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ENDORSED  
FILED  
San Francisco County Superior Court

APR 12 2017

CLERK OF THE COURT

BY: DENNIS TOYAMA  
Deputy Clerk

9  
10 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
11 COUNTY OF SAN FRANCISCO

12  
13 **PEOPLE OF THE STATE OF  
CALIFORNIA,**

14 Plaintiff,

15 v.

16 **THE WESTERN UNION COMPANY, a  
17 Delaware corporation,**

18 Defendant.

Case No.

**CGC-17-558132**

**COMPLAINT FOR INJUNCTIVE AND  
OTHER RELIEF**

(BUS. & PROF. CODE, § 17200 et seq.)

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

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20  
21 **COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF**

22 1. Plaintiff, the PEOPLE OF THE STATE OF CALIFORNIA, by Xavier Becerra,  
23 Attorney General of the State of California, ("Plaintiff" or "the People") brings this action against  
24 Defendant The Western Union Company, ("Western Union" or "Defendant") for violating the  
25 California Unfair Competition Law (Bus. & Prof. Code § 17200 et seq.), and alleges the  
26 following on information and belief.  
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1 must record in Western Union's system the sender's ID information. Upon initiating a money  
2 transfer, consumers are provided with a unique tracking number called a Money Transfer Control  
3 Number ("MTCN").

4 8. Prior to paying out funds at its agent locations, Western Union's practice is generally  
5 to require the recipient to provide the MTCN, to complete a "receive form" with the recipient's  
6 name, address and telephone number, and to present ID. For many years, for money transfers of  
7 less than \$1,000, even though recipients may have been required to present ID, Western Union  
8 agent locations worldwide have not been required to record in Western Union's system the  
9 recipient's ID information.

10 9. Once Western Union's agent locations have paid out the funds, Western Union's  
11 policy typically is that the sender cannot obtain a refund from Western Union of either the  
12 amount transferred or the money transfer fee, even if the sender was a victim of fraud or the  
13 money transfer was paid out to someone other than the intended recipient. The policy even  
14 applies if the Western Union agent location was complicit in the fraud, engaged in suspicious  
15 activity, or failed to follow Western Union's policies and procedures when processing the money  
16 transfer (e.g., by failing to record the recipient's ID or other required information).

17 10. Western Union has two primary programs relating to the detection and prevention of  
18 consumer fraud and the installation and oversight of agents: its anti-fraud program, which  
19 sometimes is referred to as its consumer protection program, and its Anti-Money Laundering  
20 program. As implemented by Western Union, for many years these interrelated programs failed to  
21 adequately and effectively detect and prevent consumer frauds employing Western Union's  
22 money transfer system.

23 11. Over the years, money transfers have increasingly become the payment method of  
24 choice for scams that prey on consumers around the world. Fraudulent telemarketers and con  
25 artists prefer to use money transfers to facilitate their scams because, among other reasons, they  
26 can pick up money transferred within minutes at multiple locations and, oftentimes, the  
27 perpetrators are afforded anonymity because the payments are untraceable. For example, money  
28 transfers can be picked up at any location within a particular state or country; some money

1 transfers can be picked up without presenting or having to record an ID; fake names, addresses,  
2 and IDs sometimes can be used; and Western Union's own agent locations sometimes fail to  
3 follow the company's policies and procedures in paying out money transfers, and in other  
4 instances, are complicit in the frauds. Therefore, it is often difficult for consumers and law  
5 enforcement to identify and locate the recipients of fraud-induced money transfers. Western  
6 Union's money transfer system has likely been used to send billions of dollars in fraud-induced  
7 payments to telemarketers and con artists worldwide.

8 12. Since at least January 2004, Western Union has been aware that its system has  
9 regularly been used for fraud and that it has an identifiable subset of agents and subagents with  
10 high levels of fraud complaints. It also has been aware that many of its agent locations with high-  
11 fraud payouts have: (1) violated Western Union's anti-fraud and/or Anti-Money Laundering  
12 policies and procedures; (2) engaged in suspicious activities; and/or (3) been complicit, or likely  
13 complicit, in the frauds. Western Union's awareness of the consumer fraud problem is  
14 demonstrated by, among other things, the hundreds of thousands of complaints it has received  
15 from consumers, its own internal records and reports, and years of warnings from government  
16 agencies throughout the world.

