

1 ROB BONTA
Attorney General of California
2 NICKLAS A. AKERS
Senior Assistant Attorney General
3 MICHAEL E. ELISOFFON (SBN 240707)
Supervising Deputy Attorney General
4 RACHEL A. FOODMAN (SBN 308364)
TIMOTHY LUNDGREN (SBN 254596)
5 DANIEL OSBORN (SBN 311037)
Deputy Attorneys General
6 455 Golden Gate Avenue, Suite 11000
San Francisco, CA 94102-7004

[EXEMPT FROM FILING FEES
UNDER GOV. CODE, § 6103]

7 [REDACTED]
8 Fax: (415) 703-5480
[REDACTED]

9 *Attorneys for the People of the State of California*

10
11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 FOR THE COUNTY OF ALAMEDA
13

14 **THE PEOPLE OF THE STATE OF**
15 **CALIFORNIA,**
16
17 Plaintiff,
18
19 **RENT-A-CENTER,**
20 Defendant.
21

Case No.

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

(BUS. & PROF. CODE, § 17200 et seq.)

22 The People of the State of California (“People”), by and through Rob Bonta, Attorney
23 General of the State of California, allege the following on information and belief:
24

25 **INTRODUCTION**

26 1. For nearly a decade, Rent-A-Center has violated California law in its business line
27 known as Preferred Lease, through which Rent-A-Center offers a rent-to-own option to customers
28 inside of traditional retail stores. Most importantly, in the standard Preferred Lease contract since

1 2014, Rent-A-Center has imposed an unlawful 15% markup on the “cash price,” meaning tens of
2 thousands of customers have overpaid to rent or purchase their merchandise. Rent-A-Center also
3 misled customers about the most fundamental aspects of the Preferred Lease product, such as the
4 right to return merchandise at any time with no penalty.

5 **DEFENDANT**

6 2. Rent-A-Center is a Delaware corporation headquartered in Texas.

7 3. Defendant Rent-A-Center, Inc. is the largest rent-to-own dealer in the nation. It
8 operates over 2,000 standalone stores that serve low-income consumers who want household
9 furnishings like couches and televisions but cannot afford to pay cash up front and also lack
10 access to credit. Rent-A-Center customers rent with an option to buy.

11 4. About ten years ago, Rent-A-Center added the Preferred Lease (formerly known as
12 AcceptanceNOW) business unit to target more traditional retail consumers. With Preferred Lease,
13 Rent-A-Center sets up “kiosks” inside retailers such as Ashley Furniture. Preferred Lease then
14 offers a rent-to-own option to customers in the store who want to make a purchase but cannot
15 afford to pay in cash or do not qualify for the retailer’s traditional financing options. If the
16 customer signs up for the rent-to-own option, Preferred Lease purchases the item from the retailer
17 and has it delivered to that customer.

18 **JURISDICTION AND VENUE**

19 5. This Court has jurisdiction over Defendant, by marketing and entering into rent-to-
20 own agreements with California consumers, Defendant intentionally availed themselves of the
21 California market.

22 6. The violations of law alleged in this Complaint occurred in the County of Alameda
23 and throughout California.

24 **DEFENDANT’S BUSINESS PRACTICES**

25 7. California has the strongest rent-to-own law in the country: the Karnette Rental-
26 Purchase Act, Civil Code section 1812.620 et seq (the “Karnette Act”).

27 8. Rent-A-Center has executed over 100,000 Preferred Lease agreements with
28 California customers since 2014 that violate the Karnette Act.

1 **A. Preferred Lease Contract’s 15% Cash Price Markup Violates the Karnette Act.**

2 9. Pursuant to the Karnette Act, all rent-to-own agreements in California must
3 include a “cash price,” defined as:

4 the price of the personal property described in the rental-purchase agreement that
5 the consumer **may pay in cash to the lessor at the inception of the rental-**
6 **purchase agreement to acquire ownership** of that personal property.

7 (Civ. Code, § 1812.622, subd. (e). [emphasis added].)

