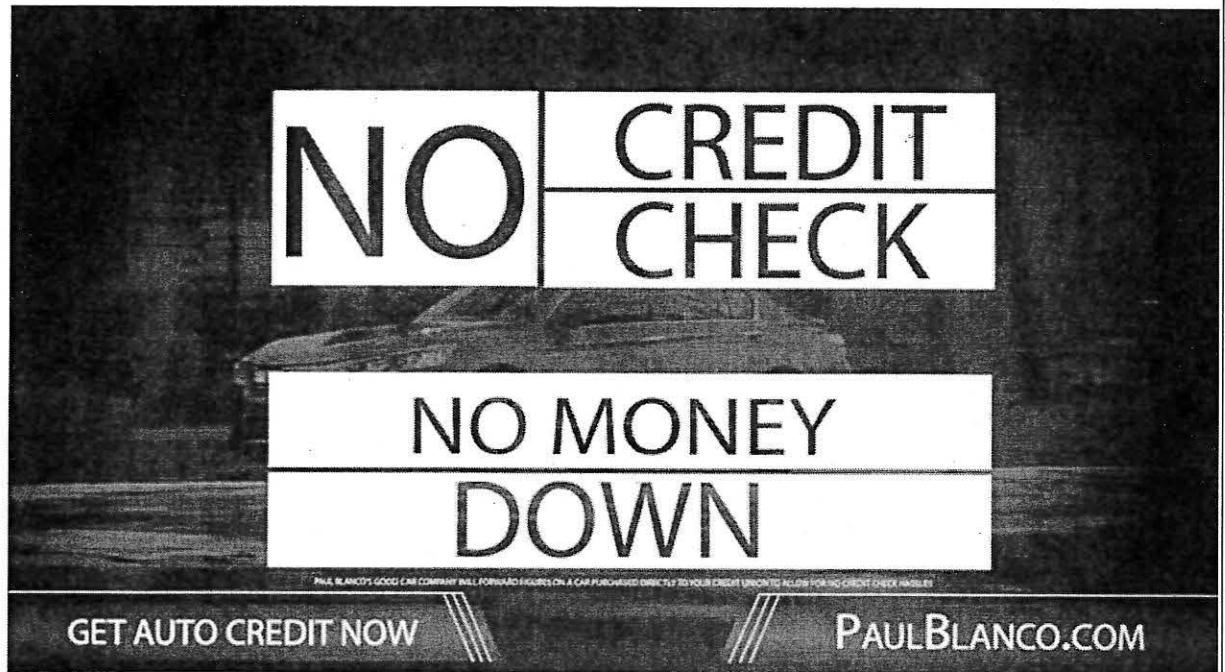


Figure 2: Screen shot from one of Defendants' television advertisements.

56. In reality, no program ever existed at Paul Blanco's Good Car Company that would allow senior citizens or any other customers to finance a vehicle purchase without undergoing a credit check, nor were senior citizens ever permitted, because of their seniority, to avoid making down payments or furnishing proof of income. Instead, the Senior Gold program was nothing but bait-and-switch advertising: a ruse that drew unwitting senior citizens to Paul Blanco's Good Car Company, where Defendants performed credit checks, accepted down payments, and required proof of income just as they would with any customer who was not a senior citizen.

#### **DEFENDANTS' FALSE CREDIT APPROVAL ASSURANCES**

57. Defendants deceive potential customers with false promises that they will be, or have already been, approved for credit online or over the phone. In reality, with very rare exceptions, consumers are not approved for credit until they visit a Paul Blanco's dealership in person, and only after Defendants send credit applications to lenders on their behalf.

58. As part of their marketing scheme, Defendants heavily promote that they can approve customers for financing online or over the phone, and prior to an in-person visit to a Paul Blanco's dealership. Credit rejection can be an embarrassing and painful experience, so the

1 promise of easy approval prior to an in-person dealership visit can be appealing to Paul Blanco's  
2 customers, who, as detailed above, are predominantly low-income and have subprime credit  
3 scores.

4 59. The actual purpose of Defendants' online and phone "credit application" is to  
5 generate sales leads and lure consumers into Defendants' dealerships, where they are subjected to  
6 other deceptive and fraudulent sales practices. In many cases, consumers decide to visit Paul  
7 Blanco's dealerships precisely because they believe they have already been approved for credit,  
8 only to find that not to be the case.