#### 17 **WESTERN UNION'S UNFAIR AND DECEPTIVE ACTS AND PRACTICES**

18 13. Western Union participated in deceptive and unfair acts or practices in violation of  
19 California Business and Professions Code Section 17200, by failing to: (a) promptly investigate,  
20 suspend, and terminate potentially complicit agents and subagents, or agents and subagents that  
21 have failed to comply with Western Union's anti-fraud and/or Anti-Money Laundering policies  
22 and procedures; (b) conduct adequate due diligence on prospective and existing agents and  
23 subagents; (c) effectively train, monitor, and review its agents, subagents, and agent locations; (d)  
24 adequately collect, record, and report consumer fraud involving its money transfer system; and (e)  
25 take other reasonable steps to prevent fraudulent telemarketers, sellers, and con artists from using  
26 Western Union's money transfer system to perpetrate their frauds.

1       **Western Union Has Failed to Promptly Investigate, Suspend, and Terminate Agents with**  
2                                   **High Levels of Consumer Fraud**

3           14. In many cases, Western Union's agent locations have been, or likely been, complicit  
4 in the frauds, and have engaged in suspicious activities indicative of complicity in paying out  
5 fraud-induced money transfers. In other cases, Western Union's agent locations have facilitated  
6 the scams by paying out fraud-induced money transfers in violation of Western Union's anti-  
7 fraud and/or Anti-Money Laundering policies and procedures that impact consumer fraud.  
8 Although Western Union has known about the problem and has identified many of the agents  
9 providing substantial assistance or support to the frauds, Western Union has failed in many cases  
10 to promptly suspend and terminate agent locations facilitating fraud. Instead, Western Union has  
11 continued to profit from the activities of these agents.

12           15. In many cases, Western Union has simply "escalated," or referred, such agents for  
13 further review or investigation, but the investigations often have been delayed for months, and in  
14 many instances, the escalations have failed to resolve the problems. Western Union frequently has  
15 relied on its master agents to conduct their own investigations of their subagents and locations,  
16 but has failed to ensure that the master agents' investigations are adequate. Western Union also  
17 has sometimes repeatedly escalated the same agents for review or investigation without  
18 suspending or eventually terminating those agents even while the agent has continued to be the  
19 subject of fraud complaints. Western Union has sometimes even disregarded recommendations  
20 from its employees to suspend or terminate certain agents or subagents due to serious consumer  
21 fraud problems.

22                           **Western Union Has Failed to Conduct Adequate Due Diligence on Agents**

23           16. For many years, Western Union has failed to conduct adequate due diligence on its  
24 prospective agents and subagents, as well as those agents and subagents whose contracts come up  
25 for renewal. Western Union either has not conducted background checks on many of its agents  
26 and subagents, or to the extent background checks have been conducted, they often have been  
27 inadequate. It also has, in many instances, failed to maintain records demonstrating that it has  
28



1 conducted such background checks. In addition, despite awareness of problems with front line  
2 associates (“FLAs”), who are responsible at the point of sale for processing money transfers at  
3 Western Union’s agent locations, Western Union does not conduct any due diligence on, and  
4 frequently knows little about, its agents’ and subagents’ FLAs.

5       17. In numerous instances, background checks conducted by Western Union have not  
6 been thorough, consisting only of collecting limited information and conducting some type of  
7 credit or financial check, rather than criminal background checks of its agents and subagents. In  
8 many cases, Western Union has relied upon inaccurate, incomplete, or false information provided  
9 by agents and has failed to verify the accuracy of information provided by applicants. Western  
10 Union also has installed agents or subagents with criminal histories, including felonies and  
11 misdemeanors involving dishonesty, as well as histories of investigations and lawsuits involving  
12 allegations of fraud. For many years, the department at Western Union primarily responsible for  
13 conducting background checks has not been provided with sufficient information to conduct  
14 thorough background checks of every prospective and existing agent and subagent, such as  
15 information from law enforcement, information about investigations of agent locations, and  
16 access to consumer complaints.

