



**IN THE CIRCUIT COURT OF
MONTGOMERY COUNTY, ALABAMA**

STATE OF ALABAMA, *ex rel.*
STEVE MARSHALL,
ATTORNEY GENERAL

Plaintiff,

v.

Case No. _____

SCOTT'S CREDIT REPAIR, INC.,
JOHN SCOTT, &
KRYSTAL SCOTT

Defendants.

COMPLAINT FOR
INJUNCTIVE & OTHER RELIEF

The State of Alabama, *ex rel.* Attorney General Steve Marshall, acting pursuant to the authority granted him under the Alabama Deceptive Practices Act, Ala. Code § 8-19-1 *et seq.*, files this complaint against Defendants Scott's Credit Repair ("Scott's"), John Scott, and Krystal Scott, including, except as otherwise provided herein, all of their respective subsidiaries, affiliates, successors, and assigns, and in support of its claims, alleges the following:

INTRODUCTION

1. John Scott operates Scott's Credit Repair, a non-profit Alabama corporation located in the city of Montgomery. Mr. Scott runs his business by offering people hope; hope that they can purchase a new car; hope that they can

purchase their own home; hope that they can build better lives for themselves. What he frequently delivers, however, is deceit and failure. It begins when Mr. Scott promises consumers he can take their credit scores higher, and it ends with consumers discovering that, for all the promises of success, the Scotts have done little for them other than take their money.

2. What the Defendants have also done is violate federal and state law in several aspects of their business, all to the detriment of Alabama consumers. They have engaged in deceptive advertising that perpetuates their empty promises of better lives for their customers, they have made false statements to both credit bureaus and to consumers, they have defrauded consumers by illegally charging them before services are completed and by charging them different rates than those they advertise, and they have failed to permit at least one consumer to cancel their services within three days in violation of the federal law governing credit repair businesses.

3. The Attorney General now brings this action in the public interest, to protect the public welfare, and pursuant to his general statutory and common law authority powers and duties under the Deceptive Trade Practices Act. The State seeks injunctive relief that would, *inter alia*, prevent the Defendants from ever again operating in the State of Alabama and require the Defendants to pay refunds, penalties, costs, and fees as permitted under state law.

PARTIES

4. The State of Alabama, acting through Attorney General Steve Marshall, is specifically authorized to seek civil enforcement of the Deceptive Trade Practices Act. *See* Ala. Code § 8-19-11.

5. Defendant Scott's Credit Repair, Inc. is an Alabama non-profit corporation with its principal place of business at 4131 Carmichael Road, Suite 15, Montgomery, Alabama, 36106. At all times relevant to this action, Scott's Credit Repair has transacted business in this circuit and throughout Alabama.

6. Defendant John Scott is the incorporator, owner, manager, and a director of Scott's Credit Repair. Mr. Scott resides at 7407 Fairway Drive, Montgomery, Alabama 36116. At all times relevant to this action, Mr. Scott has transacted business in this circuit and throughout Alabama.

7. Defendant Krystal Scott is the registered agent and a director of Scott's Credit Repair. Mrs. Scott resides at 7407 Fairway Drive, Montgomery, Alabama 36116. At all times relevant to this action, Mrs. Scott has transacted business in this circuit and throughout Alabama.

JURISDICTION AND VENUE

8. This Court has jurisdiction over this action because the Code of Alabama authorizes the Attorney General to initiate suit against any person who has violated the provisions of the Deceptive Trade Practices Act, Ala. Code § 8-19-8, *et seq.* Further, the acts and practices at issue in this case took place across Alabama, including in Montgomery County, and this Court is authorized to hear actions for temporary and permanent injunctive relief. *See* Ala. Code § 6-3-7(a)(1); Ala. Code § 12-11-31.

FACTUAL ALLEGATIONS

9. From beginning to end, the consumer experience with Scott's Credit Repair is rooted in deception and illegality. The Defendants gain customers through deceptive advertising and vague guarantees of performance. When consumers actually hire the Defendants, the Defendants defraud them by illegally requiring them to pay for services before they are complete and by charging them higher-than-advertised prices for no legitimate reason. Once the Defendants do begin working for a consumer, they routinely make false representations to those consumers and to credit bureaus.