8 10. Beginning in 2014, Preferred Lease contracts have listed a “cash price” that is 15%
9 higher than the price charged by the retailer for the same merchandise. In other words, if a
10 customer selects an Ashley Furniture couch with a \$1,000 price tag, Rent-A-Center’s “cash price”
11 for that couch is \$1,150. This 15% markup plainly violates the Karnette Act.

12 11. The term “cash price” has one universal meaning in the law and elsewhere: the
13 price a customer would pay for a good or service if paying cash up front in full. Practically, the
14 fact that traditional retailers allow Preferred Lease to operate on their sales floors for the limited
15 purpose of serving customers who cannot pay cash up front (or who cannot obtain financing)
16 means the only price available to a cash-paying customer at the inception of the agreement is the
17 retailer’s price.

18 12. Rent-A-Center’s unlawful cash price has a significant real-world effect because
19 the Karnette Act ties key substantive protections to the cash price. For example, the Act
20 mandates that rent-to-own dealers must honor the cash price for at least ninety days, and restricts
21 the payoff amount a rent-to-own dealer can charge after ninety days based on a formula that is
22 likewise tied to the cash price.

23 **B. Rent-A-Center Failed for Years to Send Consumers Statutorily Required Notices**
24 **About their Rights.**

25 13. For years, Rent-A-Center failed to send consumers two separate notices required
26 by the Karnette Act that describe customers’ rights to purchase their merchandise. These notices
27 are critical because the customers who obtain ownership by making all monthly payments pay
28 double or even triple the cash price. If a customer is reminded of her early purchase rights by one

1 of the Karnette Act’s mandatory notices and ultimately exercises those rights, the result may be
2 hundreds or even thousands of dollars in savings.

3 14. Within 10 days of a consumer executing a rent-to-own agreement, Rent-A-Center
4 must send the customer a notice about the right to acquire ownership of the merchandise for the
5 cash price during the first ninety days. (Civil Code § 1812.632 subd. (a)(2).)

6 15. Relatedly, at the halfway mark in any consumer’s rent-to-own contract (or any
7 time a consumer asks), Rent-A-Center also must send a notice that contains “the total amount the
8 consumer would have to pay to acquire ownership of the rental property if the consumer makes
9 all regularly scheduled payments remaining under the rental-purchase agreement.” (Civil Code §
10 1812.632 subd. (c).)

11 16. For several years, Rent-A-Center failed to send these two statutorily mandated
12 notices in violation of the Karnette Act.

13 **C. Rent-A-Center Misleads Customers About Fundamental Aspects of Their Rent-to-**
14 **Own Agreement.**

15 17. The steep price of renting-to-own a piece of furniture rather than paying up front
16 or using traditional financing makes it critical that customers understand exactly what they are
17 signing up for when they execute a Preferred Lease agreement. Yet Rent-A-Center’s marketing
18 scheme misleads customers about the most important aspects of the transaction.

19 18. Rent-to-own contracts are fundamentally different from credit transactions, and are
20 governed by different legal frameworks. However, far from ensuring customers understand that
21 they are renting their merchandise, not financing it, Rent-A-Center confuses customers with a
22 marketing pitch filled with credit-oriented language.

23 19. For example, Rent-A-Center encourages customers to fill out an application in
24 order to “get approved” and “enjoy your purchase.” Rent-A-Center’s own employees describe
25 the program as “financing” and use terms like “interest” to describe rental fees. Relatedly, Rent-
26 A-Center’s salespeople frequently label customers’ initial payment as a “down payment” even
27 though that term also implies a credit transaction and down payments are illegal under the
28 Karnette Act. (Civ. Code, § 1812.624, subd. (a)(8).)

1 20. Rent-A-Center also misleads customers about their right to return merchandise.
2 Preferred Lease agreements permit the customer to return the merchandise at any time with no
3 further obligation other than potential liability for damage beyond normal wear and tear. Indeed,
4 this is the core feature of all rent-to-own agreements and why they are afforded special legal
5 status – the consumer can cancel anytime with no penalty. Yet, in sales calls with prospective
6 customers, Rent-A-Center representatives have told customers they cannot return the merchandise
7 or have placed improper limitation or conditions on returns.