9  
10 Defendants' advertising falsely promises instant online credit approval

11 60. Defendants' deception begins with television and radio advertising, which has falsely  
12 informed customers that they can apply for credit online.

- 13 a. For instance, Figure 3, below, has appeared in television advertising for Paul  
14 Blanco's Good Car Company under voice-over claims such as "Get credit now  
15 at PaulBlanco.com"; "Get approved at PaulBlanco.com"; "Get approved  
16 before you shop at PaulBlanco.com"; "Get approved today at  
17 PaulBlanco.com"; "Apply now at PaulBlanco.com"; and "Apply today only at  
18 PaulBlanco.com."



28 *Figure 3: Screen shot from Defendants' television advertising.*

1           b.     Other television advertisements have featured banners reiterating the  
2                availability of an online credit application that would allow customers to get  
3                approved for finance before shopping for a vehicle. (See Figures 4 and 5,  
4                below.)



5                Figures 4 & 5: Banners cropped from screen shots of Defendants' television advertising.

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12           61.     Defendants' radio advertising has conveyed the same message, touting "hassle-free  
13                online approvals, only at PaulBlanco.com" and that customers "could be approved online for a  
14                car, truck, or SUV of [their] dreams"; could obtain "hassle-free credit approvals in minutes at  
15                PaulBlanco.com"; and should "click PaulBlanco.com for instant credit for anyone working."

16  
17  
18  
19               Defendants' website misleads consumers to believe they have applied for credit

20           62.     Consumers visiting the PaulBlanco.com website to take advantage of Defendants'  
21                advertised offer of instant credit approval encounter messaging that reaffirms the impression that  
22                they can apply for and obtain auto financing through the website. As recently as early 2017, the  
23                PaulBlanco.com splash page proclaimed in relevant part: "No matter if your credit score is 500 or  
24                800, just click and let over 120 specialized banks and credit unions compete to win your business  
25                regardless of your credit. Plus, when you apply online, one of our loan facilitators will negotiate  
26                on your behalf to get you the lowest rate possible. Once approved, you can shop from home."  
27                Although the specifics of this messaging have changed over time, prominent links throughout the  
28



website have displayed messages such as “APPLY NOW GET APPROVED,” “Get Approved NOW!” and “Apply for financing.”

63. Customers who have clicked on one of these “apply” links have been redirected to PaulBlanco.com/creditapp/, a webpage containing a fake credit application form. This form requests personal information from prospective customers, such as name, contact information, birth date, partial social security number, amount and source of income, and available down payment. A screenshot of one version of this “credit application” is included here as Figure 6.

### Complete The Application and Let The Banks Compete

| Customer Information  |                      |
|---|----------------------|
| * First Name:   | <input type="text"/> |
| * Middle Initial:   | <input type="text"/> |
| * Last Name:  | <input type="text"/> |
| * Birth Date:   | <input type="text"/> |
| * Home Address:   | <input type="text"/> |
| * City:   | <input type="text"/> |
| * State   | <input type="text"/> |
| * ZIP Code  | <input type="text"/> |
| * Phone Number:   | <input type="text"/> |
| * Email Address:  | <input type="text"/> |
| * Last 6 digits SSN:<br>Last 6 of Social Security Number  | <input type="text"/> |
| Budget and Employment   |                      |
| * Gross Monthly Income:   | <input type="text"/> |
| * Current Employer / Source of Income:  | <input type="text"/> |
| * Down Payment:   | <input type="text"/> |
| Request an Appointment  |                      |
| Request Appointment Date:   | <input type="text"/> |
| Appointment Time:   | <input type="text"/> |
| **Official Use Only:  | <input type="text"/> |
| <b>Most Approvals Based On Down Payment and Income, Not Credit!</b><br>By sending this application, you authorize us to contact you and run a credit check.<br><b>Please read our <u>Privacy Statement</u>.</b> |                      |
| <div>Final Review</div>   |                      |
| * = required fields   |                      |

Figure 6: Screenshot of PaulBlanco.com’s purported online “credit application”

1        64. The messaging surrounding the “application” form on Defendants’ website has  
2 changed over time, but it has consistently been misleading. In mid-2018, during the civil law  
3 enforcement investigation that preceded this lawsuit, Defendants temporarily removed references  
4 to a credit application or credit approval from their website, replacing the aforementioned “apply”  
5 links with buttons reading “Get Started!” and changing the title of the form to “Pre-Qualification  
6 Review.” After a few months, however, Defendants reversed course. By the end of 2018,  
7 Defendants’ website advertised “Get Pre-Approved,” and in April 2019, the messaging returned  
8 to “Get Approved,” with the “application” form retitled “Apply for Finance Approval.” As of  
9 September 2019, the website continues to falsely refer to the “application” form as a “credit  
10 application” and falsely suggests that customers can “apply now.”