A. The Defendants Have Engaged In False And Deceptive Advertising Practices.

10. Some consumers find out about the Defendants' business through their advertisements, which promise consumers a future in which they can buy a large home or an expensive sports car or in which they can buy that new home or car "with little to no money down." These are empty promises. The Defendants have no way of guaranteeing these results or substantiating these claims. Yet they make them as if such results were commonplace. They are not, and to pretend otherwise is deceptive.

11. In one advertisement, located on the Defendants' website, three women talk about their "experiences" with the Defendants' services. At the 0:11 mark of that advertisement, a woman gestures toward photographs of a large house

and an expensive sports car (see Picture 1 below) and says “Look what they’ve done for me.” *See* (<http://scottscreditrepair.net/>)(last accessed October 20, 2017).



[Picture 1]

12. The Defendants did not help this woman buy that house or that car, and her representation to the contrary is a fraudulent effort to lure consumers to the Defendants’ business through false promises of success. And it is not the only deceptive advertisement the Defendants have employed.

13. In a video advertisement located on their Facebook page, the Defendants claim that their customers can purchase a new home or new car, “with little to zero down.” *See* (https://www.facebook.com/pg/Scott-Credit-Repair-1378767615735830/videos/?ref=page_internal)(advertisements dated March 19, 2016, and December 9, 2015)(last accessed October 20, 2017). But the Defendants

cannot possibly guarantee that a consumer will be able to buy a new home or new car “with little to zero down,” even if the Defendants’ services actually improved the consumer’s credit rating, and the Defendants are misleading consumers by making that claim.

14. The Defendants have also misled consumers with their social media postings. On multiple occasions, the Defendants have re-posted social media posts made by their customers, but at least one of those testimonials was simply false. John Scott offered one of his customers, Rakema Lee, seventy-five dollars to make a post that spoke well of the Defendants’ business. In order to receive payment from Mr. Scott, Ms. Lee made a false Facebook post telling of the success she had had with the Defendants’ services. Specifically, Ms. Lee represented that Mr. Scott had helped her purchase a new car at a good rate. That statement was false. Nevertheless, the Defendants, fully aware that Ms. Lee’s post was fraudulent, re-posted it on multiple occasions.

15. But the Defendants do not only make false statements to draw consumers to their business. They continue making false statements to their new customers as part of their business practices.

B. The Defendants Have Made Deceptive Statements To Consumers In The Course Of Their Business.

16. When Mr. Scott initially meets with a consumer, he tends to make promises he simply cannot keep. For example, Mr. Scott promised Deray Williams

that he would have every negative inquiry removed from his credit report. He made the same promise to Rakema Lee. But Mr. Scott could not possibly deliver on those promises.

17. Although it is true that credit bureaus are required to “modify or remove *inaccurate or incomplete information*” from a consumer’s credit report, 15 U.S.C. § 1679c(a)(emphasis added), there is no requirement that they remove accurate information. And while Mr. Scott does technically inform consumers of that reality in the Terms and Conditions form he gives them to sign when they hire him, he nevertheless makes this promise to consumers to sell them on his services, regardless of the law or even the statements contained in his own Terms and Conditions.

18. Mr. Scott has made other promises as well. For example, he promised one consumer that he would improve his credit score to 720. He promised another consumer that he would improve her credit score to something over 700. He promised another consumer that she would be able to buy a new home within one year. But, as with his advertisements, Mr. Scott cannot make these guarantees. Even if he were to be successful in his efforts, which as discussed below, are oftentimes prone to failure, the specific results he promises consumers are beyond his ability to guarantee. Yet he convinced these consumers to hire him – and pay him – based on his promises.

19. While Mr. Scott has made consumers these promises about what he could do, he has not always been open about how he would fulfill his promises. For example, when Mr. Scott met with Deray Williams, Mr. Williams asked how Mr. Scott would go about improving his credit score. Mr. Scott did not explain what he was going to do to improve Mr. Williams's credit; he only told him that he was able to do it. As it turns out, how Mr. Scott attempts to improve his customers' credit scores is highly problematic.

