

1 BILL LOCKYER, Attorney General
of the State of California
2 ALBERT NORMAN SHELDEN
Senior Assistant Attorney General
3 RONALD A. REITER (Cal. State Bar. No. 62497)
Supervising Deputy Attorney General
4 JOSEPH RAGAZZO (Cal. State Bar No. 113182)
Deputy Attorneys General
5 455 Golden Gate Avenue, Suite 11000
San Francisco, CA 94102-7004
6 Telephone: (415) 703-5554; (415) 703-5570
Facsimile: (415) 703-5480
7

8 *Attorneys for Plaintiff*

ENDORSED
FILED
San Francisco County Superior Court

NOV 14 2006

GORDON PARK-LI, Clerk
BY: CRISTINA E. BAUTISTA Clerk
CASE MANAGEMENT CONFERENCE SET

APR 13 2007 -9⁰⁰AM

DEPARTMENT 212

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 IN AND FOR THE COUNTY OF SAN FRANCISCO
12 UNLIMITED JURISDICTION

13
14 PEOPLE OF THE STATE OF CALIFORNIA,
15 Plaintiff,
16 v.
17 RENT-A-CENTER, INC., and RAC WEST,
18 INC.,
19 Defendants.
20

Case No. **03C06 - 457887**

**COMPLAINT FOR CIVIL
PENALTIES, RESTITUTION,
INJUNCTIVE RELIEF, AND
OTHER EQUITABLE RELIEF**

21 Plaintiff, the People of the State of California (the "People" or "Plaintiff"), alleges the
22 following on information and belief:

23 **THE PARTIES AND VENUE**

24 1. This Court has jurisdiction of the subject matter of this action and of the parties.
25 Venue as to all matters between the parties relating to this action is proper in this Court.

26 2. Defendants Rent-A-Center, Inc. and RAC West, Inc. are Delaware corporations
27 and at all relevant times have transacted business in the State of California, including in the
28

1 County of San Francisco. (Defendants are hereafter collectively referred to as "RAC.")

2 3. The violations of law alleged in this Complaint occurred in San Francisco County
3 and elsewhere in California.

4 **DEFENDANTS' BUSINESS PRACTICES**

5 4. The allegations of this Complaint cover only the time period beginning on
6 November 1, 2004 through the date of the filing of this Complaint.

7 5. RAC is engaged in the business of renting and selling new and used household
8 merchandise such as electronic sets such as televisions, computers, furniture and appliances to
9 the general public. Typically, customers enter into a self-renewing weekly or monthly lease
10 ("rental-purchase agreement") for the rented merchandise, with an option to purchase the
11 merchandise, either by continuing to pay rent for a specified period of time, or by early payment
12 of some specified proportion of the remaining lease payments ("Early Purchase Option").

13 6. In California, RAC is subject to the provisions of the the Karnette Rental-
14 Purchase Act (Civil Code section 1812.620 et. seq.). Under the Karnette Rental-Purchase Act,
15 rent-to-own companies must adequately disclose to customers the "Cash Price" of the rented
16 merchandise which means the price at which retail sellers are selling and retail buyers are buying
17 the same or similar property for cash in the same trade area in which the lessor's place of
18 business is located.

19 7. In setting the Cash Price of its merchandise in California, RAC failed to
20 determine the price at which other retailers were selling the same or similar property for cash in
21 the same trade area as required by law. Instead, RAC established its Cash Price for
22 merchandise by a formula it called "two times landed cost," or twice its actual cost plus freight
23 charges in violation of California law.

24 8. RAC also offers and sells to its customers, memberships in a "Preferred Customer
25 Club" (The Club) for an additional weekly or monthly fee. The Club purports to provide
26 discounts, benefits, or services to customers on a preferential basis not made generally available
27 to the public.
28

1 **FIRST CAUSE OF ACTION**

2 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE**
3 **SECTION 17500 (UNTRUE OR MISLEADING STATEMENTS)**

4 9. The People allege and incorporate by reference paragraphs 1 through 8 of this
5 Complaint.

6 10. RAC has violated Business and Professions Code section 17500, as set forth
7 below, by making or causing to be made untrue or misleading statements, which RAC knows or
8 by exercise of reasonable care should know are untrue or misleading, with the intent to induce
9 members of the public to rent or purchase RAC's goods and services:

- 10 A. RAC disseminated or caused to be disseminated statements which
11 misrepresented the Cash Price of electronic sets, computer systems, and
12 appliances subject to the rental purchase agreement because it failed to
13 establish the Cash Price by determining the price at which other retailers
14 were selling the same or similar property for cash in the same trade area as
15 required by Civil Code §1812.622 (e).
- 16 B. RAC disseminated or caused to be disseminated statements which
17 misrepresented the actual "Cost of Rental" as defined under Civil Code
18 §1812.622(f) for electronic sets, computer systems, and appliances
19 because it calculated the Cost of Rental based on an improper
20 determination of the Cash Price.
- 21 C. RAC disseminated or caused to be disseminated statements which
22 misrepresented the cost of acquiring ownership of electronic sets,
23 computer systems, and appliances under an Early Purchase Option as
24 provided in Civil Code §1812.632(a) because it calculated the Early
25 Purchase Option based on an improper determination of the Cash Price.
- 26 D. RAC disseminated or caused to be disseminated statements which
27 misrepresented the terms, features, discounts and benefits of the Preferred
28

1 Customer Club that it sold to customers, including the following:

2 (1) RAC disseminated or caused to be disseminated statements which
3 purported to provide an extended warranty, insurance, or service contract
4 for rental merchandise when in fact this was not true.