17       18. Western Union’s background checks also have failed to prevent previously  
18 terminated agents or subagents from using straw men to become agents or owners again to gain  
19 access to Western Union’s money transfer system. In addition, Western Union has installed as  
20 agents or subagents individuals who had previously been interdicted (i.e., blocked from using  
21 Western Union’s money transfer system) due to suspicious activities, or were former FLAs at  
22 agent locations that were suspended or terminated for fraud.

23               **Western Union Has Failed to Effectively Train, Monitor, and Review Agents**

24       19. For many years, Western Union has provided only limited training to agents and  
25 subagents with respect to detecting and preventing consumer fraud, and its training overall has  
26 been inadequate and ineffective. In many instances, FLAs responsible for processing fraud-  
27 induced money transfers at Western Union’s agent locations have not been knowledgeable about  
28 Western Union’s anti-fraud and/or anti-money laundering policies and procedures, including with

1 respect to detecting and preventing fraud, properly recording customers' biographical information  
2 and IDs, and addressing suspicious activities. Western Union also has not had an adequate and  
3 effective system in place to ensure that FLAs are knowledgeable in these areas. As a result, in  
4 many instances, Western Union's high-fraud agent locations have violated the company's policies  
5 and procedures by failing to collect proper IDs or biographical information from recipients of  
6 money transfers, accepting improper forms of IDs, or recording obviously incorrect or fictitious  
7 ID information into Western Union's system.

8       20. For many years, Western Union has failed to adequately monitor its agents' activity  
9 for fraud. In many instances, Western Union employees responsible for monitoring the activities  
10 of agent locations have not been provided with sufficient information or resources to adequately  
11 monitor Western Union's agents, subagents, and FLAs. For example, in some instances, Western  
12 Union has assigned more than one agent ID number to a single agent or subagent without  
13 providing Western Union employees with the means to easily locate all of the agent's or  
14 subagent's ID numbers in Western Union's system. Western Union has similarly failed to provide  
15 its employees with the means to easily identify agents or subagents with common ownership. In  
16 addition, in some cases, Western Union's employees have been unable to identify problematic  
17 FLAs because FLAs have not used unique IDs when processing money transfers. Western  
18 Union's employees also sometimes have not had complete and historical information about  
19 particular agents and subagents, including information about all fraud complaints, prior reviews,  
20 investigations, and internal reports related to fraud, as well as transactional activity. Therefore,  
21 Western Union employees responsible for monitoring agent activity may not have been aware of  
22 all relevant information.

23       21. Western Union has failed to conduct adequate and routine onsite compliance reviews  
24 of its agent locations worldwide. Western Union often has relied on its master agents to conduct  
25 reviews, but has failed to ensure that those master agents are conducting adequate and effective  
26 oversight of their subagents and locations. In some cases, those agents have not even allowed  
27 Western Union employees to visit locations without them being present. In other cases, Western  
28 Union's employees have not been able to conduct independent onsite reviews of certain locations

1 because they were in areas considered too dangerous to visit. Western Union also has failed to  
2 conduct adequate and routine onsite reviews of many of its independent agents.

3 **Western Union Has Failed to Adequately Collect, Record, and Report Consumer Fraud**  
4 **Involving Its Money Transfer System**

5 22. The information contained in Western Union's complaint database significantly  
6 understates the number of actual fraud-induced money transfers and losses reported to the  
7 company. Despite receiving information from consumers, their family members, or law  
8 enforcement representatives about fraud-induced money transfers, Western Union often has failed  
9 to record information about all of those money transfers in its complaint database. In other  
10 instances, Western Union has failed to record in its database any of the victims' fraud-induced  
11 money transfers.

12 23. For years, Western Union has failed to provide victims in many countries worldwide  
13 with access to a fraud hotline, or a toll-free telephone number for victims to call to report fraud,  
14 which is the most convenient mechanism for many victims to promptly report fraud.

15 24. Western Union uses the information in its complaint database to administer its anti-  
16 fraud program, so it is important that the database be accurate and complete. For example,  
17 Western Union uses this information to: (a) monitor and identify agents, subagents, and FLAs  
18 that may be complicit in frauds; (b) create automated rules regarding particular corridors (e.g.,  
19 limiting the number and amount of money transfers to receivers); and (c) interdict individuals  
20 who are the victims or the perpetrators of frauds. Therefore, Western Union's failure to keep  
21 accurate and complete records of fraud-induced money transfers has impeded its efforts to detect  
22 and prevent consumer fraud.