C. The Defendants Have Made Deceptive Statements To Credit Bureaus In The Course Of Their Business.

20. The evidence collected by the Attorney General tends to show that the Defendants engage in the process known as "jamming" in order to improve their customer's credit. A credit repair business – or a consumer acting on his own behalf for that matter – engages in "jamming" by disputing most, if not all, negative items on the consumer's credit report. This results in the items being temporarily removed from the consumer's credit report while the credit bureau investigates. This, in turn, results in the consumer's credit score rising because those negative items are no longer listed. But once the challenged entries have been investigated and confirmed, they reappear on the consumer's credit report, causing the consumer's credit score to drop once again.

21. With regard to the Defendants, multiple consumers have reported to the Attorney General that the Defendants tell them they will improve their credit

by challenging negative items on their credit reports. But, those consumers also say, the Defendants do not ask about any specific negative information on their credit reports in order to determine whether it is accurate. Consumers also report that, once the Defendants begin working on their cases, they begin receiving correspondence from credit bureaus, which demonstrates both that the Defendants had filed disputes and that they had not first consulted with their customers about what items should be disputed. Furthermore, a sampling of the Defendants' customers' credit files obtained by the Attorney General indicates that, in those cases, the Defendants did, in fact, make numerous challenges to negative items on their customers' credit reports, only to have the credit bureau frequently determine that the information was accurate and properly listed on those customers' credit reports.

22. In sum, the evidence gathered by the Attorney General shows that the Defendants indiscriminately dispute entries on consumer credit reports without regard for the legitimacy of those disputes. That conduct is deceptive.

23. In addition, on at least one occasion, the Defendants went so far as to falsely claim on behalf of one consumer, Deray Williams, that Mr. Williams was a victim of identity theft and that certain items on his credit report did not rightfully belong in his name. However, Mr. Williams has reported to the Attorney General that he has not been a victim of identity theft, that he never told the Defendants that

he had been, and that he did not authorize the Defendants to make any identity theft claims on his behalf.

24. In addition to Mr. Williams, at least one other consumer has reported to the Attorney General that the Defendants falsely reported to at least one credit bureau that her identity had been stolen. Furthermore, the Attorney General's review of the Defendants' files indicates that claims of identity theft have been a common refrain in their business practices. It is reasonable to conclude that many of those claims were also fabricated.

D. The Defendants Have Defrauded Their Customers In Violation Of State And Federal Law.

25. Not only do the Defendants practice deception in their advertising and in their business practices, they also engage in fraudulent conduct that deprives their customers of their money and their rights.

1. The Defendants illegally require consumers to pay for services before the Defendants have completed work on their cases.

26. Although this complaint alleges violations of state law, some aspects of federal law, particularly the Credit Repair Organizations Act, 15 U.S.C. § 1679, *et. seq.*, are relevant.¹ The Credit Repair Organizations Act prohibits a credit repair

¹ The purposes of the Credit Repair Organizations Act are “(1) to ensure that prospective buyers of the services of credit repair organizations are provided with the information necessary to make an informed decision regarding the purchase of such services; and (2) to protect the public from unfair or deceptive advertising and business practices by credit repair organizations.” 15 U.S.C. § 1679(b)(1). The

organization from “charg[ing] or receiv[ing] any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform before such service is fully performed.” 15 U.S.C. § 1679b(b). Nevertheless, the Defendants require consumers to make payment in advance as a matter of practice. Indeed, the Defendants promise consumers a “110% Money Back Guarantee” if they “cannot improve [a consumer’s] credit profile within one year.” *See* (<http://scottscreditrepair.net/docs/certificate%20of%20authorization.pdf>)(last accessed October 20, 2017). Of course, one cannot make a money-back guarantee if he has not already been paid. Thus, the fact that the Defendants’ “110% Money Back Guarantee” is a standard offering demonstrates that their illegal conduct is a matter of routine. Indeed, a number of the Defendants’ customers have confirmed that this is their practice. This conduct is deceptive, as it causes consumers to pay for services before work is completed when the Defendants are expressly prohibited from requiring them to do so.