11        65. In reality, the credit “application” form on Defendants’ website is not a credit  
12 application at all but simply a means of generating sales leads. When a consumer completes the  
13 form, Defendants’ Business Development Center contacts him or her, then uses the information  
14 collected in the application to attempt to complete a sale, including further disseminating false  
15 and deceptive information to consumers. No actual credit application process occurs.

16  
17        Defendants’ call center misleads consumers to believe they have been approved for credit

18        66. Defendants operate a centralized customer relations office known as the Business  
19 Development Center, which handles both outgoing and incoming consumer calls and  
20 communicates with consumers by email. Defendants require Business Development Center  
21 representatives to follow scripts for phone calls and voicemails, and to rely on pre-written  
22 templates when sending emails to consumers. One of the primary goals of the Business  
23 Development Center is to persuade consumers to visit dealerships in person, where Defendants  
24 funnel them through a high-pressure (and at times fraudulent) sales process. Defendants offer  
25 incentives such as monetary rewards to Business Development Center representatives who  
26 schedule large numbers of customer appointments.

27        67. Defendants use the Business Development Center to reinforce the false and  
28 misleading message that consumers can be approved for credit before setting foot in a dealership.

1 This false promise of prior credit approval is particularly alluring to low-income consumers or  
2 those with compromised credit scores, who are often worried about the potential embarrassment  
3 of being turned away or denied financing in a public setting.

4 68. When a Business Development Center representative makes contact with a consumer  
5 by phone, the representative takes the consumer through a deceptive sales script designed to  
6 perpetuate the consumer's belief that they are applying, and will be approved, for credit. Call  
7 scripts in use as recently as mid-2018 required Business Development Center representatives to  
8 begin calls with a purported "application process," in which the representative collects a  
9 significant quantity of personal information from the consumer, similar to what would be required  
10 on a credit application. In all respects, Defendants—including Defendant Paul Blanco, who  
11 drafted the relevant script—designed this process to mirror a genuine credit application process  
12 and deceive customers into believing that is what it was.

13 69. Defendants' script next required the Business Development representative ("BDR")  
14 to pretend to process the nonexistent credit application and announce the result as though the  
15 consumer had been deemed creditworthy. The relevant portion of the script reads as follows:

16  
17 BDR: Thank you, (*Customer name*), Please hold while I process  
your application.

18 (Place the customer on hold for 5 seconds)

19 ...

20 BDR: Congratulations! (*Customer's name*)! Based on the  
21 information you have provided, you meet the credit criteria for  
22 several of our lenders. ...

23 70. In fact, the Business Development Center does not process any applications at all.  
24 The five-second hold required by the call center manual serves merely to deceive consumers into  
25 believing that Paul Blanco's was processing their credit applications electronically. According to  
26 a manager responsible for the daily operations of the Business Development Center, every  
27 consumer who speaks to a Business Development Center representative and participates in the  
28

1 sham “application process” is ultimately congratulated and informed that he or she “meet[s] the  
2 credit criteria for several . . . lenders.”

3 71. Defendants’ Business Development Center representatives further compound the  
4 deception by leaving voicemails and sending email messages to prospective customers who have  
5 completed the fake online “credit application,” which falsely state or suggest that the customers  
6 have been approved or will soon be approved for financing. For example, Paul Blanco’s Good  
7 Car Company sends form emails encouraging customers to contact a representative “as soon as  
8 possible regarding your pending acceptance!” and falsely informing customers that “Your  
9 application is time sensitive . . . . I have notified the lenders that there will be a delay [in]  
10 completing [your] application.”

11 72. Defendants have been remarkably successful at generating sales leads based on the  
12 false “approval” process described above. According to internal company documents and the  
13 testimony of a senior manager in the Business Development Center, about two-thirds of visitors  
14 to a Paul Blanco’s dealership first made an appointment through the Business Development  
15 Center, and therefore likely participated in the misleading “credit application” described above.