5 (2) RAC disseminated or caused to be disseminated statements which
6 purported to provide "up to \$500 in discounts off your grocery bill" when
7 in fact to obtain the maximum \$500 in grocery discounts as
8 advertised, the consumer would have to pay over \$100.00 in additional
9 handling and postage fees.

10 (3) RAC disseminated or caused to be disseminated statements which
11 purported to provide a "free loaner" of the same or similar merchandise to
12 customers while the rented or purchased merchandise was being repaired,
13 when in fact this was not true because a consumer could not obtain a free
14 loaner if the merchandise was rendered inoperable by "intentional acts" or
15 "negligence" as determined by RAC.

16 (4) RAC disseminated or caused to be disseminated statements which
17 purported to provide a "Guaranteed Replacement Program" that
18 provided "an increased level of protection on the rental merchandise in
19 the custody of the Club Member" by providing a replacement of the rental
20 merchandise and the continuation of the customers' rental-purchase
21 agreement when the merchandise is damaged or destroyed by accident,
22 fire, flood, natural disaster, or burglary, when in fact this was not true.
23 This program offered nothing to the customer that is not already provided
24 by law.

25 **SECOND CAUSE OF ACTION**

26 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200**
27 **(UNLAWFUL BUSINESS ACTS OR PRACTICES)**

1 11. The People allege and incorporate by reference paragraphs 1 through 10 of this
2 Complaint.

3 12. RAC has committed acts of unfair competition, as defined in Business and
4 Professions Code section 17200, by engaging in the following acts or practices:

5 A. RAC established a Cash Price in its rental-purchase agreements for new and
6 used electronic sets, computer systems, and appliances that exceeded the
7 Cash Price it was permitted to charge as defined under Civil Code
8 §1812.622 (e).

9 B. RAC established a Cash Price in its rental-purchase agreements for new
10 and used electronic sets, computer systems, and appliances that exceeded the
11 Cash Price it was permitted to charge and failed to refund to consumers all
12 amounts paid in violation of Civil Code §1812.644 (d).

13 C. RAC established a higher price of acquiring ownership of electronic sets,
14 computer systems, and appliances under the Early Purchase Option than was
15 it was permitted to charge under Civil Code §1812.632(a) because it
16 calculated the Early Purchase Option based on an improper determination of
17 the Cash Price.

18 D. In violation of Civil Code section 1812.624(a)(3), RAC offered to sell and
19 sold as part of its Club Program benefits that purported to provide an
20 extended warranty, insurance, or service contract for rental merchandise.

21 E. In violation of Health & Safety Code section 445, RAC offered to sell and
22 sold for profit as part of its Club Membership Program discount medical
23 service plans, including but limited to physician networks, vision discounts;
24 dental discounts, hearing aid discounts, prescription discounts, and medical
25 supplies.

26 F. In violation of Business and Professions Code section 17537.7, RAC offered
27 to sell and sold as part of its Club Membership Program, automotive purchase
28

1 discount services which offered to sell certain vehicles at a price below
2 "dealer invoice."

3 G. In violation of Civil Code section 1770(a)(17), RAC offered to sell and sold
4 for consideration as part of its Club Membership Program, redeemable points
5 called "Bonus Bucks" that could be used for future purchases or other
6 economic benefits but were contingent upon a future event such as customer
7 referrals.

8 H. Defendant violated Business and Professions Code section 17500 as set forth
9 in the First Cause of Action.

10 **WHEREFORE**, Plaintiff prays for judgment as follows:

11 1. Pursuant to Business and Professions Code sections 17535 and 17203, that RAC, its
12 agents, employees, officers, representatives, successors, partners, assigns, and all persons acting in
13 concert or participating with him, be permanently enjoined from violating Business and Professions
14 Code sections 17500 and 17200, including but not limited to the violations alleged in this Complaint;

15 2. Pursuant to Business and Professions Code sections 17536 and 17206, that the Court
16 assess civil penalties against RAC for each violation of Business and Professions Code sections
17 17200 and 17500 as alleged in this Complaint;

18 3. Pursuant to Business and Professions Code sections 17535, and 17203, that RAC be
19 ordered to make restitution of any money or other property that may have been acquired by its
20 violations of Business and Professions Code sections 17200 and 17500;

21 4. That the People recover their costs of suit; and

22 ///

23 ///

24 ///

25 ///

26 ///

27 ///

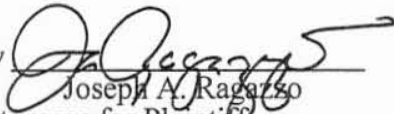
28

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

5. That the Court grant such other and further relief as it may deem just and proper.

Dated: November 14, 2006

BILL LOCKYER
Attorney General
ALBERT NORMAN SHELDEN
Senior Asst. Attorney General
RONALD A. REITER
Supervising Deputy Attorney General
JOSEPH A. RAGAZZO
Deputy Attorney General

By 
Joseph A. Ragazzo
Attorneys for Plaintiff,
the People of the State of California