27. But the Defendants do not only defraud consumers by illegally charging them in advance, they also charge them fees that vary from their advertised prices without explanation.

states have authority to enforce the provisions of the Credit Repair Organizations Act. *See* 15 U.S.C. § 1679h(c).

2. The Defendants charge consumers higher-than-advertised prices for no legitimate or justifiable reason.

28. The Defendants advertise one-year, two-year, and three-year service plans for \$600, \$1200, and \$1800, respectively. It appears from the Attorney General's investigation that most customers sign up for one year of service, which, according to the Defendants' published fees, should cost them \$600 – once the work is completed. However, numerous consumers have hired Scott's Credit Repair for one year of service and been charged a rate higher than \$600. The Attorney General has yet to uncover any legitimate reason for the Defendants' decisions to charge these consumers larger fees than those the Defendants advertise.

29. For example, Deray Williams hired the Defendants to perform services for a period of one year, and Mr. Scott told him that he had to pay a \$1000 fee because he had a large number of inquiries on his credit report. Mr. Scott told Rakema Lee the same thing when she hired Scott's for a one-year period of service. Yet there is nothing in the Defendants' advertisements, on their website, or in their consumer contracts that notifies consumers that they may be charged a higher fee based on their particular circumstances. Nevertheless, those consumers – and several others – have still paid a larger fee.

30. In one case, Mr. Scott told one customer, Jandel Lewis, that he could improve her credit score within one year, and so she signed up for one year of

service. The Defendants then charged Ms. Lewis a \$1000 fee. But in Mrs. Lewis's case, Mr. Scott never even bothered to give her a reason why she had to pay him the extra \$400. Rather, he just told her that that was the fee he charged. But, again, that is not the fee the Defendants advertise, and it appears that they charged Ms. Lewis, Mr. Williams, and Ms. Lee – as well as numerous other customers – higher fees simply because they could. This is fraudulent.

31. Once the consumer has agreed to hire Scott's Credit Repair and paid all or part of whatever fee the Defendants have decided to charge that day, the Defendants still fail to provide services in a manner that complies with federal law.

E. The Defendants Illegally Refused To Permit A Consumer To Cancel Their Services.

32. The Credit Repair Organizations Act clearly states that a consumer may cancel his or her contract with a credit repair organization “without penalty of obligation by notifying the credit repair organization of the consumer's intention to do so at any time before midnight of the 3rd business day” after the date on which the consumer enters into the contract with the credit repair organization. 15 U.S.C. § 1679e(a). Despite the clarity of this provision, the Defendants blatantly refused to allow a consumer to cancel their services in accordance with this provision.

33. Jandel Lewis hired Scott's Credit Repair and made an initial payment of \$500.00 on October 12, 2016. That very day, Mr. Scott drove from Montgomery to Ms. Lewis's bank in Auburn and cashed her check. The next day, Ms. Lewis

made multiple attempts to contact Mr. Scott in order to cancel the Defendants' services. Mr. Scott did not answer her emails or text messages, and he appeared to avoid her telephone calls as well. When Ms. Lewis was finally able to reach Mr. Scott – after she had to resort to calling him from her husband's telephone – he refused to allow her to cancel, telling her that he had already begun work on her case. Ms. Lewis has seen no evidence that Mr. Scott has done any work on her case, and as far as the Attorney General is aware, Mr. Scott has continued to refuse Ms. Lewis's request to cancel his services. Because of Mr. Scott's refusal to permit Ms. Lewis to cancel his services, she filed suit in the Montgomery County Small Claims Court to recover the money she paid him. *See Lewis v. Scott*, Montgomery County District Court Case Number SM-2016-760.