#### 16 17 **MISREPRESENTING NUMBER OF LENDERS**

18 73. Defendants have routinely claimed that over 100 third-party lenders compete to fund  
19 a customer’s loan, when in fact they only submit individual applications to a handful of lenders.  
20 For example, Defendants claimed in radio advertisements that Paul Blanco’s offered “over 100  
21 lenders” who could “help you get approved for the vehicle of your dreams.” The PaulBlanco.com  
22 home splash page reinforced this message, urging customers to “[l]et over 121 specialized banks  
23 & credit unions compete to approve you for our low rate guarantee.” Meanwhile, Business  
24 Development Center representatives, using scripts provided for the purpose, told customers that  
25 “[w]e work with over 120 specialized lenders to get you the best rates and payments as [sic]  
26 possible.”

1       74. In reality, Defendants typically send consumer credit applications to between four and  
2 six lenders initially. If none of those lenders approve the application, Defendants' managers may  
3 send the application to additional lenders, but typically to no more than a total of twenty lenders.  
4

#### 5       **MISREPRESENTING INTEREST RATES**

6       75. Defendants' advertising makes numerous false and misleading claims about the  
7 interest rates their customers can obtain through third-party lenders. Defendants mislead  
8 customers by promoting unrealistically low interest rates, and by advertising those interest rates  
9 as available regardless of credit, when in reality only the most creditworthy customers could  
10 possibly qualify for them. Defendants also falsely claim that consumers applying for credit will  
11 receive "the lowest rate" available, and that Paul Blanco's dealerships do not mark up interest  
12 rates.

13       76. Paul Blanco's Good Car Company advertising abounds with references to low  
14 interest rates deceptively presented as though they are available to most or all customers,  
15 regardless of credit, when in reality most of Paul Blanco's Good Car Company customers are not  
16 sufficiently creditworthy to obtain such low rates. For example, Paul Blanco's Good Car  
17 Company disseminated radio and television advertisements that made claims including the  
18 following:

- 19       • "Paul Blanco's Good Car Company announces two percent financing and down  
20 payment assistance for hardworking people just like you, regardless of credit."
- 21       • "Hot news: Paul Blanco's Good Car Company has finance rates as low as two  
22 percent. . . . And everyone with a take-home pay of \$400 a week can be approved  
23 for rates starting at two percent."
- 24       • "Do you have a bankruptcy, repo, or foreclosure? Click Paul Blanco and get  
25 approved for rates starting at two percent."
- 26       • "Paul Blanco's Good Car Company says if you bring home \$350 a week, you're  
27 approved, approved, approved. Everyone needs down payment assistance, and a  
28



1 two percent rate on a like-new Honda, Toyota, or Nissan gets approved,  
2 approved, approved.”

- 3 • “Plus we offer 3% financing and down payment assistance to people with  
4 challenged credit.”

5 77. Defendants have also misled consumers by advertising that Paul Blanco’s guarantees,  
6 or will help customers negotiate, the lowest interest rate available. For example, Defendants have  
7 claimed in radio and television advertisements that they would “demand the lowest going rate,” or  
8 that they offer a “low rate guarantee.” In a similar vein, their website has echoed the deceptive  
9 “low rate guarantee” and falsely promised to get consumers the “lowest rate possible.”

10 78. Defendants’ Business Development Center also reinforced and exacerbated the  
11 misleading message that Defendants would help customers obtain the “best” or “lowest possible”  
12 interest rate. The Business Development Center call script, authored by Defendant Paul Blanco,  
13 included misrepresentations such as the following:

- 14 • “We have an application process designed to help you get financed for the vehicle  
15 of your choice. . . . Paul Blanco’s job is to use our program to get you the lowest  
16 possible rate regardless of your credit.”
- 17 • “I can assure you will get the best interest rate that you qualify for.”
- 18 • “In order for you to get the **best rate** possible, we will be submitting your  
19 information to several different lenders to **compete** for your business.” (emphasis  
20 original.)
- 21 • “We work with over 120 specialized lenders to get you the best rates and  
22 payments as [sic] possible.”
- 23 • “The next step is to schedule a get together with one of our loan facilitators. They  
24 are personally trained by Paul Blanco himself and will negotiate on your behalf to  
25 ensure the best terms and price possible.”