8
9 **D. Rent-Center Violates California’s Automatic Renewal Law in Connection with Its
Benefits Plus Program**

10 21. Rent-A-Center offers a membership product to rent-to-own consumers called
11 “Benefits Plus,” which offers subscribers access to various discounts and benefits on unrelated
12 goods like groceries and hotels. Benefits Plus plans are sold to consumers at the same time that
13 they purchase rent-to-own agreements. During the relevant time period, certain Benefits Plus
14 contracts violated various aspects of California’s Automatic Renewal Law. (Bus. & Prof. Code, §
15 17600 et seq.). For example, Rent-A-Center failed to acquire affirmative consent to the terms of
16 the program and failed to provide clear information about how to cancel.

17 **CLAIM 1**

18 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200**
19 **(Unfair Competition in Rent-To-Own Business)**

20 22. The People reallege and incorporate by reference each of the paragraphs above as
21 though fully set forth herein.

22 23. Rent-A-Center has engaged in, and continues to engage in, acts or practices that
23 constitute unfair competition as defined in Business and Professions Code section 17200. These
24 acts or practices include, but are not limited to, the following:

25 a. Marking up by 15% the cash price in every Preferred Lease contract in
26 violation of Civil Code section 1812.622;

27 b. Failing to send notices describing consumers’ early purchase options as
28

1 required by Civil Code section 1812.632 subd. (a) and (c);

2 c. Engaging in deceptive marketing, including regarding the fundamental
3 nature of the rent-to-own transaction and the right to return;

4 d. Failing to comply with California's Automatic Renewal Law in connection
5 with its Benefits Plus Program in violation of Business and Professions Code section 17600 et
6 seq.; and

7 e. Violating Business and Professions Code section 17500 et seq., as alleged
8 in Claim 2.

9 **CLAIM 2**

10 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17500**

11 **(False or Misleading Statements in Rent-To-Own Business)**

12 24. The People reallege and incorporate by reference each of the paragraphs above as
13 though fully set forth herein.

14 25. Rent-A-Center has engaged in, and continues to engage in, acts or practices that
15 constitute violations of Business and Professions Code section 17500 et seq., by making or
16 causing to be made untrue or misleading statements concerning services performed by Rent-A-
17 Center. Rent-A-Center's untrue or misleading representations include, but are not limited to, the
18 following:

19 a. Misrepresenting that Preferred Lease is a financing option rather than a
20 rent-to-own option; and

21 b. Misrepresenting to Preferred Lease customers their right to return
22 merchandise.

23 26. At the time these representations were made, Rent-A-Center knew or by the
24 exercise of reasonable care should have known that these representations were untrue or
25 misleading.

26 **PRAYER FOR RELIEF**

27 Wherefore, the People pray for judgment as follows:

28 1. That Defendant, its successors, agents, representatives, employees, assigns, and all

1 persons who act in concert with them be permanently enjoined from engaging in unfair
2 competition as defined in Business and Professions Code section 17200, including, but not
3 limited to, the acts and practices alleged in this Complaint, under the authority of Business and
4 Professions Code section 17203;

5 2. That Defendant, its successors, agents, representatives, employees, assigns, and all
6 persons who act in concert with them be permanently enjoined from making any untrue or
7 misleading statements in violation of Business and Professions Code section 17500, including,
8 but not limited to, the untrue or misleading statements alleged in this Complaint, under the
9 authority of Business and Professions Code section 17535;

10 3. That the Court make such orders or judgments as may be necessary to prevent the
11 use or employment by Defendant of any practice that constitutes unfair competition or as may be
12 necessary to restore to any person in interest any money or property that may have been acquired
13 by means of such unfair competition, under the authority of Business and Professions Code
14 section 17203;

15 4. That the Court make such orders or judgments as may be necessary to prevent the
16 use or employment by Defendant of any practice that violates Business and Professions Code
17 section 17500, or which may be necessary to restore to any person in interest any money or
18 property, real or personal, which may have been acquired by means of any such practice, under
19 the authority of Business and Professions Code section 17535;

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

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

26 7. That the People recover its costs of suit, including all costs of investigation; and

27 8. For such other and further relief that the Court deems just and proper.
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Dated: August 2, 2022

Respectfully Submitted,

ROB BONTA
Attorney General of California



RACHEL A. FOODMAN
Deputy Attorney General