VIOLATIONS OF LAW

34. The State adopts paragraphs 1-33 as if fully set out herein.

35. In light of the facts set out above, and under the authority conferred upon him by the Deceptive Trade Practices Act, the Attorney General alleges that the Defendants have committed the following violations of Alabama law:

A. The Defendants Have Made Deceptive Statements To Consumers And Credit Bureaus In The Course Of Their Business.

36. In several aspects of their business, the Defendants have made false or misleading statements to consumers and credit bureaus. That conduct is expressly forbidden by the Deceptive Trade Practices Act, which prohibits various forms of deceptive conduct, including “[e]ngaging in any other unconscionable, false, misleading, or deceptive act or practice in the conduct of trade or commerce.” Ala. Code § 8-19-5(27).

37. The Defendants have repeatedly committed deceptive acts in the course of their business as set out below.

1. The Defendants have engaged in deceptive advertising.

COUNT ONE

38. The State adopts paragraphs 1-37 as if fully set out herein.

39. The Defendants’ website contains a video advertisement in which a woman points directly to photographs of a large house and an expensive sports car

(see Picture 2 below) and says “Look what they’ve done for me.” *See* (<http://scottscreditrepair.net/>)(last accessed October 20, 2017).



[Picture 2]

40. The Defendants did not help this woman buy that house or that car. Thus, this advertisement constitutes a “false, misleading, or deceptive act or practice in the conduct of trade or commerce” in violation of the Deceptive Trade Practices Act. *See* Ala. Code § 8-19-5(27).

COUNT TWO

41. The State adopts paragraphs 1-40 as if fully set out herein.

42. In a separate advertisement located on their Facebook page, the Defendants claim that their customers can purchase a new home or new car, “with little to zero down.” *See* (<https://www.facebook.com/pg/Scott-Credit-Repair->

1378767615735830/videos/?ref=page_internal, at approx. 0:10)(advertisements dated March 19, 2016, and December 9, 2015)(last accessed October 20, 2017).

43. But the Defendants cannot guarantee that a consumer will be able to buy a new home or new car “with little to zero down,” regardless of whether their services actually improve a consumer’s credit rating. To make that guarantee is misleading, and it constitutes a “false, misleading, or deceptive act or practice in the conduct of trade or commerce” in violation of Deceptive Trade Practices Act. *See* Ala. Code § 8-19-5(27).

COUNT THREE

44. The State adopts paragraphs 1-43 as if fully set out herein.

45. John Scott paid Rakema Lee seventy-five dollars in exchange for a positive posting on social media regarding the quality of the Defendants’ services. Ms. Lee then made a false Facebook post touting the effectiveness and the quality of the Defendants’ services, which the Defendants reposted multiple times despite knowing those statements were false.

46. By reposting Ms. Lee’s false posts, the Defendants violated the Deceptive Trade Practices Act’s prohibition against “[e]ngaging in any other unconscionable, false, misleading, or deceptive act or practice in the conduct of trade or commerce.” Ala. Code § 8-19-5(27).

- 2. The Defendants have made deceptive statements to consumers and credit bureaus in the conduct of their business.**

COUNT FOUR

47. The State adopts paragraphs 1-46 as if fully set out herein.

48. The Defendants have lodged numerous disputes with credit bureaus challenging certain items on their customers' credit reports. The Defendants lodged those disputes without regard for whether the items were accurate, and on numerous occasions, the challenged items were in fact determined to be accurate.

49. The Defendants conduct – lodging disputes to entries on customer credit reports in bad faith – constitutes a series of “false, misleading, or deceptive act[s] or practice[s] in the conduct of trade or commerce” in violation of the Deceptive Trade Practices Act. Ala. Code § 8-19-5(27).

COUNT FIVE

50. The State adopts paragraphs 1-49 as if fully set out herein.

51. The Defendants falsely represented to at least one credit bureau that Deray Williams had been a victim of identity theft and that certain items listed in his credit report were not attributable to him but were instead caused by the person(s) who stole his identity.

52. By falsely reporting to a credit bureau that Mr. Williams had been a victim of identity theft, and that information on his credit report that resulted from the alleged identity theft should be removed, the Defendants engaged in a “false,

misleading, or deceptive act or practice in the conduct of trade or commerce” in violation of the Deceptive Trade Practices Act. *See* Ala. Code § 8-19-5(27).