26 79. Furthermore, for a period of time, Paul Blanco’s Good Car Company falsely and  
27 misleadingly advertised that Defendants’ dealerships do not mark up interest rates offered by  
28 lenders. For example, in radio advertising, Paul Blanco’s made claims including the following:

- 1           • “Paul Blanco’s Good Car Company declares credit and interest rate amnesty . . . .
- 2           interest rate amnesty means you pay absolutely zero over the lender’s discount
- 3           rate.”
- 4           • “Car dealers sucker you in with a low price and then jam you up by marking up
- 5           your interest rate, and they don’t even tell you about it. So I applied online at
- 6           PaulBlanco.com, and let over a hundred lenders compete for my business.”
- 7           • “With age comes experience, so I know car dealers can mark up your interest
- 8           rates without telling you. That’s why I loved Paul Blanco’s Good Car Company.
- 9           They actually negotiated for me with several lenders to make sure I got the best
- 10          rate.”

11          80. Paul Blanco’s “lowest rate,” “best rate,” and “no mark-up” claims are false and  
12          misleading. In fact, Defendants routinely mark up interest rates by up to two percentage points  
13          over the interest rate for which the consumer actually qualifies, and do so in approximately 75%  
14          of finance transactions. This practice increases dealership profits, is concealed from consumers,  
15          and can cost consumers hundreds of extra dollars over the life of their loans. Defendants thus do  
16          not provide customers with the lowest available interest rates, precisely because the dealerships  
17          *do in fact* mark up interest rates above the lowest rate approved by lenders.

18  
19          **DEFENDANTS’ DECEPTIVE AND UNLAWFUL SALE OF ADD-ON PRODUCTS**

20          81. From a date unknown to the People, and continuing to the present, Defendants have  
21          charged consumers for optional add-on products—including vehicle service contracts and  
22          guaranteed asset protection (GAP) insurance—that their customers did not authorize, or  
23          authorized only based on false pretenses. These unauthorized charges generated substantial  
24          profits for Defendants and significantly increased the overall cost of customers’ vehicle  
25          purchases.

26          82. Defendants bury information about add-on products in a pile of lengthy, complex  
27          documents presented at the close of a long financing process at the dealership. Sales and finance  
28          personnel intentionally hide these charges from consumers, often rushing through the closing

1 process without disclosing information about the add-on products included in the deal. In some  
2 instances, in order to prevent the customer from discovering the charge, these sales and finance  
3 personnel have literally used their open hands to obscure the price of add-on products as disclosed  
4 in papers they asked consumers to sign—a technique euphemistically referred to as a “hands-  
5 down close.” In other cases, Defendants have falsely told consumers that service contracts are  
6 included in the price of their vehicles, when in reality the charge is separate and increases the  
7 overall cost. As a result of these deceptive and fraudulent tactics, consumers are often unaware  
8 that they have even purchased add-on products, or believe they were included in the vehicle  
9 purchase price at no additional charge, and end up incurring significant undisclosed charges.

10 83. Defendants’ sales and finance personnel have also routinely and falsely told  
11 consumers that the purchase of an add-on product, such as a service contract or GAP insurance, is  
12 required by law. They have also misled consumers by telling them that the finance company  
13 requires the customer to purchase a service contract or GAP insurance as a condition of obtaining  
14 financing, when in reality the finance company has imposed no such requirement.

15 84. Defendants’ tactics were effective at generating profits at the expense of unsuspecting  
16 consumers. Defendants sold add-ons at far higher rates than most used vehicle dealerships, with  
17 penetration rates—that is, the percentage of used vehicle sales accompanied by the sale of an add-  
18 on—reaching over 90% at certain Paul Blanco’s locations.

19 85. One finance company became concerned about the high penetration rate of vehicle  
20 service contracts at Paul Blanco’s dealerships and conducted an analysis. The analysis revealed  
21 that in 2016, among independent dealers, the average service contract penetration rate for the  
22 finance company’s five regions ranged between 28.22% and 45.80%. Meanwhile, in the same  
23 year, Paul Blanco’s service contract penetration rates, as determined by the finance company,  
24 were 81.34% in Sacramento, 87.56% in Bakersfield, and 95.37% in Fresno. In 2017, those  
25 figures became even more extreme: 91.78% in Sacramento, 93.88% in Stockton, 99.50% in  
26 Fresno, 94.81% in Oakland, and 98.19% in Bakersfield. Paul Blanco’s was only able to achieve  
27 these figures by deceiving consumers.