23 **Western Union Has Failed to Take Other Reasonable Measures to Mitigate Fraud in**  
24 **Connection With Its Processing of Money Transfers**

25 25. For many years, Western Union has failed to take other reasonable measures to  
26 mitigate fraud in connection with its processing of money transfers, ignoring in some instances  
27 useful suggestions and recommendations from its employees and representatives of law  
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1 enforcement agencies. These types of measures include, but are not limited to, the following:  
2 bolstering its ID requirements for sending or receiving money transfers, such as by imposing  
3 more robust ID requirements; requiring the collection of additional biographical information;  
4 implementing more controls for noncompliant transactions or potentially fraud-induced money  
5 transfers, including, but not limited to, transactions with data integrity issues and to high-risk  
6 countries; improving the company's handling of, and ability to receive, complaints about fraud  
7 worldwide; and improving its interdiction system to be more effective in blocking money  
8 transfers associated with consumer fraud, including, but not limited to, by permanently blocking  
9 payouts to the recipients of fraud-induced money transfers.

10 26. Western Union has made it difficult for employees to take meaningful action to detect  
11 and prevent consumer fraud, including by failing to provide employees with sufficient  
12 information or resources, including complete records of consumer fraud complaints, as well as  
13 information about law enforcement contacts, investigations, and actions. For many years,  
14 departments within Western Union responsible for handling consumer fraud issues did not  
15 routinely share consumer fraud information with other groups or departments.

16 27. Western Union and its agents also have failed to provide adequate and effective  
17 warnings to consumers about the fraud occurring through its money transfer system. Although  
18 Western Union provides some warnings on the first page of send forms located at some of its  
19 agent locations, in many cases, these warnings are not clear and conspicuous to many consumers.  
20 In addition, Western Union's agent locations have failed to provide routine verbal warnings to  
21 consumers before they initiated money transfers, even in instances where consumers' money  
22 transfers have displayed obvious signs of fraud, such as high-dollar money transfers by elderly  
23 consumers to countries known for fraud. Therefore, consumers often have been unaware of the  
24 risks associated with sending money through Western Union's money transfer system.

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1 **FIRST CAUSE OF ACTION**

2 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200**

3 **(California Unfair Competition Law)**

4 28. The People reallege and incorporate each and every allegation contained in the  
5 preceding paragraphs 1 through 27.

6 29. Western Union, in the course of providing money transferring services, has engaged  
7 in business acts or practices that were unlawful, unfair, deceptive, or misleading, and therefore  
8 violated section 17200 of the California Unfair Competition Law (Bus. & Prof. Code § 17200) by  
9 failing to: (a) promptly investigate, suspend, and terminate potentially complicit agents and  
10 subagents, or agents and subagents that have failed to comply with Western Union's anti-fraud  
11 and/or Anti-Money Laundering policies and procedures; (b) conduct adequate due diligence on  
12 prospective and existing agents and subagents; (c) effectively train, monitor, and review its  
13 agents, subagents, and agent locations; (d) adequately collect, record, and report consumer fraud  
14 involving its money transfer system; and (e) take other reasonable steps to prevent fraudulent  
15 telemarketers, sellers, and con artists from using Western Union's money transfer system to  
16 perpetrate their frauds.

17 **PRAYER FOR RELIEF**

18 WHEREFORE, the People of the State of California respectfully request that this  
19 honorable Court enter an order:

20 A. Issuing a permanent injunction prohibiting Western Union, its agents, employees, and  
21 all other persons and entities, corporate or otherwise, in active concert or participation with any of  
22 them, from engaging in unfair, deceptive or misleading conduct;

23 B. Ordering Western Union to disgorge all revenues, profits, and gains achieved in  
24 whole or in part though the unfair acts or practices complained of herein;

25 C. Assessing a civil penalty against defendant for each violation of Business and  
26 Professions Code section 17200.

27 D. Ordering Western Union to pay Plaintiff's costs of suit, including but not limited to  
28 all costs of prosecution and investigation;

1 E. Granting such other and further relief as the Court deems equitable and proper.

2 Dated: April 12, 2017

Respectfully Submitted,

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