B. The Defendants Have Defrauded Consumers By Requiring Them To Make Payment Before Work On Their Cases Is Complete And By Charging Them Higher-Than-Advertised Fees.

53. The State adopts paragraphs 1-52 as if fully set out herein.

54. The Defendants have also defrauded their customers by requiring them to pay for services in advance and by charging them fraudulent, higher-than-advertised fees.

COUNT SIX

55. The State adopts paragraphs 1-54 as if fully set out herein.

56. The Credit Repair Organizations Act prohibits a credit repair organization from “charg[ing] or receiv[ing] any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform before such service is fully performed.” 15 U.S.C. § 1679b(b). Thus, it is illegal for the Defendants to charge a consumer anything before they complete the work the consumer hired them to do. Nevertheless, the Defendants, as a matter of practice, require their customers to pay in full before they complete work on the customers’ cases. On each and every occasion where the Defendants have charged consumers and accepted payment before completing work on those consumers’ cases, they have done so in violation

of federal law, which expressly prohibits requiring consumers to pay for credit repair services before the work is completed.

57. By requiring consumers to make payments that the Defendants are prohibited from accepting, the Defendants have engaged in a series of “unconscionable, false, misleading, or deceptive act[s] or practice[s] in the conduct of trade or commerce” in violation of the Deceptive Trade Practices Act. Ala. Code § 8-19-5(27).

COUNT SEVEN

58. The State adopts paragraphs 1-57 as if fully set out herein.

59. The Defendants clearly offer specific fees for one-, two-, and three-year periods of service. Nevertheless, the Defendants’ have routinely charged consumers higher fees, and they have given consumers fraudulent reasons for those charges, when they have even given a reason at all.

60. Ultimately, the Defendants charged their customers higher fees than their advertised rates simply because they could. By doing so, they violated the Deceptive Trade Practices Act’s prohibition against “[e]ngaging in any other unconscionable, false, misleading, or deceptive act or practice in the conduct of trade or commerce.” Ala. Code § 8-19-5(27).

COUNT EIGHT

61. The State adopts paragraphs 1-60 as if fully set out herein.

62. The Credit Repair Organizations Act provides as follows:

Any consumer may cancel any contract with any credit repair organization without penalty or obligation by notifying the credit repair organization of the consumer's intention to do so at any time before midnight of the 3rd business day which begins after the date on which the contract or agreement between the consumer and the credit repair organization is executed or would, but for this subsection, become enforceable against the parties.

15 U.S.C. § 1679e(a).

63. Scott's Credit Repair, and John Scott specifically, violated this provision when Mr. Scott refused to permit Jandel Lewis to cancel her contract one day after she entered into it. Thus, the Defendants blatantly violated the Credit Repair Organizations Act's guarantee of the right to cancel within three days, *see* 15 U.S.C. § 1679e(a), and by doing so, they engaged in an "unconscionable, false, misleading, or deceptive act or practice in the conduct of trade or commerce" in violation of the Deceptive Trade Practices Act. Ala. Code § 8-19-5(27).

REQUEST FOR RELIEF

Wherefore, the State respectfully requests the following relief:

- A. A holding that Defendants made continuous and willful violations of the Deceptive Trade Practices Act.
- B. Permanent injunctive relief as authorized by Section 8-19-8 of the Code of Alabama.
- C. Actual damages to affected consumers under Section 8-19-10 of the Code of Alabama.
- D. Penalties under Section 8-19-11 of the Code of Alabama.
- E. Attorneys' fees and costs pursuant to Section 8-19-11 of the Code of Alabama.
- F. Other appropriate relief as this Court deems just and proper.

Respectfully submitted,

Steve Marshall
Attorney General

/s/Michael G. Dean
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Certificate of Service

I hereby certify that on this 23rd day of October, 2017, I have electronically filed the foregoing with the Clerk of Court using the AlaFile system, and I have forwarded a copy of same to the Defendants, either by hand delivery or by sending the same via certified United States mail, addressed as follows:

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/s/Michael G. Dean
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