1        86. Defendant Paul Blanco knew of these practices and both tolerated and encouraged  
2 them. For example, after multiple people expressed concerns to Mr. Blanco about high service  
3 contract penetration rates at a particular Paul Blanco's dealership, the service contract penetration  
4 rate increased significantly at other Paul Blanco's dealerships. This occurred because Mr. Blanco  
5 directed or encouraged the other dealerships to utilize the unlawful practices outlined above.

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1                                    SECOND CAUSE OF ACTION AGAINST ALL DEFENDANTS

2                                    BUS. & PROF. CODE, § 17200 ET SEQ.

3                                    (Unfair Competition Law)

4            90.    The People reallege and incorporate by reference each of the paragraphs above as  
5    though fully set forth in this cause of action.

6            91.    From a date unknown to the People and continuing to the present, Defendants have  
7    engaged, and continue to engage in, aided and abetted and continue to aid and abet, and conspired  
8    and continue to conspire to, engage in acts or practices that constitute unfair competition within  
9    the meaning of California Business and Professions Code section 17200, as described in the  
10   allegations above.

11          92.    Defendants' acts or practices include, but are not limited to the following:

- 12                a.    Violating Business and Professions Code section 17500 et. seq., as alleged in the  
13                        First Cause of Action;
- 14                b.    Engaging in prohibited unfair, unlawful, and fraudulent practices, as alleged  
15                        above;
- 16                c.    Violating Vehicle Code section 11713 subdivision (a), which prohibits dealers  
17                        from making or disseminating untrue or misleading statements which are known  
18                        or should be known to be untrue or misleading; and
- 19                d.    Violating Vehicle Code section 11713.1 subdivision (o), which prohibits dealers  
20                        from violating any laws that prohibit bait-and-switch advertising.

21  
22                                    PRAYER FOR RELIEF

23          WHEREFORE, the People respectfully request that the Court enter judgment in favor of the  
24    People and against Defendants, jointly and severally, as follows:

- 25          1.    That under Business and Professions Code section 17535, Defendants, their  
26    successors, agents, representatives, employees, assigns, and all persons who act in concert with  
27    them be permanently enjoined from making any untrue or misleading statements in violation of  
28

1 Business and Professions Code section 17500, including but not limited to the untrue or  
2 misleading statements alleged in this Complaint;

3 2. That under Business and Professions Code section 17203, Defendants, their  
4 successors, agents, representatives, employees, assigns, and all persons who act in concert with  
5 them be permanently enjoined from committing any acts of unfair competition in violation of  
6 Business and Professions Code section 17200, including but not limited to the acts and practices  
7 alleged in this Complaint;

8 3. That the Court make such orders or judgments as may be necessary, including for  
9 preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of  
10 any practice which violates Business and Professions Code section 17500, or which may be  
11 necessary to restore to any person in interest any money or property, real or personal, which may  
12 have been acquired by means of any such practice, plus interest from the date of acquisition,  
13 under the authority of Business and Professions Code section 17535;

14 4. That the Court make such orders or judgments as may be necessary, including for  
15 preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of  
16 any practice which constitutes unfair competition, or which may be necessary to restore to any  
17 person in interest any money or property, real or personal, which may have been acquired by  
18 means of such unfair competition, plus interest from the date of acquisition, under the authority of  
19 Business and Professions Code section 17203;

20 5. That the Court assess a civil penalty of \$2,500 against each Defendant for each  
21 violation of Business and Professions Code section 17500 in an amount according to proof, under  
22 the authority of Business and Professions Code section 17536;

23 6. That the Court assess a civil penalty of \$2,500 against each Defendant for each  
24 violation of Business and Professions Code section 17200 in an amount according to proof, under  
25 the authority of Business and Professions Code section 17206;

26 7. In addition to any penalty assessed under Business and Professions Code section  
27 17206, that the Court assess a civil penalty of \$2,500 against each Defendant for each violation of  
28 Business and Professions Code section 17200 perpetrated against a senior citizen or disabled

1 person, in an amount according to proof, under the authority of Business and Professions Code  
2 section 17206.1;


3 8. That the People recover their costs of suit, including costs of investigation; and

4 9. For such other and further relief that the Court deems just and proper.

5 Dated: September 23, 2019

XAVIER BECERRA  
Attorney General  
State of California

6  
7  
8 By:

 /for  
\_\_\_\_\_  
Hunter Landerholm  
Adelina Acuña  
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Colleen Fewer  
Deputy Attorneys General  
Attorneys for Plaintiff