FEDERAL TRADE COMMISSION
Protecting America's Consumers

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FTC Obtains Injunction Against the Companies Running the "Wal-Mart Shopping Spree" Scam

Defendants Took Cash from Consumers' Bank Accounts Without Their Express Informed Consent

The Federal Trade Commission today announced it has obtained a temporary restraining order against a group of defendants running what has become known as the "Wal-Mart Shopping Spree" scam. The order prohibits the defendants from making misrepresentations to consumers and from engaging in deceptive or abusive telemarketing practices, freezes the defendants' assets, and appoints a temporary receiver over the corporate defendants.

The FTC's complaint, filed in federal district court in Los Angeles, alleges that the defendants cold-call consumers falsely promising them valuable incentives such as gift cards, "shopping sprees," movie passes, and gas vouchers, purportedly worth $200 to $500, for a nominal shipping and handling fee, in order to induce the consumers to disclose their bank account information. Once the defendants have this information, they allegedly engage in deceptive and abusive telemarketing practices to coerce consumers to pay additional charges for memberships in purported discount buying programs.

In many cases, the FTC contends the defendants harass consumers by calling them repeatedly and threatening them until they relent and give purported authorization for the defendants to debit their accounts. The defendants also allegedly do not allow consumers to cancel the charges until they complete a recorded authorization process. In many cases, consumers learn about these additional debits for the first time when they are notified by their banks that the withdrawals have been made.

The FTC contends that Defendants operated this scam through a series of corporate shells in order to prolong the life of their scam despite large numbers of consumer complaints and law enforcement inquiries.

The Commission's Charges

According to the Commission, the defendants' conduct violates the FTC Act by making material misrepresentations to consumers, including but not limited to misrepresenting that: consumers will receive the valuable incentive upon payment of a nominal shipping and handling charge, the defendants are affiliated with the government or major retailers, and consumers may easily obtain refunds and cancel their memberships in the defendants' programs. The complaint also alleges that the defendants violated the Telemarketing Sales Rule, by causing consumers' billing information to be submitted for payment without their express informed consent, and engaging in abusive telemarketing tactics to obtain "consent" from consumers, including threatening and harassing consumers and repeatedly calling consumers, even when they asked the defendants to stop calling by making a company-specific do-not-call request. This is the first time, since establishing the National Do Not Call Registry, that the Commission has sued to enforce consumers' entity-specific do-not-call rights, without also alleging the telemarketer has violated the Registry. Regardless of whether consumers have placed their telephone numbers on the National Do Not Call Registry, they have the right to tell specific companies not to call them again.

The complaint announced today was filed against: 1) Universal Premium Services, Inc., also known as (aka) Premier Benefits, Inc., of Orange, California; 2) Consumer Reward Network, Inc., of Canoga Park, California; 3) Star Communications, LLC, of Los Angeles, California; 4) Membership Services Direct, Inc., aka Continuity Partners, Inc., of Las Vegas, Nevada; 5) Connect2USA, Inc., of Las Vegas, Nevada; and 6) Brian K. MacGregor; Harijinder Sidhu; Joseph F. Larosa, Jr.; Pranot Sangprasit; William Thomas Heichert; Michael Howard Cushing; Paul P. Tosi; and Manh D. Cao, individually.

The Commission vote to issue the complaint was 5-0. It was filed under seal in the U.S. District Court for the Central District of California in Los Angeles on February 14, 2006. The court issued a TRO, including an asset freeze and the appointment of a receiver, on February 21, 2006. The court lifted the seal on February 27, 2006.

The FTC would like to thank the attorneys general for the states of Florida, Illinois, Iowa, Nevada, North Carolina, North Dakota, Ohio, Oregon, and Washington, as well as the United States Postal Inspection Service and Better Business Bureau, for their invaluable assistance in bringing the action announced today.

Consumers seeking more information about this case can call the following hotline number: 202-326-2090.

NOTE: The Commission issues or files a complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The complaint is not a finding or ruling that the named parties have violated the law. The case will be decided by the court.

Copies of the Commission's complaint are available from the FTC's Web site at http://www.ftc.gov and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, DC 20580. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint, or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at http://www.ftc.gov. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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(http://www.ftc.gov/opa/2006/02/premierbenefits.htm)